Zacks Small-Cap Research

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Golden Phoenix Minerals (GPXM-OTCBB)

GPXM: Zacks Co. Report – OUTPERFORM

Santa Rosa project in Panama being advanced; new discoveries at Mineral Ridge in Nevada; and Ashdown Note settled. Price target $0.42

Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	09/04/2011
Current Price (12/15/11)	$0.06
Six- Month Target Price	**$0.42**

OUTLOOK

Golden Phoenix is a junior mineral exploration company proceeding with an aggressive acquisition plan under a royalty strategy. Management is opportunistically acquiring interests in prior producing properties and implementing an approach that creates a sense of urgency towards their re-development. A definitive acquisition agreement has been signed for Golden Phoenix to earn a 60% interest in the Santa Rosa property in Panama, and the project is being fast tracked. Also, SRK Consulting has been engaged to produce a NI-43-101 compliant Technical Report. We reiterate our Outperform rating and target of $0.42.

SUMMARY DATA

52-Week High	**$0.17**
52-Week Low	**$0.05**
One-Year Return (%)	**-70.0**
Beta	**0.11**
Average Daily Volume (shrs.)	**319,456**
Shares Outstanding (million)	**366**
Market Capitalization ($ mil.)	**$18**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**2**
Insider Ownership (%)	**N/A**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/M**
P/E using 2011 Estimate	**N/M**
P/E using 2012 Estimate	**N/M**
Zacks Rank	**N/A**

Risk Level	**Above Average**
Type of Stock	**Small - Value**
Industry	**Mining - Gold**
Zacks Rank in Industry	**13 of 42**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2009	0 A	0 A	63 A	0 A	63 A
2010	0 A	0 A	43 A	65 A	108 A
2011	0 A	66 A	68 A	68 E	201 E
2012					210 E

Earnings per Share
(EPS is operating earnings before non recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2009	-$0.00 A	-$0.01 A	-$0.00 A	-$0.00 A	-$0.01 A
2010	-$0.00 A	-$0.01 A	-$0.01 A	-$0.01 A	-$0.03 A
2011	-$0.01 A	-$0.02 A	-$0.01 A	-$0.01 E	-$0.06 E
2012					-$0.03 E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/M**

2011 quarterly EPS estimates do not equal annual EPS due to rounding.

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KEY POINTS

- After several challenging years pursuing production company status, Thomas Klein was brought in to revitalize Golden Phoenix in 2010. The company is now embarked upon a **royalty strategy**. Management is pursuing projects in various stages of development throughout North, Central and South America, with a preference for advanced stage projects that can brought to production within two years. Mine operations are being outsourced to motivated partners, who will incur the costs of bringing each property to production in exchange for a majority interest. Golden Phoenix seeks to retain a minority ownership position, which preferably will be converted into a royalty after a property reaches commercial production. A sense of urgency is now prevalent at the company.
- The **Mineral Ridge property** in Nevada began gold and silver production in April this year. Operated by Scorpio Gold, Golden Phoenix retained a 30% interest in the project. Exploratory drilling continues on the property in an effort to increase the resource base.
- A definitive acquisition agreement has been signed for Golden Phoenix to potentially earn a 60% interest in the **Santa Rosa property** in Panama. A $1 million bridge loan and a $15.5 million debt draw-down facility have been secured to fast track the Santa Rosa project. Golden Phoenix also has an option to acquire an additional 20% interest.
- Golden Phoenix has options to acquire 80% interests in the Vanderbilt and Coyote Fault properties adjacent to Mineral Ridge. An exploratory drilling program at Vanderbilt is planned for 2012.
- The **acquisition of Ra Resources** in the second quarter added additional properties in **Shining Tree Ontario** to the company's portfolio.
- The quality of Golden Phoenix's newly acquired properties and management's royalty strategy have aided the company's **access to the capital markets** in order to fund acquisition, exploration and development costs.
- Consult the initiation report dated September 8, 2011 for full background information.
- We reiterate our **Outperform** rating and target of $0.42.

RECENT NEWS HIGHLIGHTS

- The **Mineral Ridge property continues to be explored by Scorpio Gold**, Golden Phoenix' partner. Assays results announced in October and November from reverse circulation drilling at the Brodie and Solberry zones are encouraging (see Mineral Ridge - Recent Drilling Results section).
- **A joint venture operating company (Golden Phoenix Panama S.A.) was created.** The **Santa Rosa mine** will be held, operated and mined by the JV, in which Golden Phoenix can earn up to a 60% interest through the advancement of the property through the completion of the Environmental Impact Study, a NI-43-101-compliant technical report with a measured and indicated resource estimate and a bankable feasibility study. An additional 20% interest can be acquired upon meeting certain other milestones. Golden Phoenix Minerals has already engaged SRK Consulting (SRK) to prepare a resource estimate and a NI-43-101 - compliant technical report.
- Golden Phoenix is in the process of **now acquiring a 100% interest** (up from 80%) **in five properties located in Peru** due to two amendments to the original definitive agreement.
- The Termination, Settlement and Release Agreement concerning the **settlement** of the outstanding $4.2 million Promissory Note owed to Golden Phoenix (for its share **of the Ashdown project**) was closed with Win-Eldrich Gold and Win-Eldrich Mines Limited. Golden Phoenix will receive a 2% net smelter return royalty on the Ashdown Project, 3 million shares of WEX common stock, 1.25 million shares of American Mining Corporation, along with the $192,285 previously received.

OVERVIEW

Based in Las Vegas, Nevada, Golden Phoenix Minerals, Inc. (GPXM: OTCBB) is a junior mineral exploration company that targets and acquires mineral properties, primarily gold, silver and molybdenum. Currently, the company is focused on multiple projects in the Americas, namely in Nevada, Peru, Ontario and most recently Panama. Management is opportunistic and is actively searching for advanced stage projects with proven resources that were idled when the price of that resource was much lower than today. Also, management is interested in deposits that are situated close to existing mines and hold potential for expansion through exploration. Though historically the company has targeted gold, silver and molybdenum, other rare and base metals may also be pursued.

Originally incorporated in June 1997 as an exploration and development company, Golden Phoenix has brought properties into production, notably the Mineral Ridge gold and silver property in 2004 and the Ashdown high-grade molybdenum property in 2006. Initially, the company focused its exploration efforts in the Western US and Alaska, but after selling its Alaskan interests in 1999, Golden Phoenix targeted the western United States, especially Nevada, until 2007. In that year, the Northern Champion (Ontario) molybdenum property was purchased in order to complement the development of the Ashdown (Nevada) molybdenum property[1]. With the collapse of the price of molybdenum in late 2008 and the accumulation of debt during 2009, Thomas Klein was brought in to revitalize Golden Phoenix.

Since Tom Klein was appointed Chief Executive Officer in February 2010, the company has embarked on a multi-faceted strategy based on a new business model that combines project acquisition and development with the pursuit of royalty mining. First, the company's liabilities were restructured, settled or repaid, such that total **liabilities were reduced** from $9.4 million to $1.5 million within 11 months. Also, the Board authorized a share repurchase program. Second, a team of experts was assembled to implement an ambitious **property acquisition plan** along with **project development programs** that include mineral discovery, resource evaluation, permitting, bonding and financing. Third, a **diversified portfolio of mineral properties is being constructed**. Not only has the company's focus expanded geographically to encompass Central and South America, along with North America, but also management is pursuing **projects in various stages of development**, with a preference for advanced stage projects that can brought to production within two years. Fourth, joint venture partners are being selected as managing partners/mine operators, who 1) can bring properties to commercial production in a timely fashion and 2) will earn their interest in the property by financing all subsequent development costs. Fifth, **the company's objective is to retain up to 30% of each venture** and ultimately convert the ownership interest into a Royalty agreement leveraged to the price of the metal. Eventually, Golden Phoenix should own joint venture interests and/or receive royalty payments in several producing mines.

The company's business model and Royalty Mining strategy differ from prior management's approach in several distinct ways. Mine operations are being outsourced to partners instead of Golden Phoenix owning a controlling interest and operating each mine. Now a minority ownership position is preferred with the controlling position earned by a partner by incurring the costs of bringing a property to commercial production. The time frame to commercial production has been significantly shortened by targeting advanced stage projects and by choosing mine operators with a sense of urgency. Also, project risk has been reduced through diversification; multiple projects are being pursued instead of concentrating on one mining project. In the past, when Golden Phoenix brought the Mineral Ridge and Ashdown properties into production, the company was the mining operator and majority owner. In both cases, the company incurred significant operating costs and appeared to pursue one production project at a time. Also, despite the obvious extreme cyclicality of molybdenum pricing, four years were required to bring the Ashdown property to commercial production. Under Tom Klein's leadership, mineral property development should be much more successful than in the past.

[1] Prior management had expected to fund exploration and development of the Mineral Ridge gold mine with the cash flow generated by the Ashdown project during the molybdenum bull market cycle.

