

SILVER PHOENIX RESOURCES INC.

(An Exploration Stage Company)

Condensed Interim Financial Statements

September 30, 2011
(Unaudited)

Readers Note:

These unaudited interim financial statements for the nine months ended September 30, 2011 of Silver Phoenix Resources Inc. (~~Silver Phoenix~~ or the ~~Company~~) have been prepared by management and have not been subject to review by the ~~Company's~~ auditors.

Silver Phoenix Resources Inc.
Condensed Interim Statement of Financial Position
(Unaudited)

	Notes	September 30, 2011	December 31, 2010
ASSETS			
Current assets			
Cash and cash equivalent	5	\$ 54,403	\$ 143,087
Trade and other receivable	6	54,451	13,727
Prepaid expenses		250	1,000
Available-for-sale investment	7	28,500	123,500
Total current assets		137,604	281,314
Non-current assets			
Property, plant and equipment	8	3,588	4,515
Exploration and evaluation assets	9	177,421	180,501
Total non-current assets		181,009	185,016
Total assets		\$ 318,613	\$ 466,330
LIABILITIES			
Current liabilities			
Trade and other payables	10	\$ 119,244	\$ 135,502
Total current liabilities		119,244	135,502
SHAREHOLDERS' EQUITY			
Share capital	11	1,024,029	989,029
Subscription received in advance		-	35,000
Contributed surplus	12	106,124	106,124
Accumulated other comprehensive loss		(22,250)	77,000
Deficit		(908,534)	(876,325)
Total shareholder's equity		199,369	330,828
Total liabilities and shareholder's equity		\$ 318,613	\$ 466,330

(The accompanying notes are an integral part of these condensed interim financial statements.)

Silver Phoenix Resources Inc.

Condensed Interim Statement of Comprehensive Loss/Income

For the nine months ended September 30, 2011

(Unaudited)

		Three Months Period Ended September 30,		Nine Months Period Ended September 30,	
	Notes	2011	2010	2011	2010
Interest and other income		\$ 204	\$ 2,386	\$ 1,007	\$ 3,525
Expenses					
Depreciation	8	309	422	927	1,173
Gain on option of mineral property	9	-	-	(116,500)	(90,000)
General exploration expenses		-	-	-	790
General and administrative expenses	17	36,911	32,820	136,539	157,905
Total expenses		37,220	33,242	20,966	69,868
Loss for the period		(37,016)	(30,856)	(19,959)	(66,343)
Other comprehensive loss					
Fair value gain (loss) on available-for-sale investments	7	(16,000)	25,400	(22,250)	10,375
Total comprehensive income (loss) for the period attributed to owners of the company		\$ (53,016)	\$ (5,456)	\$ (42,209)	\$ (55,968)
Income (loss) per common shares, basic and diluted		\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.01)

(The accompanying notes are an integral part of these condensed interim financial statements.)

Silver Phoenix Resources Inc.
Condensed Interim Statement of Changes in Equity
For the nine months ended September 30, 2011
(Unaudited)

	Common shares		Contributed Surplus	Subscription Receivables	Other Comprehensive Loss	Deficit	Total
	Number	Amount					
		\$	\$	\$	\$	\$	\$
Balance, January 1, 2010	6,830,520	989,029	106,124		(12,250)	(772,145)	310,758
Subscription receivables				30,000			30,000
Available-for-sale investment					22,625		22,625
Loss for the period						(66,343)	(66,343)
Balance, September 30, 2010	6,830,520	989,029	106,124	30,000	10,375	(838,488)	297,040
Balance, January 1, 2011	6,830,520	989,029	106,124	35,000	77,000	(876,325)	330,828
Private placement	70,000	35,000		(35,000)			-
Available-for-sale investment					(99,250)		(99,250)
Reclassification relating to loss on available-for sale investment						(12,250)	(12,250)
Income for the period						(19,959)	(19,959)
Balance, September 30, 2011	6,900,520	1,024,029	106,124	-	(22,250)	(908,534)	199,369

(The accompanying notes are an integral part of these condensed interim financial statements.)

