

SILVER PHOENIX RESOURCES INC.

(An Exploration Stage Company)

Financial Statements

For the Years Ended
December 31, 2016 and 2015

(Expressed in Canadian Dollars)



INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Silver Phoenix Resources Inc.

We have audited the accompanying financial statements of Silver Phoenix Resources Inc. which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Silver Phoenix Resources Inc. as at December 31, 2016 and 2015, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Silver Phoenix Resources Inc. to continue as a going concern.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
May 1, 2017

Silver Phoenix Resources Inc.*(An Exploration Stage Company)***Statements of Financial Position****As at December 31, 2016 and 2015***(Expressed in Canadian Dollars)*

	Note	2016 \$	2015 \$
ASSETS			
Current assets			
Cash		7,696	66,414
Amounts receivable		1,164	7,465
Marketable securities	5	1	1
		8,861	73,880
Non-current assets			
Exploration and evaluation assets	7	698,480	664,683
Reclamation bond		10,000	10,140
Equipment	6	704	948
		709,184	675,771
		718,045	749,651
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9	798,120	608,185
Deferred flow-through premium	10	23,125	23,125
		821,245	631,310
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	8 (b)	1,649,779	1,649,029
Contributed surplus	8 (c)	106,124	106,124
Deficit		(1,859,103)	(1,636,812)
		(103,200)	118,341
		718,045	749,651
GOING CONCERN			
COMMITMENTS			
	2		
	12		

Approved on behalf of the Board on May 1, 2017

"William Murray"

William Murray, Director

"Leland Voll"

Leland Voll, Director

The accompanying notes form an integral party of these financial statements

Silver Phoenix Resources Inc.*(An Exploration Stage Company)***Statements of Comprehensive Loss****For The Years Ended December 31, 2016 and 2015***(Expressed in Canadian Dollars)*

	Note	2016	2015
		\$	\$
EXPENSES			
Management fees	9	114,000	114,000
Professional fees		78,066	12,000
Filing fees		8,994	9,765
Auto and travel		3,953	4,148
Promotion		3,319	3,562
Telephone and utilities		2,101	1,788
Transfer agent		635	3,146
Office and miscellaneous		315	968
Depreciation		244	336
Bank charges		192	436
Loss before other items		(211,819)	(150,149)
OTHER ITEMS (EXPENSES)			
Flow-through premium	10	-	39,375
Expense recovery		-	62,780
Interest income		320	825
Interest for Part XII.6 tax		(10,792)	-
Net loss and comprehensive loss		(222,291)	(47,169)
Loss per share – basic and diluted		(0.01)	(0.00)
Weighted average number of common shares		19,125,771	17,924,835

The accompanying notes form an integral party of these financial statements

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Statements of Changes in Equity (Deficiency)

For The Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

	Note	Common shares		Contributed Surplus	Deficit	Total Shareholders' Equity (Deficiency)
		Number	Amount			
			\$	\$	\$	\$
Balance, December 31, 2014		16,275,520	1,436,529	106,124	(1,589,643)	(46,990)
Shares issued for cash	8 (b)(3)	333,333	25,000	-	-	25,000
Flow-Through units issued for cash	8 (b)(4)	2,500,000	250,000	-	-	250,000
Flow-through unit premium liability	10	-	(62,500)	-	-	(62,500)
Net loss		-	-	-	(47,169)	(47,169)
Balance, December 31, 2015		19,108,853	1,649,029	106,124	(1,636,812)	118,341
Shares issued for exploration and evaluation		25,000	750	-	-	750
Net loss		-	-	-	(222,291)	(222,291)
Balance, December 31, 2016		19,133,853	1,649,779	106,124	(1,859,103)	(103,200)

The accompanying notes form an integral party of these financial statements

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Statements of Cash Flows

For The Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

	Note	2016 \$	2015 \$
OPERATING ACTIVITIES			
Net loss		(222,291)	(47,169)
Items not involving cash:			
Depreciation		244	336
Flow-through unit premium income amortization	10	-	(39,375)
Expense recovery	11	-	(62,780)
		(222,047)	(148,988)
Changes in non-cash working capital items			
Amounts receivable		6,301	(5,592)
Accounts payable		189,935	107,969
Cash used in operating activities		(25,811)	(46,611)
INVESTING ACTIVITIES			
Reclamation bond		140	-
Exploration and evaluation expenditures		(33,047)	(173,902)
Cash used in investing activities		(32,907)	(173,902)
FINANCING ACTIVITIES			
Shares issued for cash		-	275,000
Cash provided by financing activities		-	275,000
Increase (decrease) in cash		(58,718)	54,487
Cash, beginning of year		66,414	11,927
Cash, end of year		7,696	66,414
NON-CASH TRANSACTIONS SUPPLEMENTARY CASH FLOW INFORMATION:			
Shares issued for exploration and evaluation asset acquisition costs		750	-
Cash paid for interest		-	-
Cash paid for income taxes		-	-

The accompanying notes form an integral party of these financial statements

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

For The Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

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

The Company is in the process of exploring its mineral property interests and has not yet determined whether its mineral property interests contain mineral reserves that are economically recoverable. As of December 31, 2016, the Company has not generated revenues from its principal activities and is considered to be in the exploration stage.