Currently, **a diversified portfolio of properties is being developed**. The initial two-year plan (2010-2011) envisions a collection of approximately ten select properties in various stages of development. Management is continually identifying and performing due diligence on many properties located in North, Central and South America. When a property is acquired, Golden Phoenix embarks on a 24-month development plan to advance the project. The company adds value by providing capital, formulating and implementing an exploration program and bringing the property to a stage of proven and probable reserves, at which point a mine operator is secured. The selection process for a joint venture partner to operate the mine is critical to bringing a project to commercial production successfully. Not only is a diverse array of experience in the particular metal and location of the mine necessary, but also a sense of urgency to advance the project. Golden Phoenix continues to support the project to production-ready status by offering drilling, geological, permitting, bonding, legal and accounting support.

Five projects in the portfolio are expected to be advanced stage projects with near-term production potential. So far, the legacy Mineral Ridge property and two recent acquisitions (the Panamanian Santa Rosa and Peruvian properties) are the company's advanced stage projects. All these projects had been in production previously but were idled for operational, financial and/or commodity pricing reasons. Golden Phoenix moves these projects forward with additional drilling programs and towards an assessment of proven and probable reserves. Mineral Ridge has been cited as a model for development of future advanced stage projects. Golden Phoenix chose Scorpio Gold under the leadership of Peter Hawley to advance the project back into production, which was accomplished in only 13 months from the signing of the joint venture agreement. For a 70% interest in Mineral Ridge, Scorpio Gold paid $7.5 million (half in cash and half in stock) to Golden Phoenix; in addition, Scorpio Gold is bearing all finance costs to bring the property into commercial production. Golden Phoenix intends to replicate the rapid advancement of Mineral Ridge mine with each subsequent advanced stage project undertaken, including the Santa Rosa property in Panama.

The other properties in the portfolio are expected to be early stage projects without a definite timeline to production. Golden Phoenix has several properties in this category: the Vanderbilt and the Coyote Fault gold and silver satellite prospects adjacent to the Mineral Ridge property (a 51% interest in both acquired between 2010 and 2011, with 80% to be earned over four years), five properties located in Peru (the process of acquiring an 80% interest began in late 2010), four gold and base metal properties within Ontario's Shining Tree mining district (100% acquired in 2011 through the acquisition of Ra Resources) and the legacy Northern Champion molybdenum mine in Ontario (acquired in 2006). Golden Phoenix continues to develop these properties with exploratory drilling to delineate previously identified mineral deposits and to explore for additional discoveries.

In 2011, the company expects to achieve several milestones. At Mineral Ridge, Scorpio Gold is ramping up production and expects to produce 25,000 ounces of gold, of which Golden Phoenix expects to receive its share. Scorpio Gold is also attempting to increase the resources at Mineral Ridge through exploratory drilling at satellite deposits within the property. Adjacent to Mineral Ridge, Golden Phoenix is conducting exploratory drilling at Vanderbilt and continues Phase II mapping at Coyote Fault. The company signed a definitive agreement concerning the Santa Rosa gold mine located in Panama. In Ontario, exploratory drilling was performed at Shining Tree. Golden Phoenix will now acquire a 100% interest (up from 80%) in five properties located in Peru due to two amendments to the original definitive agreement.

The company has been very successful in obtaining capital through equity fund raising, option payments and debt. During 2010, the company issued 48.8 million shares for $2.84 million in net proceeds and for the payment of $690,066 in services and exploration expenses. In March, Golden Phoenix received $3.75 million in cash from Scorpio Gold for a 70% interest in the Mineral Ridge gold mine. In August, the company sold the 7,824,750 shares of Scorpio Gold, which were received as part of the Mineral Ridge transaction, for $3.83 million. In May 2011, Golden Phoenix entered into an agreement with Lincoln Park Capital Fund, granting Golden Phoenix the right to access $12.5 million in equity capital for 36 months. And in August 2011, Golden Phoenix secured a $1 million bridge loan and a $15.5 million

debt draw-down facility from Waterton Global Value, L.P. in order to complete fast track the Santa Rosa project. Through the third quarter of 2011, the company has borrowed $6.0 million of the facility.

RECENT NEWS

On November 21, 2011, Golden Phoenix reported results for the third quarter ending September 30, 2011. Revenues (from the rental of drilling equipment) were $67,800 during the quarter, up from $43,000 in the comparable period last year. Exploration and evaluation expenses increased significantly from $925 thousand to $3.15 million due to the company's new exploration property projects: Peru properties ($1.37 million), Santa Rosa ($1.25 million), Mharkari properties ($386 thousand), Shining Tree properties ($47.4 thousand). General and administrative expenses increased 90.1% to $1,004,330, primarily due to the development of new exploration property projects and business opportunities, including increased outside consulting fees and travel expenses. Interest expense increased considerably to $100,430 from the increase in debt and bridge loan secured for the advancement of Santa Rosa mine.

On November 15 and October 19, 2011, Golden Phoenix Minerals announced that joint venture partner Scorpio Gold released reverse circulation (RC) drilling results on the **Brodie zone** at the Mineral Ridge gold project in Nevada (see Mineral Ridge - Recent Drilling Results section).

On November 8, 2011, Golden Phoenix announced that JV partner Scorpio Gold intersected near surface gold mineralization at the **Wedge B zone** only 225 meters west of the Drinkwater pit where Scorpio Gold is currently mining at Mineral Ridge. Given the shallow depth of the mineralization and its proximity, it may be economically viability to extract ore from this zone in 2012.

On October 31, 2011, the **Termination, Settlement and Release Agreement** was closed with Win-Eldrich Gold, Inc. (WEG: TSX-V) and Win-Eldrich Mines Limited (WEX: TSX-V) settling the outstanding $4.2 million Promissory Note owed to Golden Phoenix **for its share of the Ashdown project**. Golden Phoenix will now receive a 2% net smelter return royalty on the Ashdown Project, 3 million shares of WEX common stock, 1.25 million shares of American Mining Corporation (AMCM: OTCQB) and the right to appoint one individual to the WEX Board of Directors.

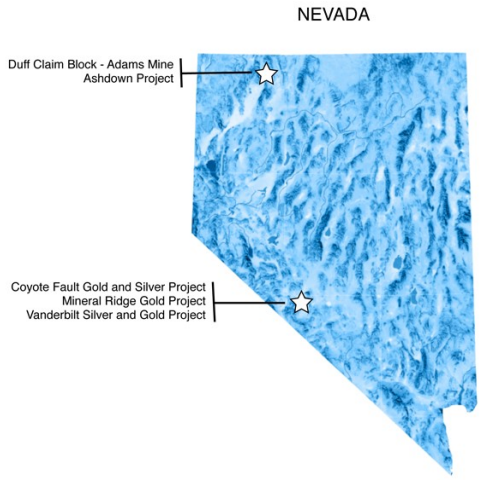
On October 28, 2011, Golden Phoenix Minerals entered into a **Joint Venture** Operating Agreement with Silver Global, S.A. (a Panamanian corporation), forming **Golden Phoenix Panama, S.A.**, a Panamanian corporation for the purpose of holding, operating and mining the Santa Rosa gold mine located in Panama. Golden Phoenix will be the manager while Silver Global will be responsible for handling all social programs, political/community relations and human resource matters within Panama.

On September 20, 2011, **Golden Phoenix Minerals engaged SRK Consulting (SRK) to prepare a resource estimate and a NI-43-101 Technical Report for the Santa Rosa** gold mine in Panama. SRK has already visited the mine site and has begun reviewing the historical data on the project. After developing a geological model, SRK will prepare a NI-43-101 compliant technical report with an independent resource estimate based on the historical data.

NEVADA

Golden Phoenix has five projects in Nevada located in two areas: **Mineral Ridge**, **Coyote Fault** and **Vanderbilt** in southwest Nevada and **Adams Mine** and **Ashdown** in northwest Nevada.

Nevada is home to many world-class gold and silver deposits. Mines in Nevada produced over 5.03 million ounces of gold in 2009[2], and accounted for 75% of total U.S. and 7% of global gold production. Only China (13% of world production), Australia (9%), South Africa (9%), Russia (8%) and Peru (8%) produce more gold than Nevada. The "Silver State" also led the United States in silver production with 7.31 million ounces in 2009.



MINERAL RIDGE MINE (NEVADA) - GOLD

Golden Phoenix holds a 30% interest in the Mineral Ridge Gold LLC joint venture, which controls 54 patented and 486 unpatented mining claims, encompassing over 10,176 acres in Nevada's Esmeralda County[3]. The Mineral Ridge gold mine is located 4.5 miles northwest of the town of Silver Peak and 35 miles southwest of Tonopah. Mineral Ridge is equal distant to Reno and Las Vegas (approximately 250 miles to each). Golden Phoenix also controls three additional private land parcels[4] totaling approximately 430 acres that are near the mine area.

In November 2000, Golden Phoenix purchased the Mineral Ridge mine out of bankruptcy for $225,000 cash and the assumption of a $382,400 liability to Sierra Pacific Power Company. At the time of sale, the total mineable gold reserve was estimated to be 217,644 ounces of gold. West Coast Environmental completed a preliminary economic assessment in April, 2009 that estimated measured and indicated resources were 295,401 ounces Au, of which 201,308 ounces are recoverable by heap leaching.

[2] In Esmeralda County, 97% of the total surface area is composed of federally managed lands.
[3] Pittsburgh-Silver Peak Gold recovered 280,000 Au ounces between 1905 and1915 while Black Mammoth mined 78,000 Au ounces between 1929 and 1941.
[4] The three parcels are the abandoned Blair town site, the Silver Peak mill site and deeded land west of Mineral Ridge over some springs.