Silver Phoenix Resources Inc.
Condensed Interim Statement of Cash Flows
For the nine months ended September 30, 2011
(Unaudited)

		Three Months Period Ended September 30,		Nine Months Period Ended September 30,	
	Notes	2011	2010	2011	2010
Cash flows from operating activities					
Net income (loss) for the period		\$ (37,016)	\$ (30,856)	\$ (19,959)	\$ (66,343)
Adjustment to add (deduct) non-cash items:					
Depreciation	8	309	422	927	1,173
Gain on option of mineral property		-	-	(116,500)	(90,000)
		(36,707)	(30,434)	(135,532)	(155,170)
Changes in non-cash working capital adjustments:					
Trade and other receivables		(489)	(142)	9,276	13,020
Trade and other payables		(2,211)	(11,017)	(16,258)	(13,442)
Prepaid expenses		250	250	750	750
Mineral properties		-	-	-	790
Net cash flows (used in) from operating activities		(39,157)	(41,343)	(141,764)	(154,052)
Cash flows from investing activities					
Acquisition of property, plant and equipment		-	-	-	(1,652)
Amount received on option of mineral property		-	50,000	50,000	50,000
Investment in exploration and evaluation assets		(300)	(3,871)	(3,800)	(5,759)
Mining tax credit received		6,880	6,531	6,880	6,531
Mineral property write-off		-	-	-	(790)
Net cash (used in)from investing activities		6,580	52,660	53,080	48,330
Cash flows from financing activities					
Proceeds from share issuance		-	-	35,000	-
Subscription received in advance		-	-	(35,000)	30,000
Net cash (used in)from financing activities		-	-	-	30,000
Increase (decrease) in cash		(32,577)	11,317	(88,684)	(75,722)
Cash and cash equivalent, beginning of period		86,980	175,507	143,087	262,546
Cash and cash equivalent, end of period		54,403	186,824	54,403	186,824

(The accompanying notes are an integral part of these condensed interim financial statements.)

Silver Phoenix Resources Inc.
Notes to the Condensed Interim Statement
For the nine months ended September 30, 2011
(Unaudited)

1. GENERAL BUSINESS DESCRIPTION

The condensed interim financial statements of the Silver Phoenix Resources Inc. (the "Company") for the nine months ended September 30, 2011 were authorized for issue by the Board of Directors on November 24, 2011.

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. To date, the Company has not generated revenues from its principal activities and is considered to be in the exploration stage.

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. The Company's continuing operations, and the recoverability of the amounts shown for mineral properties 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 business of exploring for and mining of minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations.

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.

2. BASIS OF PREPARATION

The condensed 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").

These are the Company's first IFRS interim financial statements for part of the period covered by the Company's first IFRS annual financial statements for the year ended December 31, 2011. Previously, the Company prepared its annual and interim financial statements in accordance with Canadian generally accepted accounting principles ("GAAP").

The Condensed interim financial statements are presented in Canadian Dollars, which is also the Company's functional currency, unless otherwise indicate.

The condensed interim financial statements were prepared on a going concern basis, under the historical cost convention. The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain financing and generate positive cash flows from its operations. Management of the Company does not expect that cash flows for the Company's operations will be sufficient to cover all of its operating requirements, financial commitments and business development priorities during the next twelve months. Accordingly, the Company expects that it will need to obtain further financing in the form of debt, equity or a combination thereof for the next twelve months. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms. If adequate funds are not available, the Company may be required to delay or reduce the scope of any or all of its development projects.

Silver Phoenix Resources Inc.
Notes to the Condensed Interim Statement
For the nine months ended September 30, 2011
(Unaudited)

3. SIGNIFICANT ACCOUNT JUDGMENT, ESTIMATES AND ASSUMPTIONS

The preparation of these condensed financial statements in conformity of IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

In particular, information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements is described below:

a) Depreciation

The Company's management exercises its judgement in estimating the useful lives of the depreciable assets. The estimated useful lives reflect the management's estimate of the periods the Company intends to derive future economic benefits from the use of these assets. The Company depreciates its property, plant and equipment in accordance with the accounting policies stated in Note 4. The carrying amount of the property, plant and equipment is disclosed in Note 8.

b) Exploration and Evaluation Expenditure

The application of the Company's accounting policy for deferred development expenditure requires judgement in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures is capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

c) Title to Mineral Property Interest

Although the Company has taken steps to verify title to mineral properties in which it has interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfer and title may be affected by undetected defect.

d) Asset retirement obligations

The Company recognises the liability for an asset retirement obligation. The relevant costs in associated with the assets retirement obligations are estimated based on the Company's interpretation of current regulatory requirements. Based on the assessment, the Company did not have any significant asset retirement obligations at the reporting dates.

e) Recovery of Deferred Tax Assets

Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from un-utilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operations could limit the ability of the Company to obtain tax deductions in future periods.