2. BASIS OF PREPARATION

The Company's financial statements were authorized for issuance on May 1, 2017 by the Board of Directors.

Statement of Compliance

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

Basis of Presentation

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified for specific financial instruments carried at fair value where applicable.

Functional and Reporting Currency

These financial statements are presented in Canadian dollars, which is the functional and reporting currency of the Company.

Going Concern

These financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for a reasonable period of time. The Company has a working capital deficit of \$812,384 and has incurred losses since its inception and had an accumulated deficit of \$1,859,103 at December 31, 2016. The Company has no source of operating cash flows and expects to incur further losses in the exploration and development of its mineral properties. These factors indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern. The Company's continuing operations, and the recoverability of the amounts shown for exploration and evaluation assets are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests. The Company has been successful in the past in raising funds for operations by issuing shares but there is no assurance that it will be able to continue to do so in the future.

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

For The Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

3. CRITICAL ACCOUNTING JUDGMENT AND ESTIMATES

The preparation of these 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 financial statements is described below:

a) 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 are 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.

b) 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. 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. In addition, 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.

4. SIGNIFICANT ACCOUNTING POLICIES

a) 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.

b) Marketable securities

Investments in shares of public companies traded on an active market over which the Company does not have control or exercises significant influence are classified as available-for-sale and accounted for at fair market value, based upon quoted market share prices at the balance sheet date. Unrealized gains or losses on these investments are recorded as other comprehensive income or loss, unless a decline in value is considered to be other than temporary. Purchases and sales of investments are measured on a settlement date basis.

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

For The Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Exploration and evaluation assets

All expenditures related to the cost of exploration and evaluation of mineral resources including acquisition costs for interests in mineral claims are capitalized as mineral properties exploration and are classified as intangible assets. The Company also has a shelter which is an asset specific to exploration activities which is classified as a tangible asset within exploration and evaluation assets. General exploration costs not related to specific mineral properties are expensed as incurred. When shares are issued as part of mineral property exploration costs, they are valued at the closing share price on the date of issuance unless the fair value of goods or services received is determinable.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, capitalized costs of the related property are reclassified as mining assets and upon commencement of commercial production, are amortized using the units of production method over estimated recoverable reserves. Impairment is assessed at the level of cash-generating units. Management regularly assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if one of the following factors are present; the rights to explore have expired or are near to expiry with no expectation of renewal, no further substantive expenditures are planned or budgeted, exploration and evaluation work is discontinued in an area for which commercially viable quantities have not been discovered, indications that in an area with development likely to proceed the carrying amount is unlikely to be recovered in full be development or sale.

The recoverability of mineral properties and capitalized exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

Mineral properties are regularly reviewed for impairment or whenever events or changes in circumstances indicate that the carrying amount of reserve properties may exceed its recoverable amount. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of a value in use (being the present value of expected future cash flows of the relevant cash-generating unit) and fair value less costs to sell. If the carrying amount of an asset exceeds the recoverable amount an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Exploration costs renounced due to flow-through share subscription agreements remain capitalized, however, for corporate income tax purposes, the Company has no right to claim these costs as tax deductible expenses.

Recorded costs of mineral properties and deferred exploration costs are not intended to reflect present or future values of resource properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount. Payments on mineral property Option Agreements are made at the discretion of the Company and, accordingly, are recorded on a cash basis.

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

For The Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) 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.

e) Government assistance

B.C. mining exploration tax credits for certain exploration expenditures incurred in B.C. are treated as a reduction of the exploration and development costs of the respective mineral property. Until such time that there is significant uncertainty with regard to collections and assessments, the Company will record any recovered tax credits at the time of receipt. No gain or loss is realized during the exploration stage until all carrying costs of the specific interest have been offset.

f) Equipment

Equipment is recorded at cost less accumulated depreciation. Depreciation is recorded over the estimated useful life of the equipment using the declining balance method at the following annual rates (one-half of these rates is applied in the year of acquisition):

Computer equipment	30%
Equipment	20%

g) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. As at December 31, 2016, the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

For The Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Measurement basis

These financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out in Note 4(n). All amounts are expressed in Canadian dollars unless otherwise stated.

i) Share issue costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are expensed.

j) Flow-through shares

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.