In March 2010, Golden Phoenix signed a joint venture agreement with Scorpio Gold Corp. (SGN: TSX-V) for the Mineral Ridge gold mine. For $3.75 million in cash and $3.75 million in stock (7,824,750 shares of SGN), **Scorpio Gold acquired a 70% interest in the Mineral Ridge Gold LLC joint venture** (JV). Golden Phoenix supplied the reclamation bond on the property, valued at $3 million, to the JV and Scorpio Gold contributed the Net Smelter Royalty (NSR), which had been acquired for $3.0 million from the Mary Mining Trust[5]. Scorpio Gold bears all costs of bringing the mine into commercial production, which is currently defined as four consecutive months of processing at least 3,500 ounces of gold per month, at which time Scorpio will earn an additional 10% for a total of 80%. When the joint venture was formed, it held the 54 patented and 134 unpatented mining claims (on almost 3,880 acres) of Golden Phoenix and Scorpio Gold's 145 unpatented claims adjacent to Mineral Ridge (on over 2,041 acres). Subsequently, additional claims were acquired bringing the total to **351 claims on 10,176 acres.**

In May 2010, a **43-101 compliant resource report** conducted by Micon International for Scorpio Gold updated the resources for the Drinkwater and Mary areas. **Measured and indicated resources** are estimated to be **221,000 ounces Au**, and **inferred resources** are estimated to be **136,000 ounces Au**. Having acquired the necessary permits, Scorpio restacked the leach pad and began applying leaching solution for gold recovery in February 2011, less than a year after the JV was announced. The initial material stacked was the gold-bearing material mined by previous owners, of which there is approximately 280,000 tons. New material will be mined from the Drinkwater pit later in the year[6].

The first shipment of loaded precious metals carbon[7] left the mining site in April, followed by two subsequent shipments in May. Scorpio's management expects gold production to reach a steady state of 3,500 ounces per month in the third quarter and increase thereafter. A contracted portable crushing unit is currently reprocessing the leach pad material until the existing crushing facility is rehabilitated, which is expected in the second half of 2011. Scorpio estimates that the annual production potential could be in the 60,000 to 80,000 Au ounce range starting in 2012.

Scorpio Gold is conducting an aggressive reverse-circulation (RC) drilling exploration program to better delineate and identify the mineral deposits in and around the vicinity of the existing pits at Mineral Ridge in order to enhance the resource base. Initial exploratory drilling in 2011 has expanded the known mineralization areas up to 305 meters beyond the existing pit walls. Also, Scorpio will perform a property-wide exploration program targeting numerous gold-bearing mineralized zones and structures discovered during the surface exploration program. The Mineral Ridge mine project hosts multiple gold bearing structures, veins and bodies. Scorpio Gold is targeting known satellite deposits within the property, namely Coyote, State Bank and Vulcan.

MINERAL RIDGE - RECENT DRILLING RESULTS

On October 19 and November 15, 2011, Golden Phoenix Minerals announced that joint venture partner Scorpio Gold released reverse circulation (RC) drilling results on the **Brodie zone** at the Mineral Ridge gold project in Nevada. The results define a mineralized trend over an 850 meter strike length, open in both directions. Drill hole MR11252 (see table below) **intersected a high-grade zone grading 5.19 g/t gold over 24.39 meters.** MR11252 was the drill hole far most to the northwest and is on trend with the Bluelite zone located 1,370 meters to the northwest.

[5] The royalty to Mary Mining Company was annual royalty payments of $60,000 plus a sliding-scale production royalty based on the gold price divided by 100 in $50 increments with a cap at 8.5% (or gold at or above $850).

[6] Scorpio has contracted Ledcor CMI to operate the mine starting in May 2011.

[7] Loaded precious metals carbon from the carbon column recovery process is being shipped to Metals Research in Kimberley, Idaho to be processed into doré bars that will then be delivered to Johnson Matthey in Salt Lake City for further refining into 99.9% pure gold and pure silver bars.

Hole No.	From (ft)	To (ft)	Width (ft)	From (m)	To (m)	Width (m)	Gold (OPT)	Gold (g/t)
MR11149	255	270	15	77.74	82.32	4.57	0.220	6.23
	280	285	5	85.37	86.89	1.52	0.016	0.45
	445	450	5	135.67	137.20	1.52	0.052	1.47
MR11150	0	5	5	0.00	5.00	5.00	0.014	0.40
	25	35	10	7.62	10.67	3.05	0.019	0.52
	210	215	5	64.02	65.55	1.52	0.023	0.65
	225	230	5	68.60	70.12	1.52	0.014	0.40
	240	245	5	73.17	74.70	1.52	0.023	0.65
	285	290	5	86.89	88.41	1.52	0.020	0.57
MR11151	145	150	5	44.21	45.73	1.52	0.046	1.30
	215	225	10	65.55	68.60	3.05	0.085	2.41
	235	240	5	71.65	73.17	1.52	0.030	0.85
MR11152	445	485	40	135.67	147.87	12.20	0.019	0.53
	515	530	15	157.01	161.59	4.57	0.017	0.47
MR11153	310	320	10	94.51	97.56	3.05	0.039	1.11
	485	490	5	147.87	149.39	1.52	0.021	0.60
MR11252	415	495	80	126.52	150.91	24.39	0.183	5.19
	415	460	45	126.52	140.24	13.72	0.313	8.87

Hole No.	From (ft)	To (ft)	Width (ft)	From (m)	To (m)	Width (m)	Gold (OPT)	Gold (g/t)
MR11201	25	45	20	7.62	13.72	6.10	0.036	1.01
MR11202	45	50	5	13.72	15.24	1.52	0.024	0.68
	110	115	5	33.54	35.06	1.52	0.113	3.20
MR11203	80	85	5	24.39	25.91	1.52	0.021	0.60
MR11206	105	110	5	32.01	33.54	1.52	0.229	6.49
MR11210	0	5	5	0.00	1.52	1.52	0.016	0.45
	130	140	10	39.63	42.68	3.05	0.456	12.91
MR11211	30	45	15	9.15	13.72	4.57	0.035	1.00
	75	85	10	22.87	25.91	3.05	0.062	1.74
MR11212	65	85	20	19.82	25.91	6.10	0.019	0.53
MR11214	5	20	15	1.52	6.10	4.57	0.038	1.08
MR11215	0	15	15	0.00	4.57	4.57	0.015	0.43
MR11218	30	35	5	9.15	10.67	1.52	0.023	0.65
MR11221	140	145	5	42.68	44.21	1.52	0.027	0.77
MR11227	60	65	5	18.29	19.82	1.52	0.025	0.71
MR11228	35	40	5	10.67	12.20	1.52	0.025	0.71
	60	65	5	18.29	19.82	1.52	0.023	0.65
MR11229	15	20	5	4.57	6.10	1.52	0.030	0.85
	50	65	15	15.24	19.82	4.57	0.078	2.21
MR11230	65	75	10	19.82	22.87	3.05	0.095	2.69
MR11233	20	25	5	6.10	7.62	1.52	0.096	2.72
	80	85	5	24.39	25.91	1.52	0.019	0.54
MR11234	95	100	5	28.96	30.49	1.52	0.02	0.57
MR11236	25	35	10	7.62	10.67	3.05	0.094	2.65
	40	45	5	12.20	13.72	1.52	0.026	0.74
MR11242	5	15	10	1.52	4.57	3.05	0.092	2.61
MR11243	0	5	5	0.00	1.52	1.52	0.031	0.88
	125	140	15	38.11	42.68	4.57	0.014	0.41
MR11244	170	175	5	51.83	53.35	1.52	0.023	0.65

On September 29, 2011, Scorpio Gold announced initial drill results that the reverse circulation (RC) drilling program **at the Solberry zone intersected a high-grade zone grading 15.85 g/t gold over 3.05 meters**. The extent of this zone of enrichment is currently unknown, but obviously, Scorpio is planning a follow-up program to conduct in-fill and step-out drilling to better define this high-grade zone. To our knowledge, this is the highest grade discovered on this property known for low-grade bulk tonnage that is currently producing gold though heap leaching. Scorpio Gold is continuing with its planned exploration plan with the drill having been moved to the Brodie zone to follow up on historical drill results in that area.

