Zacks Small-Cap Research

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Golden Phoenix Minerals (GPXM-OTC)

GPXM: Zacks Co. Report – OUTPERFORM



Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	09/04/2011
Current Price (09/08/11)	$0.10
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. With properties in Nevada and Ontario and currently pursuing others in Peru and Panama, Golden Phoenix is creating a portfolio of mineral projects, three of which are at an advanced stage. We initiate coverage with an Outperform rating and an initial target of $0.42.

SUMMARY DATA

52-Week High	**$0.23**
52-Week Low	**$0.04**
One-Year Return (%)	**175**
Beta	**-0.02**
Average Daily Volume (shrs.)	**550,670**
Shares Outstanding (million)	**322**
Market Capitalization ($ mil.)	**$32.2**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**N/A**
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	**N/A**

ZACKS ESTIMATES

Revenue
(in thousands 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	66 E	0 E	197 E
2012					205 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 E	-$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.
- Golden Phoenix has options to acquire 80% interests in the **Vanderbilt and Coyote Fault properties** adjacent to Mineral Ridge. During 2011, the results of exploratory drilling on Vanderbilt and Coyote Fault properties are expected.
- Golden Phoenix is currently conducting due diligence for the potential acquisition of an 80% interest in the **Santa Rosa property** in Panama. At current gold prices, this prior producing property is attractive, especially with the implementation of advanced gold recovery techniques.
- Golden Phoenix is in the process of acquiring an 80% interest in **five properties located in Peru**. Though the recent election of socialist President has slowed the company's progress, molybdenum and tungsten production is expected to begin in the second half of 2011, after the mill is modified to better recover both molybdenum and the newly detected tungsten.
- The **acquisition of Ra Resources** in the second quarter adds additional properties in **Shining Tree Ontario** to the company's portfolio. Results from exploratory drilling are expected in 2011.
- 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.
- We initiate coverage of Golden Phoenix with an **Outperform** rating and a target of $0.42.

OVERVIEW

Based in Sparks, 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.**

[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.

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.

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 in-process 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). With the exception of the Peruvian properties where the election of a leftist President has postponed progress, 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, namely Coyote, State Bank and Vulcan. Adjacent to Mineral Ridge, Golden Phoenix plans to conduct exploratory drilling at Vanderbilt and continue Phase II mapping at Coyote Fault. The company also expects to sign a definitive agreement concerning the Santa Rosa gold mine located in Panama after the appropriate due diligence is conducted. In Ontario, exploratory drilling will be performed at Shining Tree in late summer. Management is assessing the political events in Peru before committing further capital towards development.

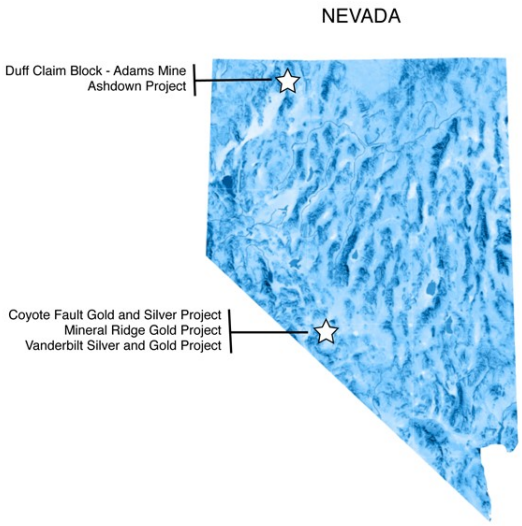
The company has been very successful in obtaining capital through equity fund raising, option payments and debt. During 2010, the company issued 48.8 million shares for $2.84 million in net proceeds and for the payment of $690,066 in services and exploration expenses. In March, Golden Phoenix received $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.

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.