Silver Phoenix Resources Inc.
Notes to the Condensed Interim Statement
For the nine months ended September 30, 2011
(Unaudited)

3. SIGNIFICANT ACCOUNT JUDGMENT, ESTIMATES AND ASSUMPTIONS, continued

f) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

g) Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of grant. This estimate also requires determining the most appropriate input to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 13.

4. SIGNIFICANT ACCOUNTING POLICIES

The preparation of the condensed consolidated interim financial statements in accordance with IAS 34 resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They also have been applied in preparing an opening IFRS balance sheet at 1 January 2010 for the purposes of the transition to IFRSs, as required by IFRS 1. The impact of the transition from Canadian GAAP to IFRSs is explained in Note 22.

a) Foreign Currency Translation

The Company's presentation currency and the functional currency of all of its operations is the Canadian dollar as this is the principal currency of the economic environment in which they operate.

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of each reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined.

All gains and losses on translation of these foreign currency transactions are included in profit or loss.

b) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amount of cash and subject to an insignificant risk of change value.

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4. SIGNIFICANT ACCOUNTING POLICIES, continued

c) Exploration and Evaluation Assets

The Company's exploration and evaluation assets are intangible assets relating to mineral rights acquired and exploration and evaluation expenditure capitalized in respect of projects that are at the exploration/pre-development stage.

No amortization charge is recognized in respect of exploration and evaluation assets. These assets are transferred to mine development assets in property, plant and equipment upon the commencement of mine development.

Exploration and evaluation expenditure in the relevant area of interest comprises costs which are directly attributable to:

- Acquisition;
- Surveying, geological, geochemical and geophysical;
- Exploratory drilling;
- Land maintenance;
- Sampling; and
- Assessing technical feasibility and commercial viability.

Exploration and evaluation expenditure related to an area of interest where the Company has tenure are capitalized as intangible assets and are initially recorded at cost less impairment.

Exploration and evaluation expenditure also includes the costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects. Capitalized costs, including general and administrative costs, are only allocated to the extent that those costs can be related directly to operational activities in the relevant area of interest.

All capitalized exploration and evaluation expenditure is assessed for impairment if facts and circumstances indicate that impairment may exist. In circumstances where a property is abandoned, the cumulative capitalized costs relating to the property are written off in the period.

d) Property, Plant and Equipment (PPE)

General

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalized value of a finance lease is also included within PPE.

e) Depreciation/Amortization

Equipment is recorded at cost and amortization is calculated on the declining balance basis at the following annual rates:

Office equipment and furniture	20%
Computer equipment	30%

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4. SIGNIFICANT ACCOUNTING POLICIES, continued

e) Depreciation/Amortization, continued

An item of PPE is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation/amortization are reviewed at each reporting period, and adjusted prospectively if appropriate

Major maintenance and repairs

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced, and it is probable that future economic benefits associated with the item will flow to the Company through an extended life, the expenditure is capitalized.

Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced assets which is immediately written off. All other day-to-day maintenance costs are expensed as incurred.

f) Impairment of Non-Financial Assets

At the end of each reporting period, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

g) Financial Instruments

Financial assets

Financial assets are classified as into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Silver Phoenix Resources Inc.
Notes to the Condensed Interim Statement
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4. SIGNIFICANT ACCOUNTING POLICIES, continued

g) Financial Instruments, continued

Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at a fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Available-for-sale investments

Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise principally the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments are carried at fair value with changes in fair value recognized in accumulated other comprehensive loss/income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment) the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

Purchases and sales of available-for-sale financial assets are recognized on a trade date basis. On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to profit or loss.