Table 1 – Solberry Zone – Historical Drill Results

Hole No.	From (ft)	To (ft)	Width (ft)	From (m)	To (m)	Width (m)	Gold (OPT)	Gold (g/t)
BMR-028	55	60	5	16.77	18.29	1.52	0.161	4.56
BMR-029	85	90	5	25.91	27.44	1.52	0.061	1.73
	100	105	5	30.49	32.01	1.52	0.058	1.64
BMR-030	85	105	20	25.91	32.01	6.10	0.052	1.47
BMR-050	5	10	5	1.52	3.05	1.52	0.027	0.77
	30	40	10	9.15	12.20	3.05	0.108	3.06
BMR-051	0	5	5	0.00	1.52	1.52	0.027	0.77
	35	40	5	10.67	12.20	1.52	0.034	0.96
BMR-053	25	30	5	7.62	9.15	1.52	0.146	4.14
BMR-057	40	45	5	12.20	13.72	1.52	0.018	0.51
BMR-101	40	50	10	12.20	15.24	3.05	0.067	1.90
	95	105	10	28.96	32.01	3.05	0.056	1.59
GW-60-86	45	50	5	13.72	15.24	1.52	0.065	1.84
	145	150	5	44.21	45.73	1.52	0.072	2.04
	165	170	5	50.30	51.83	1.52	0.025	0.71
GW-61-86	10	20	10	3.05	6.10	3.05	0.035	0.99
	25	30	5	7.62	9.15	1.52	0.023	0.65
	110	115	5	33.54	35.06	1.52	0.063	1.79
GW-62-86	85	95	10	25.91	28.96	3.05	0.055	1.56

Table 2 – Solberry Zone – Significant Drill Results From 2011 Program

Hole No.	From (ft)	To (ft)	Width (ft)	From (m)	To (m)	Width (m)	Gold (OPT)	Gold (g/t)
MR11158	60	80	20	18.29	24.39	6.10	0.017	0.48
MR11159	5	15	10	1.52	4.57	3.05	0.029	0.82
MR11165	45	65	20	13.72	19.82	6.10	0.116	3.29
MR11167	20	55	35	6.10	16.77	10.67	0.023	0.65
	105	125	20	32.01	38.11	6.10	0.117	3.32
MR11168	50	60	10	15.24	18.29	3.05	0.019	0.54
MR11170	40	45	5	12.20	13.72	1.52	0.018	0.51
MR11174	0	10	10	0.00	3.05	3.05	0.039	1.11
	30	40	10	9.15	12.20	3.05	0.559	15.85
	110	120	10	33.54	36.59	3.05	0.017	0.48

SANTA ROSA (PANAMA) - GOLD

Golden Phoenix is in the process of acquiring a 60% interest (with an option to acquire an additional 20% interest) in the **Santa Rosa gold property** from Silver Global, S.A. Located in the **Republic of Panama** within 15 kilometers of the Pan American Highway, the property is approximately 300 kilometers southwest of Panama City. A definitive acquisition agreement was signed in September 2011, and the Santa Rosa property is to be held and operated in a newly formed joint venture, Golden Phoenix Panama S.A. This analyst is impressed by management's expertise and the depth of research performed during this due diligence period. Panama is a unique mining environment where mineral rights are regulated by the Código de Recursos Minerales, granted for 20 year periods and severed from surface rights. In addition, mine operations in the past faced certain challenges, for which the management of Golden Phoenix has definitive solutions. Management perceives that there is significant potential from previously mined ore which was not properly processed by Greenstone Resources. Ultimately, Golden Phoenix intends to bring on a mine operator, reopen Santa Rosa and advance the project to production.



The Santa Rosa property is located one kilometer south of Cañazas. The project encompasses 8,648 acres, of which 741 acres contain the mining area where two open pit mines are located: the Santa Rosa mine and the Alto de la Mina deposit. **The Santa Rosa property produced 100,007 ounces of gold between 1996 and 1998**.

On July 12, 2011, Golden Phoenix began the process of acquiring a 60% interest in Santa Rosa property (with an option to acquire an additional 20% interest) by entered into a non-binding Letter of Intent with Silver Global, S.A. for payments totaling $20.5 million and $4,500,000 worth of Golden Phoenix shares, along with preferential payments related to gold production. Shrewdly, Golden Phoenix conducted a 72-hour fatal flaw due diligence analysis not only to perform initial reviews of prior reserve reports, but also to ascertain the legal ownership of the property[8]. "Golden Phoenix received confirmation and certifications from both Silver Global and the Director of Mineral Resources of Panama of the Ministry of Commerce and Industry, certifying that Silver Global is the sole and exclusive owner of such real and

[8] Currently, Mineral Mining PLC claims ownership of Mina Santa Rosa on its web site, and in October 2009, Erin Ventures announced that it entered into an agreement to purchase a 75% interest in the Santa Rosa gold mine, which the company subsequently abandoned in May 2011.

personal property and necessary concessions constituting the property known as the Santa Rosa Gold Mine, free and clear of any liens, mortgages or third party interests of any kind. Specifically, the Director of Mineral Resources certified that Silver Global owns such concessions granting surface mining rights for gold and other minerals and exploration mining rights with respect to the property, all of which are in good standing and in compliance with all legal requirements[9]." Following a 45-day due diligence period, a definitive acquisition agreement was signed. In addition, a **joint venture operating company** (**Golden Phoenix Panama S.A.**) was created through which the Santa Rosa mine will be held, operated and mined. Golden Phoenix secured a $1 million bridge loan from Waterton Global Value, L.P. in order to complete the due diligence investigations, along with a $15.5 million debt draw-down facility to fast track the Santa Rosa project. Through the third quarter of 2011, the company has borrowed $6.0 million of the facility. Also, Golden Phoenix granted to Waterton, the company's senior secured lender, an option and right of first offer to purchase the company's interest in the Mineral Ridge for an amount based on the measured, indicated and inferred gold ounces at the Mineral Ridge property at the time of the acquisition. This option may be exercised no sooner than May 3, 2012.

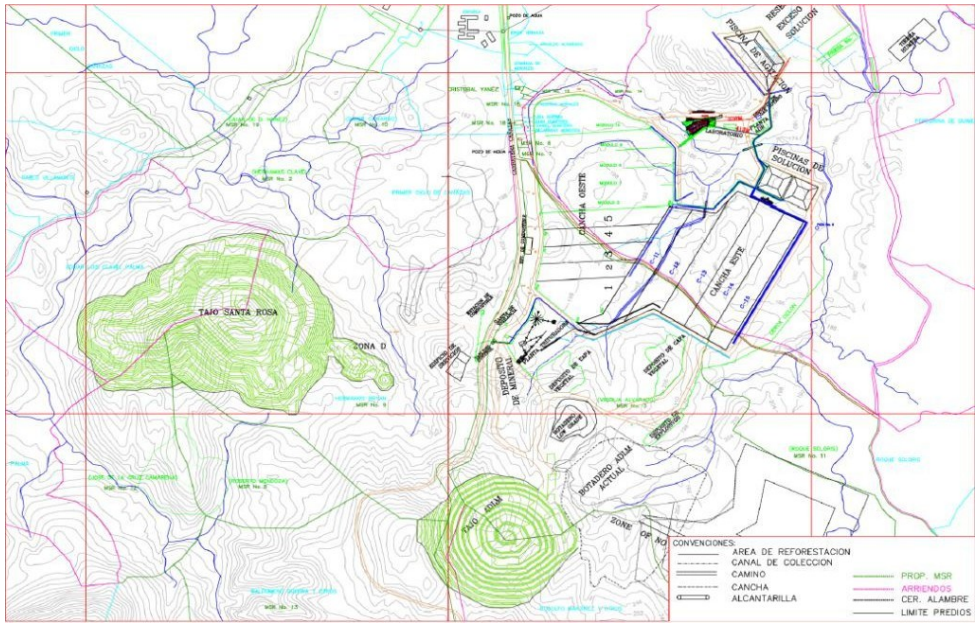
In order to earn a 60% interest in Santa Rosa property, Golden Phoenix must make payments totaling $20.5 million, along with $4,500,000 worth of Golden Phoenix shares. To-date, Golden Phoenix has paid $4.0 million and $4,000,000 worth of Golden Phoenix shares, thereby earning a 15% interest in Golden Phoenix Panama S.A. Upon completion of the Environmental Impact Study, which is required before exploration begins; Golden Phoenix will make a $3.0 million payment and will receive an additional 10% interest. $5.0 million is due upon completion of NI-43-101-compliant technical report (which must provide a resource estimate of at least in measured and indicated category), earning Golden Phoenix an additional 10% interest. Another 10% will be received upon bankable feasibility study and a payment of $3.0 million. Upon securing project financing to bring the property to commercial production and the payment of $5.0 million, an additional 4% interest will be received. Finally, the final 11% interest will be earned upon achieving commercial production. Silver Global is entitled to preferential payments totaling $50.0 million from the mine's gold production at a rate of 70% of the net distributable cash flow[10].

The Santa Rosa mine and Alto de la Mina areas were probably first explored by The Panama Corporation[11] prior to 1933. Several trenches, shallow adits and a few shallow shafts on the property have been dated to the 1920's. However, The Panama Corporation appears to have been focused on the development of the Remance and Los Hatillos vein deposits approximately 16 kilometers east of Santa Rosa. After receiving no attention for approximately 40 years, a United Nations Development Program study led by Wleklinski in 1969 and some shallow drilling by the General Directorate of Mineral Resources of Panama in 1975 focused on gold targets. Despite encountering gold intercepts, follow up drilling did not occur until 1986 when Freeport-McMoRan (now Freeport-McMoRan Copper & Gold - FCX: NYSE) found and defined low-grade gold mineralization at Santa Rosa and Alto de la Mina. After drilling 73 core holes (totaling 10,000 meters) and 177 reverse circulation holes (20,000 meters) over three years, Freeport-McMoRan kriged[12] a **geologic reserve of approximately 617,000 ounces** Au based on 12 million tonnes **averaging 1.6 g/t**. However, in 1989, the management of Freeport-McMoRan decided to divest non-core assets in order to develop two major projects in Indonesia and Louisiana. As a result, a joint venture acquired the Santa Rosa property in August 1990, with one partner, Greenstone Resources Ltd., buying out the other, Boliden International Mining, in 1993.