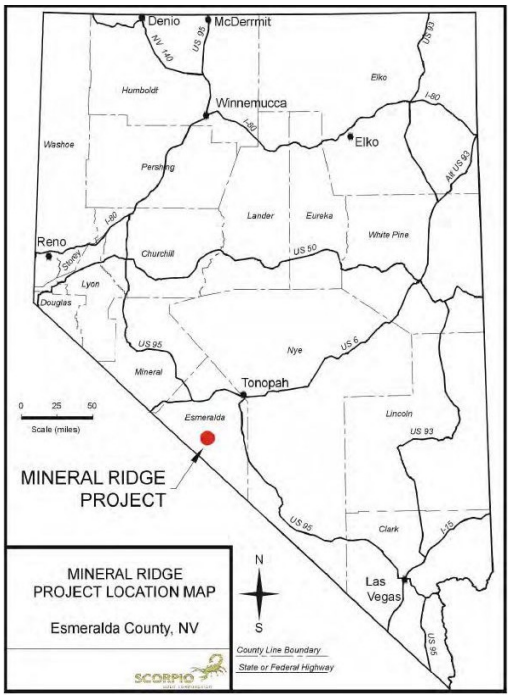
Nevada is home to many world-class gold and silver deposits. Mines in Nevada produced over 5.03 million ounces of gold in 2009[2], and accounted for 75% of total U.S. and 7% of global gold production. Only China (13% of world production), Australia (9%), South Africa (9%), Russia (8%) and Peru (8%) produce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

[2] In Esmeralda County, 97% of the total surface area is composed of federally managed lands.



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.





[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.

Geologically, the Mineral Ridge gold property has epithermal and mesothermal gold-bearing quartz veins and adjacent zones of gold- impregnated silica. Epithermal deposits form near the surface by hydrothermal systems, usually hot springs, while mesothermal deposits are formed by hot fluids, usually water, moving through rocks when the surrounding rocks were uplifted (see diagram below). Trace amounts of gold were extracted from the surrounding rocks and then deposited by sudden cooling and/or pressure change of the fluids. The mesothermal gold-bearing veins at Mineral Ridge lie above the granite of the lower Wyman formation. The high-grade veins were developed by underground mining methods at Mineral Ridge between 1864 and 1941, and in the last forty years by open pit mining.