Impairment on financial assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if and only if there is objective evidence of impairment as a result of one or more events, that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding accounts receivable, is directly reduced by the impairment loss. The carrying amount of trade receivable is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES, continued

Impairment on financial assets, continued

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Trade payable amounts are unsecured and are usually paid within days of recognition.

h) Interest-Bearing Loans and Other Borrowings

Interest-bearing loans and other borrowings are recognized initially at fair value less related transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of borrowings on an effective interest basis.

i) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation estimated at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

Silver Phoenix Resources Inc.
Notes to the Condensed Interim Statement
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4. SIGNIFICANT ACCOUNTING POLICIES, continued

j) Government Grants

From time to time the Company receives government incentive programs such as investment tax credits. Government incentives are accrued when there is reasonable assurance of realization and reflected as a reduction of the related asset or expense. In the event the investment tax credits received are less than the amount claimed, the difference will be reflected in operations in the period in which it is determined.

k) Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

l) Share-Based Payment

The Company grants stock options to buy common shares of the Company to directors, officers and employees. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to the weighted average price of the common shares for the five days on which they were funded immediately preceding the date the options were granted.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Where the terms of a stock option is modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the stock-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

m) Flow-through instruments

Canadian tax legislation permits a company to issue flow-through instruments whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the company.

The Company recognizes the issuance of flow-through instruments as combined instruments comprising a liability component and an equity component. Proceeds from an issuance of flow-through instruments are allocated to the liability component and the equity component with reference to the fair value of tax benefits to be transferred and the quoted market price of the Company's common shares at the date of issuance of the flow-through instrument. Issue costs are apportioned based on the allocated values of the liability component and the equity component. Issue costs related to the liability component are expensed in profit and loss when incurred. Issue costs related to the equity component are charged to equity. Upon renunciation of the flow-through expenditures for Canadian income tax purposes, the liability component is derecognized and a deferred income tax liability is recognized for the taxable temporary difference created at the Company's applicable tax rate which is expected to apply in the year the deferred income tax liability will be settled. Any difference between the amount of the liability component derecognized and deferred income tax liability recognized is recorded in profit and loss.

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4. SIGNIFICANT ACCOUNTING POLICIES, continued

n) **Income Taxes**

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries, and associates to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

o) **Earnings (Loss) Per Share**

The Company presents basic and diluted earnings/loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings/loss per share does not adjust the loss attributable to common shareholders or the weight average number of common shares outstanding when the effect is anti-dilutive.

p) ***Related Party Transactions***

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

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5. CASH AND CASH EQUIVALENTS

	September 30, 2011	December 31, 2010	January 1, 2010
Cash at banks and on hand	\$ 54,403	\$ 143,087	\$ 246,546
Total	\$ 54,403	\$ 143,087	\$ 246,546

Cash at banks earn interests at floating rates based on daily bank deposit rates.

6. TRADE AND OTHER RECEIVABLES

	September 30, 2011	December 31, 2010	January 1, 2010
GST/HST receivable	\$ 4,451	\$ 13,727	\$ 5,998
Other receivable	50,000	-	11,126
Total	\$ 54,451	\$ 13,727	\$ 17,124

GST/HST receivables represent input tax credits arising from sales tax levied on the supply of goods purchased or services received in Canada.

Other receivables represented exploration expenditures paid on behalf of an option agreement between the Company and Armadillo Resources Ltd.

Other receivables are neither past due or impaired. The management of the Company are of the opinion that no allowance of impairment of other receivables is necessary as there is no recent history of default in respect of these amounts. The Company does not hold any collateral over these balances.

The management considers that the fair values of these receivables, which are expected to be recovered within one year, are not materially different from their carrying amounts because these amounts have short maturity periods on inception.

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale consist of 475,000 (period ended January 1, 2010:175,000) shares of Armadillo Resources Ltd. And therefore has no fixed maturity date or coupon rate. The fair value of the listed available-for sale investment has been determined directly by reference to published price quotation in an active market.

	September 30, 2011	December 31, 2010	January 1, 2010
Fair value	\$ 28,500	\$ 123,500	\$ 19,250
Cost	50,750	46,500	31,500
Accumulated unrealized gain (loss)	\$ (22,250)	\$ 77,000	\$ (12,250)

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8. PROPERTY, PLAN AND EQUIPMENT

	Computer Equipment	Equipment	Total
Cost			
Balance, January 1, 2010	\$ 5,496	\$ 2,477	\$ 7,973
Additions	1,252	400	1,652
Disposals	-	-	-
Balance, December 31, 2010	6,748	2,877	9,625
Additions	-	-	-
Disposals	-	-	-
Balance, September 30, 2011	<u>\$ 6,748</u>	<u>\$ 2,877</u>	<u>\$ 9,625</u>
Depreciation and Impairment losses			
Balance, January 1, 2010	\$ 2,089	\$ 1,426	\$ 3,515
Depreciation for the period	1,324	271	1,595
Disposals	-	-	-
Balance, December 31, 2010	3,413	1,697	5,110
Depreciation for the period	750	177	927
Disposals	-	-	-
Balance, September 30, 2011	<u>\$ 4,163</u>	<u>\$ 1,874</u>	<u>\$ 6,037</u>
Net book vale			
January 1, 2010	\$ 3,407	\$ 1,051	\$ 4,458
December 31, 2010	\$ 3,335	\$ 1,180	\$ 4,515
September 30, 2011	<u>\$ 2,585</u>	<u>\$ 1,003</u>	<u>\$ 3,588</u>