Greenstone Resources Ltd., a Canadian company, developed the Santa Rosa property, aka **Minas Santa Rosa**. Mineralized ores from the Santa Rosa and Alto de la Mina deposits were mined, and the gold was extracted by heap leach processing methods. During 1994 and 1995, the project was constructed at a cost of $13 million with **commercial production** being **achieved in the first quarter of**

[9] Golden Phoenix Minerals press release on August 8, 2011.
[10] Cash flow after all expenses incurred, including debt service, working capital, capital reserves, etc. The preferential payments begin after achieving profitable commercial production, defined as four consecutive quarters of estimated plant capacity of 4,000 ounces of gold per month or four consecutive quarters of profitable commercial operations.
[11] The Panama Corporation was an English corporation.
[12] A group of geo-statistical techniques behind interpolating and extrapolating average gold grades by distance-weighting, based on a methodology developed by Daniel Krige in his Master's thesis.

1996 when 430,000 tonnes averaging 1.27 g/t gold were processed. The mine's designed annual capacity was 1.8 million tonnes.



The Santa Rosa mine, itself, consists of four lower mineralized deposits (known as the Santa Rosa A, B and C zone deposits and collectively known as the Main zone) and an upper mineralized area known as the D zone deposit. Alto de la Mina is a smaller deposit of higher grade but experienced a lower metallurgical recovery than the Santa Rosa mine. Each zone has unique characteristics from Au grade to expected recovery rate.

During the project's three years of operation, several challenges were encountered that negatively affected the recovery rate of gold. Among the issues confronted were the **extremely wet operating conditions** and the **bimodal grain consistency of the gold-bearing electrum**. Electrum is a naturally occurring alloy of native gold and silver, and the gold of the Santa Rosa mine and Alto de la Mina principally occurs as electrum. As a result, the mine's gold production underperformed the expectations of the project's feasibility study.

In February 1999, Minas Santa Rosa was shutdown by Greenstone Resources. Reeling from a leveraged debt structure, Greenstone's management attempted to focus on the company's two other properties: the San Andres gold mine in Honduras and the Cerro Mojon gold mine in Nicaragua. Lower-than-expected recovery rates from the leach pads at Santa Rosa, along with low gold prices (approximately $288 per ounce with the mine's cash operating cost of $286 per ounce), mining operations at Minas Santa Rosa were deemed uneconomical, and the mine was placed on care and maintenance. However, leaching continued on the existing 6.2 million tonnes of ore on the pads in order to generate cash flow; however, only 6,294 ounces Au were produced in 1999 compared to 48,766 ounces in 1998. Subsequently, Greenstone Resources filed for bankruptcy in March 2000.

After shutting down mining operations at Minas Santa Rosa, Greenstone Resources filed Form 20-F with the Securities and Exchange Commission in the U.S. and SEDAR in Canada for the year ending December 31, 1998[13]. The remaining total resources at the Santa Rosa property were calculated to be **905,000 ounces of gold with an average grade of 1.43 grams per tonne**. Since the mines were closed, all reserve figures were converted to mineral resources.

[13] Form 20-F was filed on June 10, 1999.

Santa Rosa Project Resources by pit
(as of December 31, 1998[14])

Santa Rosa	Tonnes	Grade	Contained gold
Measured & Indicated	9,038,000	1.30	378,000
Inferred Resources	5,819,000	1.25	234,000
Total Resources	**14,857,000**	**1.28**	**612,000**

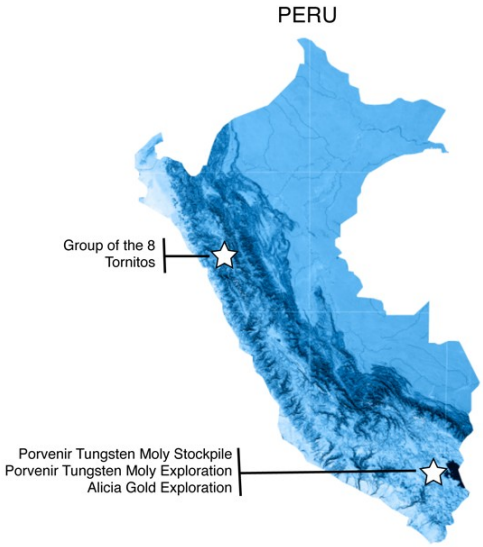
Alta de la Mina	Tonnes	Grade	Contained gold
Measured & Indicated	3,690,000	1.98	236,000
Inferred Resources	1,166,000	1.53	57,000
Total Resources	**4,856,000**	**1.88**	**293,000**

The management of Golden Phoenix has definitive solutions for the mining, crushing and leach processing challenges that Greenstone Resources encountered. Realizing that mining operations in the open pits will come to a standstill during periods of heavy precipitation during the rainy season, sufficient **ore will be stockpiled** so that stacking operations will not be hindered. Instead of heap leaching, management plans to utilize the **vat leaching** process to enhance recovery rates and reduce leaching time. Unlike heap leaching, vat leaching can be conducted under a roof or in a building, which is especially advantageous in the tropical climate of Panama. In addition, the ore is totally immersed in cyanide solution in large leach tanks (see diagram below) during the soaking cycle allowing for better contact and increased gold recovery. Also, the process circuit will be improved by **grinding the ore** with a SAG (Semi-Autogenous Grinding) mill and a **gravity circuit** with a cyclone and ball mill prior to leaching. Vat leaching usually recovers over 80% of the contained gold when treatment time approaches 30 days. Due to the gold grain characteristics and weather challenges at Santa Rosa, recovery rates should dramatically improve over the historical rates achieved by Greenstone with heap leaching. The capital and operating costs of vat leaching are generally 25% greater than heap leach operations, but given the increased price of gold and the vast expected improvement in recovery rates, management has a compelling operational plan for the Santa Rose property.

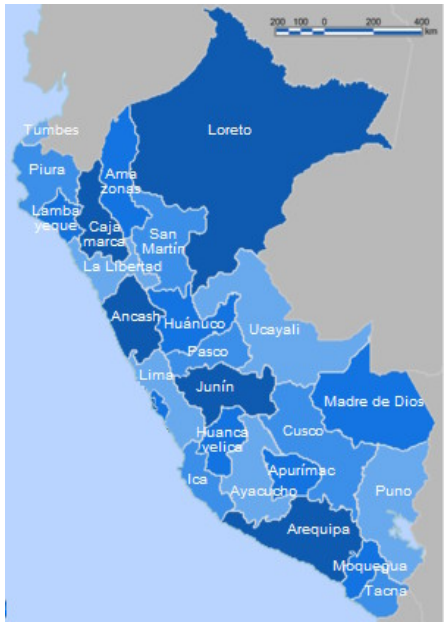
PERU – GOLD, TUNGSTEN and MOLYBDENUM

Golden Phoenix has entered into a definitive agreement to acquire a 100% interest in five properties in Peru: three gold exploration projects and two molybdenum and tungsten projects. Of the three gold projects, two are located on the Pataz gold trend in northern Peru (Group of the 8 and Tornitis) and one in the Porvenir area in the south. The two molybdenum and tungsten projects are both located in the Porvenir area.

[14] The Resources were also released as a press release by Greenstone Resources Ltd. on April 23, 1999.



Properties in Peru



Regions of Peru

Peru is the world's sixth largest gold-producing country with gold production of 182,000 kilograms in 2009[15]. With mesothermal gold belts extending from northern Argentina to northern part of the country, Peru is host to a number of world class precious metal and base metal deposits.

In early June 2011, the Peruvian presidential election was won by Ollanta Humala, the leader of the leftist Nationalist Party. Humala is a past supporter of Hugo Chavez, Venezuela's socialist leader. After the election, the Lima General Index, Peru's benchmark stock index[16], plunged a record 12.5% on concerns that Humala would among other actions, raise mining taxes to finance social spending. However, with the promise to re-confirm Julio Velarde as the Central Bank President for another five-year term, the Lima General Index regained approximately half of the post-election loss. In late August, the mining companies operating in Peru (primarily including Newmont Mining, Xstrata Plc and Freeport-McMoRan Copper & Gold) agreed to an annual windfall tax of 3 billion soles ($1.1 billion), which replaces the former regime's tax of 2.5 billion soles over five years.

TUNGSTEN and MOLYBDENUM PROJECTS - PORVENIR (PERU)

GOLD PROJECTS – PORVENIR, TORNITOS AND GROUP OF THE EIGHT (PERU)

Golden Phoenix is in the process of acquiring a 100% interest in five properties located in Peru:

1) a tungsten and molybdenum stockpile located in Porvenir of the Puno region,
2) a tungsten and molybdenum exploration property located in Porvenir,
3) the Alicia gold exploration area near and abutting Porvenir,
4) the Group of the 8 gold exploration property in the Pataz province of Peru's La Libertad region and
5) the Tornitos gold exploration property, also in the Pataz province.

The total area of all five properties encompasses approximately 25 square miles or 6,200 hectares of land.