Flow-through shares are recognized in share capital based on the fair value attributed to common shares without a flow-through feature on the date the Company and the investors agree to the transaction. The difference ("premium") between the amount recognized in common shares and the amount the investors pay for the flow-through shares is recognized as a flow-through share related liabilities which is reversed into the statement of loss within other income when the eligible expenditures are incurred. The amount recognized as flow-through share related liabilities represents the difference between the fair value of the common shares and the amount the investor pays for the flow-through shares.

k) Share-based payment

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date and each tranche is recognized on a graded basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

l) Loss per share

The Company presents basic and diluted 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 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.

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

For The Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) 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 accounted for using a temporary difference approach and is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable income. Deferred tax is calculated based on the expected manner in which temporary differences related to the carrying amounts of assets and liabilities and are expected to reverse using tax rates and laws enacted or substantively enacted at the balance sheet date which are expected to apply in the period of reversal.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination and which do not affect accounting or taxable profit or loss at the time of the transaction.

n) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's reclamation bond is classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. The Company's marketable securities are classified as available for sale.

o) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized costs using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable is classified as other financial liabilities.

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

For The Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Financial liabilities (continued)

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings.

p) New accounting standards

Accounting standards adopted during the year:

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

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

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

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

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

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

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

For The Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) New accounting standards

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

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

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

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

5. MARKETABLE SECURITIES

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

6. EQUIPMENT

	Cost	Accumulated Depreciation	Net Book value 2016	Net Book value 2015
	\$	\$	\$	\$
Computer equipment	6,748	6,355	393	561
Equipment	2,877	2,566	311	387
Total	9,625	8,921	704	948

During 2016 and 2015 there were no equipment additions and the changes in net book value result solely from depreciation expenses.

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

For The Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS

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

December 31, 2015	Big Showing	Waverly Tangier	River Jordan	Tolstoi/Lickens	Total
	\$	\$	\$	\$	\$
Acquisition costs:					
Opening balance	1	1	3,001	85,000	88,003
Closing balance	1	1	3,001	85,000	88,003
Exploration and evaluation costs:					
Opening balance	82,488	85,738	227,558	6,993	402,777
Geologist fees and assays	-	-	149,200	-	149,200
Other costs	-	884	6,000	17,819	24,703
Closing balance	82,488	86,622	382,758	24,812	576,680
Tangible equipment:					
Opening balance	-	-	-	-	-
Closing balance	-	-	-	-	-
Total	82,489	86,623	385,759	109,812	664,643

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

For The Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

The Company's mineral properties are described as follows:

Big Showing Property, British Columbia

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

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

Waverly Tangier Property, British Columbia

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

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

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

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

For The Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

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

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

River Jordan Property, British Columbia

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

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

Tolstoi and Lickens Properties, Alaska, USA

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

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

For The Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

8. SHARE CAPITAL

a) Authorized

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

b) Issued and outstanding common shares

	Number	Amount \$
Balance, December 31, 2014	16,275,520	1,436,529
Share issued pursuant to private placement ⁽¹⁾	333,333	25,000
Share issued pursuant to private placement –flow through ⁽²⁾	2,500,000	250,000
Premium on flow through shares issued ⁽⁴⁾ (Note 10)	-	(62,500)
Balance, December 31, 2015	19,108,853	1,649,029
Shares issued	25,000	750
Balance, December 31, 2016	19,133,853	1,649,779

(1) On March 18, 2015, the Company completed a non-brokered private placement of 333,333 units at a price of \$0.075 per unit. Each unit consists of one common share and one share purchase warrant ("warrant") of the Company. Each warrant entitled the holder to purchase one additional common share of the Company at \$0.10 per warrant share for two years (Note 8 (e)).

(2) On May 28, 2015, the Company completed a flow-through private placement of 2,500,000 flow-through units (the "Units") at \$0.10 per Unit for an aggregate of \$250,000 (Note 10 and 11). Each unit consists of one flow-through common share and one non-flow-through common share purchase warrant (the "Warrant"). Each warrant will entitled the holder to purchase one non-flow-through common shares of the Company at \$0.15 per share for a period of two years (Note 8 (e)).

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

d) Stock Options

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

There was no stock option granted during the year ended December 31, 2016 and 2015.

There were no stock options outstanding as at December 31, 2016 and 2015.