Silver Phoenix Resources Inc.
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9. EXPLORATION AND EVALUATION ASSETS

	Big Showing	Waverly Tangier	River Jordan	Total
Balance, January 1, 2010	\$ 51,325	\$ 1	\$ 101,378	\$ 152,704
Additions:				
Geologist fees and assays	1,807	-	30,635	32,442
Tenure and restaking	-	-	1,956	1,956
Mining exploration tax credit	(4,123)	-	(2,478)	(6,601)
Balance, December 31, 2010	49,009	1	131,491	180,501
Additions:				
Exploration cost	300	-	3,500	3,800
Mining exploration tax credit	(6,880)			(6,880)
Shares received		(16,500)		
Option payment received		(50,000)		
Option payment receivable	-	(50,000)	-	-
Option payment in excess of exploration costs	-	116,500	-	-
Balance, September 30, 2011	\$ 42,429	\$ 1	\$ 134,991	\$ 177,421

The impairment assessment of exploration and evaluation assets resulted in no amounts being written off the Company's properties.

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 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.

The transaction was considered a related party transaction and consequently 750,000 common shares issued as initial payment were recorded at the nominal carrying amount of the property of the related party vendors. The cash payment of \$35,000 was charged to deficit in 2007.

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.

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9. EXPLORATION AND EVALUATION ASSETS, continued

Waverly Tangier Property, British Columbia, continued

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.

The transaction was considered a related party transaction and consequently 750,000 common shares issued as initial payment were recorded at the nominal carrying amount of the property of the related party vendors. The cash payment of \$35,000 was charged to deficit in 2007.

Armadillo Option

Pursuant to the amended and restated option and royalty agreement dated February 25, 2009 with Armadillo Resources Ltd. (~~%Armadillo+~~), the Company granted Armadillo a 60% interest (the ~~%First Option+~~) in the Waverley-Tangier property (the ~~%Property+~~) located in the Revelstoke Mining Division of British Columbia (see Note 7). 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)	100,000	300,000	150,000
Before March 30, 2012	100,000	1,000,000	150,000
Before March 30, 2013	.	1,500,000	.
	<u>\$ 350,000</u>	<u>\$ 3,000,000</u>	<u>625,000</u>

As of September 30, 2011 the option payment of \$50,000 in cash had not been received and it recorded as a trade receivable.

As part of the requirement for exercising the First Option, Armadillo agreed to pay for and deliver to the Company a Feasibility Study, as defined in National Instrument 43-101, no later than December 31, 2015. Armadillo is to deliver to the Company the exercise notice within 30 days from the delivery of the Feasibility Study.

Armadillo is also entitled to earn an additional 10% interest (the ~~%Second Option+~~) in the Property by:

- lending the Company, at the most attractive interest rate available and in no case greater than the London Interbank Offered Rate (~~%LIBOR+~~) plus ½%, all of the amounts that will be payable by the Company under the joint operations of the Property (the ~~%Joint Venture+~~); and
- causing the Joint Venture to put the Property into commercial production.

The Property is subject to a 3% net smelter return (~~%NSR+~~) royalty and the Joint Venture will pay annual advance royalty payments of \$150,000 commencing on January 1, 2015 to the Company until the Property is put into commercial production. The advance royalty payments will be deducted from the NSR payments otherwise needed to be made.

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9. EXPLORATION AND EVALUATION ASSETS, continued

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.

The transaction was considered a related party transaction and consequently 750,000 common shares issued as initial payment were recorded at the nominal carrying amount of the property of the related party vendors. The cash payment of \$35,000 was charged to deficit in 2007.