[15] USGS 2009 Minerals Yearbook - Gold.
[16] A surrogate for the index for the Bolsa de Valores de Lima General Sector Index (IGBVL) is the ETF iShares MSCI All Peru Capped Index Fund (EPU: NYSE).

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In October 2010, Golden Phoenix entered into a binding Memorandum of Understanding with Salwell International, whereby Golden Phoenix could potentially acquire an 80% interest in these five properties in Peru. In March 2011, Golden Phoenix entered into a Membership Interest Purchase Agreement with Pinnacle Minerals Corporation and Salwell International whereby Golden Phoenix acquired Pinnacle's 32.5% membership interest in Molyco, which owns or controls approximately 30,000 tons of the molybdenum stockpile located on the Porvenir property. Pinnacle's membership interest requires the payments totaling $750,000[17], of which $265,000 has been paid. On June 1, 2011, Golden Phoenix Minerals entered into a definitive agreement with Sala-Valc S.A.C., a Peruvian corporation, to acquire an 80% interest in the five Peruvian properties; however, subsequently, the agreement has been amended twice such that **Golden Phoenix will be acquiring a 100% interest in the Peruvian properties** for $37,500 in cash and 1,231228 shares through two non-interest bearing convertible note issues due in 2012 plus a perpetual 3% net smelter return royalty (NSR) granted to Sala-Valc S.A.C. Through September 30, 2011, Golden Phoenix had incurred expenses related to the Peruvian properties of $1,333,832[18].

A milling facility to process the stockpiled molybdenite at the Porvenir property was secured during October 2010. The mill is being modified to expand the capabilities to better recover molybdenum and to process the newly discovered tungsten in the stockpiled material at Porvenir. The improvements entail the installation of a complete gravity circuit for the recovery of tungsten and a regrind circuit to improve the consistency of molybdenum concentrate.

The Porvenir property was mined for tungsten and molybdenum in the 1960s, but the molybdenum was not processed due to low prices ($2.80 to $3.70 per kilogram). Management plans to **first process the tungsten and molybdenite in the surface stockpiles** for the first 12 months, using the revenues to invest in other Peruvian gold and molybdenum properties. The processing of molybdenite and the recovery of tungsten are expected to begin following the completion of the mill improvements. Originally planned for sometime in the second half of 2011, the Peruvian elections have delayed progress.

Eventually, Golden Phoenix plans to re-open the historic tungsten-molybdenum mine. Between 440 and 480 adits[19] are being rehabilitated; geophysical and mapping programs are to follow. Originally, exploratory drilling of the mine was expected to begin in the second half of 2011 with assay work to include the evaluation of other economic metals that may be hosted in the Porvenir mine. Adjacent land along the strike projections of the three main veins has been secured through Sala-Valc S.A.C. acting on behalf of the Strategic Alliance.

The Group of the 8 and Tornitos gold exploration properties are located in the Pataz district of the Pataz province of Peru's La Libertad region. The Pataz province is 500 kilometers north of Lima on the Eastern Cordillera of the Andes, The Andes in northern Peru consists of two parallel ranges, the Eastern Cordillera (Oriental) and the Western Cordillera (Occidental). The Pataz province is also the northernmost part of a mesothermal gold belt, which extends south to northern Argentina. The Pataz mineralized belt is approximately 160 kilometers in length and one to three kilometers wide[20]. Over the last 100 years, the Pataz province has produced six million ounces of gold[21]. Typical gold mineralization is in the form of quartz-sulfide vein deposits The typical grades in the ore shoots tend to vary between

[17] Following the signing of the agreement, Golden Phoenix paid $250,000 and entered into a $250,000 promissory note to be paid in 12 monthly installments on the first of each month starting on November 1, 2011 and a $250,000 promissory note convertible into 1,000,000 shares of Golden Phoenix common stock.
[18] Expenses totaled $952,334 through December 31, 2010 and $381,498 in the first nine months on 2011.
[19] Horizontal (or nearly horizontal) entrances to an underground mine.

[20] Fluid inclusion study on mesothermal gold deposits of the Pataz province, Yves Haeberlin*, Robert Moritz and Lluís Fontboté 2000. The Pataz mineralized belt extends along the eastern side of the Marañón Valley from Bolívar to Pataz, then strikes southeastwards to the Parcoy and Buldibuyo districts.

[21] Carboniferous orogenic gold deposits at Pataz, Eastern Andean Cordillera, Peru: Geological and structural framework, paragenesis, alteration, and Ar-40/Ar-39 geochronology, Yves Haeberlin*, Robert Moritz and Lluís Fontboté, M. Cosca; 2004; Economic Geology and the Bulletin of the Society of Economic Geologists, Vol. 99, No. 1., pages 73 - 112.

seven and 15 Au g/t. Annual production of the Pataz province was 360,000 ounces in 1999, which at the time it represented 10% of Peru's gold production. The Poderosa mine located in the Pataz province has produced 1.5 million ounces of gold since 1982, with average production of 100,000 ounces annually. Gold exports from the La Libertad region rose 20% in 2010 to $1.65 billion from $1.38 billion in 2009.

MARKETABLE SECURITIES

As a junior mining company with interests in various properties, on occasion, the company comes into possession of marketable securities. In July 2006, Golden Phoenix received 100,000 shares of International Enexco Ltd. common stock (IEX: TSX-V) worth $162,041 in return for a Quitclaim Deed for six unpatented mining claims aka the Red Metal claims. The shares were accounted for as securities held-for-sale in accordance with FAS 115 with these marketable securities being held at market fair value and unrealized gains and losses recorded as other comprehensive income on the company's balance sheet. The shares of International Enexco were sold for $20,559 in 2008, resulting in a loss of $141,482. In March 2010, Golden Phoenix received 7,824,750 shares of Scorpio Gold common stock (SGN: TSX-V) worth $5,501,582. In August 2010, all the shares were sold for $3,832,626, incurring a loss of $1,681,571. In 2011, the company expects to receive 3,000,000 shares of Win-Eldrich Mines common stock (WEX: TSX-V) and 1.25 million shares of American Mining Corporation (AMCM: OTCQB) as part of the negotiated exchange for a $4.232 million secured note.

FINANCIAL POSITION AND RECENT FINANCINGS

At year-end 2010 (December 31, 2010), Golden Phoenix had $1,529,318 in cash and marketable securities, $395,453 in long-term debt, and $434,919 in shareholders' equity. During 2010, long-term debt was reduced by $1,289,173. At the end of the third quarter (September 30, 2011), cash and marketable securities decreased 87% to $90,283 primarily due to significant increases in exploration/evaluation and G&A expenses. Long-term debt was $8,840; however, the secured notes (accounted as a current liability) were $1.75 million. Shareholders' equity was a deficit of $3,131,878 due year-to-date operating loss of $13.3 million. During the first nine months of 2011, the company's cash requirements for exploratory and evaluation programs increased from $1.2 million to $10.3 million, which includes $6.1 million for the acquisition of Ra Resources. General and administrative expenses increased from $1.3 million to $2.9 million due to the increased support required to pursue new exploration property projects.

During 2010, the company was financially restructured to pursue the royalty strategy. Golden Phoenix issued 48.8 million shares for $2.84 million in net proceeds and for the payment of $690,066 in services and exploration expenses. In August, the company sold the 7,824,750 shares of Scorpio Gold, which were received in Mineral Ridge transaction, for $3.83 million. Subsequently in September, the Board approved a stock buyback plan of up to 20% of the company's outstanding stock. By year-end, $49,510 worth of stock (309,500 shares) was repurchased and the company's total liabilities were reduced by $7,868,018 (from $9,409,739 to $1,541,721). Also in 2010, 12 million warrants were repurchased and cancelled.

Golden Phoenix has a flexible $12.5 million capital commitment facility available. In May 2011, the company entered into a $12.5 million purchase agreement with Lincoln Park Capital Fund, LLC. Under the agreement, Golden Phoenix has the right for 36 months to sell shares at prevailing market prices, subject to a floor price, to Lincoln Park Capital Fund in amounts up to $500,000 per sale, up to the cumulative commitment of $12.5 million. Golden Phoenix filed a registration statement with the SEC covering the shares that will be issued under the agreement. The agreement may be terminated by Golden Phoenix at any time.

In August 2011, Golden Phoenix secured a $1 million bridge loan and a $15.5 million debt facility from Waterton Global Value, L.P. to aid in the completion of the due diligence of the Santa Rosa property and to fast track the development of the project, respectively.

VALUATION

Managements of junior mineral exploration companies create value through evaluating, acquiring, exploring and/or developing mining properties. As a junior gold exploration company, Golden Phoenix cannot be valued on a revenue, earnings, book value or cash flow basis. Management's strategy is to increase shareholder value through evaluating and acquiring projects in various stages of development, but especially advanced stage projects that can brought to production within two years (management's core competency). After advancing the exploration of the property and armed with additional information concerning the property's resources, management locates a mine operator that is enthusiastic to bring the property to production at its own expense in return for a majority interest. Golden Phoenix expects to retain a minority equity interest or a royalty in order to participate in the property's development and any potential new discoveries.