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

For The Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (continued)

e) Share purchase warrants

As at December 31, 2016, the following share purchase warrants were issued and outstanding:

	Number of warrants	Weighted Average Exercise Price	Expiry Date	Weighted Average Contractual life in years
Warrants outstanding, December 31, 2014	625,000	\$0.51		0.16
Issued (Note 8(b) ⁽¹⁾)	333,333	\$0.10	March 18, 2017	1.21
Issued (Note 8(b) ⁽²⁾)	2,500,000	\$0.15	May 28, 2017	1.41
Expired	(225,000)	\$0.70	February 26, 2015	-
Expired	(400,000)	\$0.40	March 1, 2015	-
Warrants outstanding, December 31, 2015	2,833,333	\$0.14		1.38
Warrants outstanding, December 31, 2016	2,833,333	\$0.14		0.38

9. RELATED PARTY TRANSACTIONS, BALANCES AND KEY MANAGEMENT COMPENSATION

The following is a summary of transactions with related parties of the Company for the years ended December 31, 2016 and 2015:

	2016	2015
	\$	\$
Management fees for the President	84,000	84,000
Management fees for the Chief Financial Officer	30,000	30,000

Refer to Note 12 for details on these management services agreements. The Company has identified its President and Chief Financial Officer as its key management personnel. No post-employment benefits, other long-term benefits or termination benefits were incurred during the years ended December 31, 2015 and 2014.

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

	2016	2015
	\$	\$
Amounts payable to President	430,875	368,765
Amounts payable to Chief Financial Officer	147,500	117,500
Total	578,375	486,265

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

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

For The Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

10. FLOW-THROUGH PREMIUM

During the year ended December 31, 2015, the Company issued 2,500,000 flow through units (Note 8(b)(2)) and recognized a deferred flow-through premium of \$62,500, non-cash, as the difference between the amounts recognized in common shares and the amounts the investors paid for the units. During 2015, the Company recognized \$39,375 as amortization of the deferred flow-through premium liability to other income based on the amount of eligible expenditures spent as at December 31, 2015. As at December 31, 2016 and 2015 the remaining unrealized flow-through premium was \$23,125.

11. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	2016 \$	2015 \$
Canadian statutory income tax rate	26%	26%
Income tax recovery at statutory rate	57,796	12,264
Effect on income taxes of:		
Non taxable/ deductible items	(2,378)	26,385
Prior unrecognized deferred tax assets utilized	-	(40,582)
Expiry of non-capital losses	-	(9,360)
Change in unrecognized deferred tax assets	(55,418)	11,293
	-	-

The tax effects of temporary differences that give rise to significant components of the potential deferred tax assets at December 31, 2015 and 2014 are presented below:

	2016 \$	2015 \$
	26%	26%
Non-capital loss carry-forwards	483,722	428,821
Mineral properties	(106,355)	(106,625)
Marketable securities	16,380	16,380
Equipment	2,503	2,256
	396,250	340,832
Unrecognized deferred tax assets	(396,250)	(340,832)
Net deferred income tax assets	-	-

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

For The Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

11. INCOME TAXES (continued)

The Company has non-capital losses for income tax purposes of approximately \$1,861,000 which may be carried forward and offset against future taxable income. The non-capital losses expire as follows:

2026	53,000
2027	116,000
2028	202,000
2029	227,000
2030	217,000
2031	153,000
2032	189,000
2033	188,000
2034	156,000
2035	149,000
2036	211,000
	<hr/>
	\$ 1,861,000

The Company also has certain allowances in respect of resource development and exploration costs of approximately \$254,000, which, subject to certain restrictions, are available to be offset against future taxable income.

12. 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.
- d) During the year ended December 31, 2015, the Company issued flow-through common shares of \$250,000 and renounced \$250,000 of resources expenditures (Note 8(b)(2) and 10). Expenditures related to the use of flow-through share proceeds are included in exploration and evaluation assets but are not available as a tax deduction to the Company as the tax benefits of these expenditures are renounced to the investors. As at December 31, 2016, the Company has \$93,212 in unspent flow-through funds which must be incurred by December 31, 2017 under the look back rules. As at December 31, 2016, the Company has recorded \$10,792 in accounts payable related to taxes due in unspent flow-through funds.

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

For The Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

13. 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.

14. FINANCIAL INSTRUMENTS AND RISKS

Fair values

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

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

	December 31, 2016	December 31, 2015
	\$	\$
FVTPL (i)	7,696	66,414
Available-for-sale (ii)	1	1
Loans and receivables (iii)	10,000	10,140
Other financial liabilities (iv)	723,455	600,185

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

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

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

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

For The Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

14. FINANCIAL INSTRUMENTS AND RISKS (continued)

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

	Level 1	Level 2	Level 3	December 31, 2016
	\$	\$	\$	\$
Cash	7,696	-	-	7,696

Financial risk management objectives and policies

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

(i) *Currency risk*

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

(ii) *Interest rate risk*

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

(iii) *Credit risk*

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

(iv) *Liquidity risk*

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

(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.

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

For The Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

14. FINANCIAL INSTRUMENTS AND RISKS (continued)

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