10. TRADE AND OTHER PAYABLES

	September 30, 2011	December 31, 2010	January 1, 2010
Trade payables and accrued liabilities	\$ 119,244	\$ 135,502	\$ 146,324
Total	\$ 119,244	\$ 135,502	\$ 146,324

11. SHARES CAPITAL

Authorized, issued and outstanding common shares

Common shares, no par value, authorized unlimited number of shares, issued and outstanding were 6,900,520 and 6,830,520 shares as at September 30, 2011 and December 31, 2010, respectively.

	Number of Shares	Issue Price	Amount
Balance, January 1, 2010 and December 31, 2010	\$ 6,830,520	\$ -	\$ 989,029
Shares issued, private placement	70,000	0.50	35,000
Balance, September 30, 2011	\$ 6,900,520		\$1,024,029

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12. CONTRIBUTED SURPLUS

Contributed surplus were 106,124 as at September 30, 2011, December 31, 2010 and January 1, 2010, respectively.

13. SHARE-BASED PAYMENT

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.

No options were granted during the period ended September 30, 2011 and year ended December 31, 2010. The weighted average remaining contractual life of the stock options outstanding at September 30, 2011 was 1.9 years (year-ended December 31, 2010: 2.5 years).

Number of Options	Exercise Price	Expiry Date
680,000	\$0.25	July 7, 2013

The weighted average fair value at grant date of option were \$0.25 and \$0.25 as at September 30, 2011 and December 31, 2010, respectively.

14. BASIC AND DILUTED EARNING (LOSS) PER SHARE

The calculation of basic earnings (loss) per share for the nine months ended September 30, 2011 was based on the earnings (loss) attributable to common shareholders of \$(19,959) (2010 - (\$66,343)) and the weighted average number of common shares outstanding of 6,900,520 (2010 - 6,830,520) respectively.

The Company does not have any instruments that would give rise to a dilution effect.

15. RELATED PARTIES TRANSACTIONS

Management fees

Management fees of \$63,000 (three months ended September 30, 2010 - \$21,000) to the President and \$22,500 (three months ended September 30, 2010 - \$7,500) to the Chief Financial Officer, respectively.

16. SEGMENT REPORTING

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities.

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17. GENERAL AND ADMINISTRATIVE EXPENSES

The administrative expenses for the Company are broken down as follows:

	Three Months Period Ended September 30,		Nine Months Period Ended September 30,	
	2011	2010	2011	2010
Auto and travel	\$ 3,436	\$ 2,631	\$ 9,667	\$ 7,058
Bank charges	26	130	97	390
Filing fees	600	1,200	5,624	6,295
Management fees	28,500	28,500	85,500	85,500
Office and miscellaneous	286	870	2,007	2,455
Professional fees (recovery)	1,500	(5,457)	25,500	44,061
Promotion	604	2,714	2,637	6,187
Telephone and utilities	752	649	2,173	2,144
Transfer agent	1,207	1,583	3,334	3,815
Total administrative expenses	\$ 36,911	\$ 32,820	\$ 136,539	\$ 157,905

18. INCOME TAXES

a. Current tax

Current tax expense for the interim periods presented is the expected tax payable on the taxable income for the period, calculated as the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

Current tax for current and prior periods is classified as a current liability to the extent that it is unpaid. Amounts paid in excess of amounts owed are classified as a current asset.

b. Deferred tax

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the estimated average annual effective income tax rate for the interim periods presented.

The primary components of the entity's recognised deferred tax assets include temporary differences related to provisions and other items, and the value of tax loss carry-forwards recognised.

The primary components of the entity's deferred tax liabilities include temporary differences related to property, plant and equipment, intangible assets, investment property and other investments.

Deferred tax expense arises from the origination and reversal of temporary differences, the effects of changes in tax rates and the benefit of tax losses recognised. The primary component of deferred tax expense for the six months ended 30 June 2011 is related to an increase in deferred tax liabilities, relating primarily to property, plant and equipment, intangible assets and other investments.

Total deferred tax recognised directly in equity was \$Nil for the nine months ended September 30, 2011 (three months ended September 30, 2010: nil).

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19. 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 commencing April 1, 2008. 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 commencing October 1, 2007. 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 9 in connection with acquisition of its mineral properties.

20. 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.

21. FINANCIAL INSTRUMENTS AND RISKS

Fair Value

As at September 30, 2011, the Company's financial instruments consisted of cash, amounts receivable, marketable securities and accounts payable. The fair values of cash, amounts receivable and accounts payable approximate their carrying values because of their current nature.