Book value of a junior gold exploration company represents the equity capital that has been raised to acquire the minerals rights on properties and to conduct exploration programs. An amalgamation of information is encapsulated within the raised capital total, including the quality of the properties (both in terms of mineral potential and political stability) and the exploration results from introductory geochemical surveys to assay results from drilling programs. Therefore, book value captures the complex valuation potential of the company's base gold resource value potential by sophisticated investors, most with expert knowledge of junior gold exploration companies in the exploration phase with no stated revenues. Hence, we generally find the use of book value is a valid and appropriate metric by which to determine a junior gold exploration company's valuation. However, in the case of Golden Phoenix, the new CEO, Tom Klein, has radically altered the focus of the company towards fast-track development of newly acquired properties, with the anticipation of future royalty streams derived from minority stakes of these properties. Initially burdened by $9.4 million in legacy liabilities and $6.36 million in negative shareholders' equity at the end of 2009, the new Golden Phoenix reduced liabilities to less than $1.5 million and achieved positive equity by the end of 2010. However, subsequent exploration expenses and property acquisition costs in 2011 have reversed the trend.

Our calculation of **share value of attributable resources** is based on the ascertained value of each property plus balance sheet adjustments for working capital, PPE (property, plant and equipment) and marketable securities. The value of each individual property is determined by adjusting the value of current resources for the expected recovery rate, mining/processing costs and net smelter royalties, if any. Only the company's percentage interest is attributed to the company's value. Also, the resource valuation methodology involves several assumptions:

1) a 100% weight is applied to measured & indicated resources while a 50% weight is applied to inferred resources;
2) in line with management's stated strategy, the company's interest in each property is assumed to be 30% when production is achieved; in addition, the capital costs to bring the property to commercial production are assumed to be incurred by the majority interest holder;
3) the settlement of the Ashdown transaction will be completed;
4) the interest in the Santa Rosa property will be successfully acquired; and
5) each property's estimated production life is 10 years, which is accounted for by the discount factor.

Based on our calculation of share value of attributable resources (see table below), **our target for Golden Phoenix stock is $0.42.**

Projects	Measured Indicated Resource (oz)	NI 43-101 Inferred Resource (oz)	Grade (g/t)	Historical Inferred Resource (oz)	Recovery Rate	Average Production Costs (per oz)	Current Price	Net Smelter Return (NSR)	Shares Owned	% Ownership	Net Value to GPXM	Net Present Value to GPXM
GOLD												
Mineral Ridge (NV)	221,000	136,000	1.46	N/A	67%	266	1,570		N/A	30%	75,738,779	55,744,401
Coyote Fault (NV)	N/A	N/A	0.30	N/A	N/A	N/A	N/A		N/A	80%	N/A	
Vanderbilt (NV)	N/A	N/A	1.74	N/A	N/A	N/A	N/A		N/A	80%	N/A	
Adams (NV)	N/A	N/A	N/A	N/A	N/A	N/A	N/A		N/A	100%	N/A	
Santa Rosa (Panama)	614,000	291,000	1.43	N/A	65%	550	1,570	5.0%	N/A	30%	143,511,323	105,625,583
Peru	N/A	N/A	N/A	N/A	N/A	N/A	N/A		N/A	in process	N/A	
Shining Tree (Ontario)	N/A	N/A	N/A	N/A	N/A	N/A	N/A		N/A	100%	N/A	
MOLYBDENUM	**(pounds)**		**(%)**	**(pounds)**								
Northern Champion	N/A	N/A	N/A	450,000	50%	10.10	13.61	3.3%	N/A	30%	763,688	500,250
Ashdown (NV)	2,773,908	N/A	3	N/A	90%	10.10	13.61			2% NSR	175,256	128,990
MARKETABLE SECURITIES												
Win-Eldrich Mines (WEX)							0.155		3,000,000	N/A	465,000	342,244
American Mining (AMCM)							0.17		1,250,000	N/A	212,500	156,402
BALANCE SHEET ADJUSTMENTS												
Working capital											(3,650,739)	(3,650,739)
Property and equipment											175,765	175,765
Debt											(8,840)	(8,840)
Anticipated Santa Rosa debt											(20,000,000)	(20,000,000)
								Net Assets & Resources			197,382,732	139,014,055
								Shares Outstanding			327,840,504	327,840,504
								Asset Value			0.60	
								Discounted Asset Value				**0.42**

As new drill results provide sufficient information to produce updated values of current resources and as interests in new properties are acquired, the resource valuation will be revised. Our methodology does not include any upside from additional exploration of the stockpiles and/or resources that may increase the company's resources and/or reserves. Only when these drill programs and subsequent assessments are convincing will the resources be adjusted.

The stocks of junior gold companies have a unique trading profile. The stocks tend to mark time, trading sideways-to-down, during an incubation phase until a discovery from a drilling program is announced and/or a mine begins producing. Significant positive results are the stimulus for upside gaps in stock's price in a mark-up phase as the new information is discounted by first-movers. Generally, the price appreciation continues, albeit at a slower pace, usually on heavy volume until the newly created demand instigated by the announcement is fulfilled. After the initial rally, another period of time of sideways-to-down action occurs. Often the stock retraces some, or sometimes all, of the prior price-appreciation during this digestion phase. If and when a subsequent discovery is announced from a follow-on drilling program or production significantly exceeds expectations, another mark-up phase is set in motion.

RISKS

- Golden Phoenix is a development stage gold exploration company. There is no assurance that the company's exploration programs will result in profitable mining operations and the company's exploration programs are dependent upon the company's ability to obtain funds to continue exploration activities and pay administrative costs.

PROJECTED FINANCIAL STATEMENTS

Golden Phoenix Minerals, Inc.
Consolidated Statements of Operations and Retained Earnings
(in $)

For the years ending December 31	2005	2006	2007	2008	2009	2010	2011 E	2012 E
Revenue:	**746,040**	**176,777**	**10,398,361**	**0**	**63,056**	**107,500**	**201,200**	**205,000**
Costs of mining operations	1,207,754	1,593,607	8,868,308	202,380	0	33,345	78,170	50,000
Exploration, development and mineral property lease expenses	3,271,550	2,909,404	449,598	1,413,829	0	2,105,516	13,486,650	8,000,000
Accretion expense	144,858	169,584	190,811	185,035	0	0	0	0
General and administrative expenses	1,496,124	2,431,518	3,194,094	3,023,051	1,760,363	1,992,778	4,007,750	4,000,000
Depreciation and amortization expense	151,337	104,616	232,747	137,516	78,438	74,321	86,262	90,000
Write off of reclamation asset	0	1,826,140	0	0	0	0	0	0
Royalties	0	0	0	1,158,337	70,090	489,002	0	0
Operating expenses	**6,271,623**	**9,034,869**	**12,935,558**	**6,120,148**	**1,908,891**	**4,694,962**	**17,658,832**	**12,140,000**
Loss from operations	**(5,525,583)**	**(8,858,092)**	**(2,537,197)**	**(6,120,148)**	**(1,845,835)**	**(4,587,462)**	**(17,457,632)**	**(11,935,000)**
Interest income	3,005	6,463	121,822	11,323	4,541	48,186	5,492	200
Interest expense	(1,743,884)	(1,152,607)	(275,981)	(97,988)	(760,521)	(233,686)	(218,334)	(300,000)
Gain (loss) on extinguishment of debt	(56,234)	5,312,853	537,309	46,528	1,032,579	162,423	30,677	0
Gain on sale of mineral properties	1,400,000	162,041	0	0	0	0	0	0
Gain (loss) on disposal of property and equipment	(3,702)	(53,018)	19,713	(10,286)	127	(6,322)	50	0
Gain (loss) on marketable securities	0	0	0	(141,482)	0	(1,681,571)	0	0
Foreign currency gain (loss)	0	0	0	0	0	(41,499)	(663)	0
Other income (expense)	(16,065)	19,739	0		0	0	0	0
Total other income (expense)	**(416,880)**	**4,295,471**	**402,863**	**(191,905)**	**276,726**	**(1,752,469)**	**(182,778)**	**(299,800)**
Loss before minority interest and income taxes	**(5,942,463)**	**(4,562,621)**	**(2,134,334)**	**(6,312,053)**	**(1,569,109)**	**(6,339,931)**	**(17,640,410)**	**(12,234,800)**
Minority interest in net loss of consolidated joint venture	0	482,067	(216,101)	0	0	0	0	0
Loss before income taxes	(5,942,463)	(4,080,554)	(2,350,435)	(6,312,053)	(1,569,109)	(6,339,931)	(17,640,410)	(12,234,800)
Provision for income taxes	0	0						
Net income for the year (continuing operations)	**(5,942,463)**	**(4,080,554)**	**(2,350,435)**	**(6,312,053)**	**(1,569,109)**	**(6,339,931)**	**(17,640,410)**	**(12,234,800)**
Net income per common share (diluted) - continuing ops.	**(0.04)**	**(0.03)**	**(0.01)**	**(0.03)**	**(0.01)**	**(0.03)**	**(0.06)**	**(0.03)**
Weighted average common shares outstanding - diluted	133,960,174	144,698,413	172,926,174	189,375,309	211,632,837	246,692,567	315,661,633	375,000,000
Discontinued operations (net) attributable to company	0	0	0	(2,580,324)	(1,229,638)	8,901,553	0	0
Net income per common share - discontinued operations	0.00	0.00	0.00	(0.01)	(0.01)	0.04	0.00	0.00

Golden Phoenix Minerals, Inc.