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 or indirectly, 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:

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21. FINANCIAL INSTRUMENTS AND RISKS, continued

		Level 1		Level 2		Level 3	September 30, 2011
Cash	\$	54,403	\$	-	\$	-	54,403
Marketable securities		28,500		-		-	28,500
	\$	82,903	\$	-	\$	-	82,903

		Level 1		Level 2		Level 3	September 30, 2010
Cash	\$	186,824	\$	-	\$	-	186,824
Marketable securities		56,875		-		-	56,875
	\$	243,699	\$	-	\$	-	243,699

The Company's financial instruments are exposed to a number of risks that are summarized below:

Credit Risk

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 a high credit quality financial institution.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as described in Note 19.

The Company ensures its holding of cash is sufficient to meet its short-term exploration and administrative expenditures. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand, do not bear interest and are subject to normal trade terms. As at September 30, 2011 the Company has no financial assets that are past due or impaired due to credit risk defaults.

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 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.

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21. FINANCIAL INSTRUMENTS AND RISKS, continued

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The Company's functional currency is the Canadian dollar. All of the Company's financial instruments are denominated in Canadian dollars. In management's opinion there is no significant foreign exchange risk to the Company.

Transaction Costs

Transaction costs attributable to the acquisition or issue of financial assets or financial liabilities, other than those classified as held-for-trading, are added to the initial fair value amount to match the costs with the related transactions. Purchases and sales of securities are accounted for on the settlement date basis.

22. FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Company's financial statements for the year-ending December 31, 2011 are the first annual financial statements that will be prepared in accordance with IFRS. IFRS 1, First Time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result the first date at which the Company has applied IFRS was January 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be December 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption. Prior to transition to IFRS, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

In preparing the Company's opening IFRS financial statements, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with Canadian GAAP.

Initial elections upon adoption

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

Business Combinations

The Company elected not to retrospectively apply IFRS 3 Business Combinations to any business combinations that may have occurred prior to its Transition Date and such business combinations have not been restated.

Share-based Payment Transactions

The Company has elected not to retrospectively apply IFRS 2 to equity instruments that were granted and had vested before the Transition Date. As a result of applying this exemption, the Company will apply the provisions of IFRS 2 only to all outstanding equity instruments that are unvested as at the Transition Date to IFRS.

Compound Financial Instruments

The Company has elected not to retrospectively separate the liability and equity components of compound instruments for which the liability component is no longer outstanding at the date of transition to IFRS.

22. FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS"), continued

Derecognition of Financial Assets and Liabilities

The Company has applied the derecognition requirements in IAS 39 Financial Instruments: Recognition and Measurement prospectively from the Transition Date. As a result any non-derivative financial assets or non-derivative financial liabilities derecognized prior to the Transition Date in accordance with Canadian GAAP have not been reviewed for compliance with IAS 39.

Estimates

IFRS 1 prohibits use of hindsight to create or revise previous estimates. The estimates the Company previously made under Canadian GAAP have not been revised for application of IFRS.

Reconciliations of Canadian GAAP Equity and Comprehensive Income to IFRS

The adoption of IFRS has had no impact on the net cash flows of the Company. The changes made to the consolidated statements of financial position and consolidated statements of comprehensive income have resulted in reclassifications of various amounts on the consolidated statements of cash flows, however as there have been no changes to the net cash flows, no reconciliations have been presented.

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Reconciliation of Statement of Financial Position as at January 1, 2010-Transition Date

	Canadian GAAP	Effect of Transition to IFRS	IFRS
ASSETS			
Current assets			
Cash and cash equivalent	\$ 262,546	\$ -	\$ 262,546
Trade and other receivable	17,124	-	17,124
Prepaid expenses	1,000	-	1,000
Available-for-sale investment	19,250	-	19,250
Total current assets	299,920	-	299,920
Non-current assets			
Property, plant and equipment	4,458	-	4,458
Exploration and evaluation assets	152,704	-	152,704
Total non-current assets	157,162	-	157,162
Total assets	\$ 457,082	\$ -	\$ 457,082
LIABILITIES			
Current liabilities			
Trade and other payables	\$ 146,324	\$ -	\$ 146,324
Total current liabilities	146,324	-	146,324
SHAREHOLDERS' EQUITY			
Share capital	989,029	-	989,029
Contributed surplus	106,124	-	106,124
Accumulated other comprehensive loss	(12,250)	-	(12,250)
Deficit	(772,145)	-	(772,145)
Total shareholder's equity	310,758	-	310,758
Total liabilities and shareholder's equity	\$ 457,082	\$ -	\$ 457,082