Consolidated Statements of Operations and Retained Earnings

(in $)

For the years ending December 31	2010 1Q	2010 2Q	2010 3Q	2010 4Q	Year 2010	2011 1Q	2011 2Q	2011 3Q	2011 4Q E	Year 2011 E
Revenue:	**0**	**0**	**43,000**	**64,500**	**107,500**	**0**	**65,600**	**67,800**	**67,800**	**201,200**
Costs of mining operations	0	0	0	33,345	33,345	31,641	46,529	0	0	78,170
Exploration, development and mineral property lease expenses	50,709	249,277	924,772	880,758	2,105,516	736,846	6,404,733	3,145,071	3,200,000	13,486,650
General and administrative expenses	399,959	378,035	528,423	686,361	1,992,778	1,105,853	797,567	1,004,330	1,100,000	4,007,750
Depreciation and amortization expense	18,058	18,321	18,924	19,018	74,321	19,097	19,201	22,229	25,735	86,262
Royalties	0	489,002	0	0	489,002	0	0	0	0	0
Operating expenses	**468,726**	**1,134,635**	**1,472,119**	**1,619,482**	**4,694,962**	**1,893,437**	**7,268,030**	**4,171,630**	**4,325,735**	**17,658,832**
Loss from operations	**(468,726)**	**(1,134,635)**	**(1,429,119)**	**(1,554,982)**	**(4,587,462)**	**(1,893,437)**	**(7,202,430)**	**(4,103,830)**	**(4,257,935)**	**(17,457,632)**
Interest income	0	11,121	36,678	387	48,186	328	5,060	4	100	5,492
Interest expense	(78,239)	(35,093)	(36,601)	(83,753)	(233,686)	(9,323)	(8,581)	(100,430)	(100,000)	(218,334)
Gain (loss) on extinguishment of debt	36,901	0	0	125,522	162,423	0	20,000	10,677	0	30,677
Gain (loss) on disposal of property and equipment	(6,322)	0		0	(6,322)	0	50	0	0	50
Gain (loss) on marketable securities			(1,681,571)	0	(1,681,571)	0	0	0	0	0
Foreign currency gain (loss)	53,896	(209,300)	104,559	9,346	(41,499)	4,676	(1,190)	(4,149)	0	(663)
Total other income (expense)	**6,236**	**(233,272)**	**(1,576,935)**	**51,502**	**(1,752,469)**	**(4,319)**	**15,339**	**(93,898)**	**(99,900)**	**(182,778)**
Loss before minority interest and income taxes	**(462,490)**	**(1,367,907)**	**(3,006,054)**	**(1,503,480)**	**(6,339,931)**	**(1,897,756)**	**(7,187,091)**	**(4,197,728)**	**(4,357,835)**	**(17,640,410)**
Minority interest in net loss of consolidated joint venture	0	0	0	0	0	0	0	0	0	0
Loss before income taxes	(462,490)	(1,367,907)	(3,006,054)	(1,503,480)	(6,339,931)	(1,897,756)	(7,187,091)	(4,197,728)	(4,357,835)	(17,640,410)
Provision for income taxes										
Net income for the year (continuing operations)	**(462,490)**	**(1,367,907)**	**(3,006,054)**	**(1,503,480)**	**(6,339,931)**	**(1,897,756)**	**(7,187,091)**	**(4,197,728)**	**(4,357,835)**	**(17,640,410)**
Net income per common share (diluted) - continuing ops.	**(0.00)**	**(0.01)**	**(0.01)**	**(0.01)**	**(0.03)**	**(0.01)**	**(0.02)**	**(0.01)**	**(0.01)**	**(0.06)**
Weighted average common shares outstanding - diluted	236,596,149	244,851,762	241,092,349	258,846,284	246,692,567	274,447,871	310,358,155	327,840,504	350,000,000	315,661,633
Discontinued operations (net) attributable to company	8,911,664	(1,855)	(8,256)	0	8,901,553	0	192,285	0	0	0
Net income per common share - discontinued operations	0.04	(0.00)	(0.00)	0.00	0.04	0.00	0.00	0.00	0.00	0.00

Golden Phoenix Minerals, Inc.

Consolidated Balance Sheets

(in $)

For the years ending December 31	2005	2006	2007	2008	2009	2010	2011 E	2012 E
ASSETS								
Cash and cash equivalents	10,175	479,032	2,173,811	454	94,785	1,520,318	200,000	124,540
Marketable securities	0	205,943	163,958	0	0	0	0	630,000
Receivables	260,000	135,584	951,873	0	0	0	0	0
Prepaid expenses and other current assets	533,160	311,625	153,962	58,619	15,504	208,211	250,000	151,600
Inventories	22,299	47,256	402,483	49,739	0	0	0	0
Current Assets	**825,634**	**1,179,440**	**3,846,087**	**108,812**	**110,289**	**1,728,529**	**450,000**	**906,140**
Mineral properties	-	-	-	-	-	-	-	**1,000,000**
Property and Equipment (net)	**1,346,815**	**1,295,136**	**1,815,654**	**817,578**	**285,006**	**198,111**	**175,000**	**150,000**
Other Assets								
Restricted funds - reclamation obligations	1,996,857	2,177,495	2,246,824	1,839,592	0	0	0	0
Prepaid bond insurance premiums	363,700	320,488	277,276	234,065	0	0	0	0
Deposits	48,380	60,761	163,009	107,046	106,590	50,000	50,000	50,000
Debt issuance costs	-	-	-	-	-	-	301,936	
Assets of discontinued operations	1,826,140	-	-	3,383,205	2,552,400	0		0
Total Assets	**6,407,526**	**5,033,320**	**8,348,850**	**6,490,298**	**3,054,285**	**1,976,640**	**976,936**	**2,106,140**
LIABILITIES								
Accounts payable	1,278,499	1,096,308	891,836	1,253,489	1,273,547	216,522	332,736	400,000
Accrued liabilities	6,430,259	542,438	980,287	573,156	1,005,433	425,863	450,000	200,000
Senior, secured note payable	-	-	-	-	-	-	2,310,700	3,800,000
Current portion of severance obligations	0	324,927	132,158	100,170	165,201	0	0	0
Current portion of long-term debt	17,477	11,917	103,721	176,549	2,535,782	277,777	260,378	500,000
Notes payable and related accrued interest	2,351,685	3,048,649	0	0	0	0	0	0
Convertible notes payable	169,690	-	-	-	-	-	-	-
Deferred revenue — related party	617,063	904,567	100,026	0	0	0	0	0
Production payment obligation	0	0	1,974,456	1,974,456	0	0	0	0
Amounts due to related parties	613,033	689,536	403,276	458,531	432,173	226,106	750,000	1,250,000
Other current liabilities	111,744	0	0	0	0	0	0	0
Deposits received	0	0	0	0	900,000	0	0	
Current Liabilities	**11,589,450**	**6,618,342**	**4,585,760**	**4,536,351**	**6,312,136**	**1,146,268**	**4,103,814**	**6,150,000**
Reclamation obligations	2,497,093	2,997,125	3,312,562	0	0	0	0	0
Severance obligations	326,866	295,689	166,595	86,460	0	0	0	0
Long-term debt	37,555	9,138	123,164	142,506	61,173	21,818	5,000	0
Amounts due to related parties	0	125,933	0	0	0	373,635	0	0
Liabilities of discontinued operations	0	0	0	6,439,917	3,036,430	0	0	0
Long-term liabilities	**2,861,514**	**3,427,885**	**3,602,321**	**6,668,883**	**3,097,603**	**395,453**	**5,000**	**0**
Minority Interest	**0**	**(42,067)**	**34,034**	**0**	**0**	**0**	**0**	**0**
Share capital (no par value)	23,062,607	30,260,543						
Share capital ($0.001 par value)			180,553	205,510	223,180	271,989	344,062	435,233
Additional paid-in capital			37,509,985	40,127,362	40,842,415	45,071,867	54,522,785	65,955,424
Common stock subscriptions receivable	28,686	(60,000)	0	(121,187)	0	0	0	0
Treasury stock	0	0	0	0	0	(49,510)	(49,008)	(250,000)
Retained earnings (deficit)	(31,134,731)	(35,215,285)	(37,565,720)	(44,622,302)	(47,421,049)	(44,859,427)	(57,949,717)	(70,184,517)
Accumulated other comprehensive income	0	43,902	1,917	0	0	0	0	0
Noncontrolling interest in discontinued ops.	0	0	0	(304,319)	0	0	0	0
SHAREHOLDERS' EQUITY	**(8,043,438)**	**(4,970,840)**	**126,735**	**(4,714,936)**	**(6,355,454)**	**434,919**	**(3,131,878)**	**(4,043,860)**
Total Liabilities and Equity	**6,407,526**	**5,033,320**	**8,348,850**	**6,490,298**	**3,054,285**	**1,976,640**	**976,936**	**2,106,140**
Common shares outstanding	136,230,087	154,064,010	180,552,639	205,510,457	223,180,210	271,988,900	350,000,000	400,000,000

HISTORICAL ZACKS RECOMMENDATIONS



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