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Reconciliation of Statement of Financial Position as at September 30, 2010

	Canadian GAAP	Effect of Transition to IFRS	IFRS
ASSETS			
Current assets			
Cash and cash equivalent	\$ 186,824	\$ -	\$ 186,824
Trade and other receivable	29,104	-	29,104
Prepaid expenses	250	-	250
Available-for-sale investment	56,875	-	56,875
Total current assets	273,053	-	273,053
Non-current assets			
Property, plant and equipment	4,937	-	4,937
Exploration and evaluation assets	151,932	-	151,932
Total non-current assets	156,869	-	156,869
Total assets	\$ 429,922	\$ -	\$ 429,922
LIABILITIES			
Current liabilities			
Trade and other payables	\$ 132,882	\$ -	\$ 132,882
Total current liabilities	132,882	-	132,882
SHAREHOLDERS' EQUITY			
Share capital	989,029	-	989,029
Subscription received in advance	30,000	-	30,000
Contributed surplus	106,124	-	106,124
Accumulated other comprehensive loss	10,375	-	10,375
Deficit	(838,488)	-	(838,488)
Total shareholder's equity	297,040	-	297,040
Total liabilities and shareholder's equity	\$ 429,922	\$ -	\$ 429,922

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Reconciliation of Statement of Financial Position as at December 31, 2010

	Canadian GAAP	Effect of Transition to IFRS	IFRS
ASSETS			
Current assets			
Cash and cash equivalent	\$ 143,087	\$ -	\$ 143,087
Trade and other receivable	13,727	-	13,727
Prepaid expenses	1,000	-	1,000
Available-for-sale investment	123,500	-	123,500
Total current assets	281,314	-	281,314
Non-current assets			
Property, plant and equipment	4,515	-	4,515
Exploration and evaluation assets	180,501	-	180,501
Total non-current assets	185,016	-	185,016
Total assets	\$ 466,330	\$ -	\$ 466,330
LIABILITIES			
Current liabilities			
Trade and other payables	\$ 135,502	\$ -	\$ 135,502
Total current liabilities	135,502	-	135,502
SHAREHOLDERS' EQUITY			
Share capital	989,029	-	989,029
Subscription received in advance	35,000	-	35,000
Contributed surplus	106,124	-	106,124
Accumulated other comprehensive loss	77,000	-	77,000
Deficit	(876,325)	-	(876,325)
Total shareholder's equity	330,828	-	330,828
Total liabilities and shareholder's equity	\$ 466,330	\$ -	\$ 466,330

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**Reconciliation of the Statement of Comprehensive Loss/Income
for the Nine Months Ended September 30, 2010**

	Canadian GAAP	Effect of Transition to IFRS	IFRS
Interest and other income	\$ 3,525	\$ -	\$ 3,525
Depreciation	1,173	-	\$ 1,173
Gain on option of mineral property	(90,000)	-	(90,000)
General exploration expenses	790	-	790
General and administrative expenses	157,905	-	157,905
Total expenses	69,868	-	69,868
Loss for the period	(66,343)	-	(66,343)
Other comprehensive loss			
Fair value loss on available-for-sale investments	10,375	-	10,375
Total comprehensive loss for the period attributed to owners of the company	\$ (55,968)	\$ -	\$ (55,968)
Loss per common shares, basic and diluted	\$ (0.01)	\$ -	\$ (0.01)

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**Reconciliation of the Statement of Comprehensive Loss/Income
for the Year Ended December 31, 2010**

	Canadian GAAP	Effect of Transition to IFRS	IFRS
Interest and other income	\$ 1,953	\$ -	\$ 1,953
Depreciation	1,595	-	\$ 1,595
Gain on option of mineral property	(90,000)	-	(90,000)
General and administrative expenses	194,538	-	194,538
Total expenses	(106,133)	-	(106,133)
Loss for the period	(104,180)	-	(104,180)
Other comprehensive income			
Fair value gain (loss) on available-for-sale investments	89,250	-	89,250
Total comprehensive loss for the period attributed to owners of the company	\$ (14,930)	\$ -	\$ (14,930)
Income (loss) per common shares, basic and diluted	\$ 0.01	\$ -	\$ 0.01