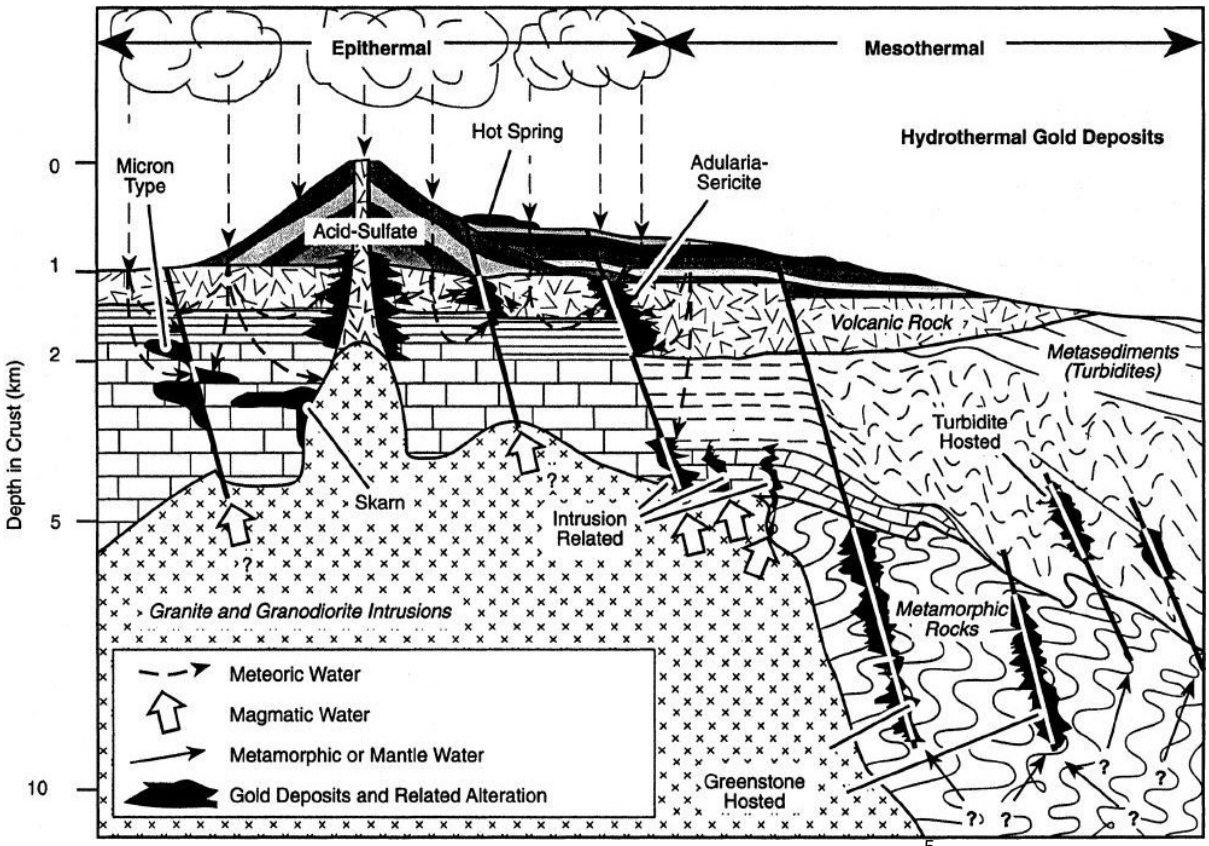


Diagram illustrating mesothermal gold deposits [5]

Four separate mineable gold deposits at Mineral Ridge (Drinkwater, Mary, Brodie and Solberry/Bluelite) have been investigated by NI 43-101 compliant technical reports[6] and/or feasibility studies. A feasibility study[7] completed in May 2003 identified 156,504 ounces gold that could be recovered with the cyanide heap leaching process, including 10,000 on the leach pad. In April 2009, West Coast Environmental and Engineering completed a preliminary economic assessment[8], which estimated 201,308 ounces were recoverable by heap leaching. In June 2010, Micon International provided a new 43-101 resource estimate on the Drinkwater and Mary pits based on 30 reverse circulation (RC) percussion drill holes and

[5] P.K. Williams, Integrated Exploration Case Histories, Towards a Multidisciplinary Integrated Exploration Process for Gold Discovery page 1016 and S. Kesler, 1994, Mineral Resources, Economics and the Environment, MacMillan College Publishing Company, page 391.

[6] National Instrument 43-101 is a mineral resource classification methodology that Canadian securities regulatory authorities required to report publicly disclosed information related to mineral properties by companies listed on stock exchanges within Canada. The terms “measured”, “indicated” and “inferred” mineral resources are terms specifically defined pursuant to NI 43-101 compliant rules and guidelines. The U.S. Securities and Exchange Commission does not recognize these terms, which are not equivalent to the standards of "proven" and "probable" reserves set forth in SEC Industry Guide 7.

[7] Reserve estimate of recoverable gold on Drinkwater, Mary, Brodie and Solberry/Bluelite reviewed by Behre Dolbear & Company, Inc.

[8] A preliminary economic assessment is not compliant with a National Instrument 43-101 or SEC Industry Guide 7, but is an intermediate step to producing a fully compliant Preliminary Feasibility Study technical Report.

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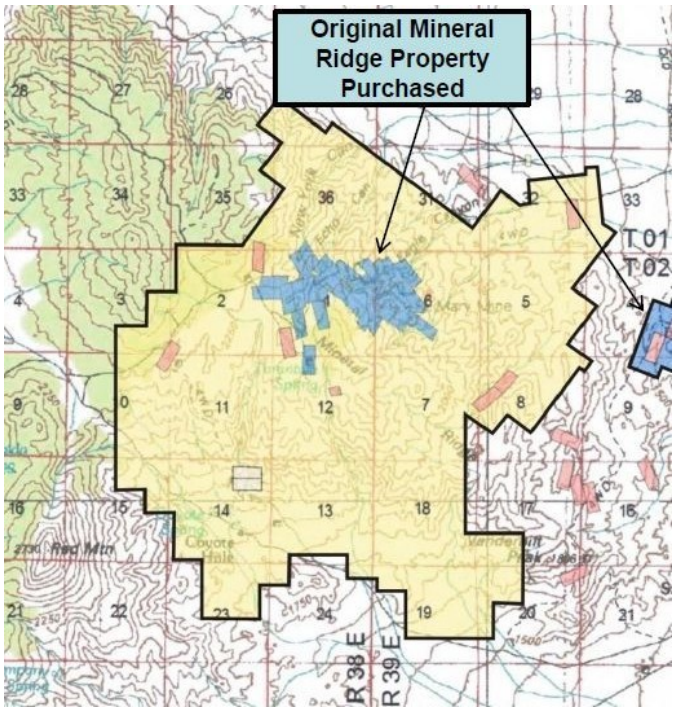
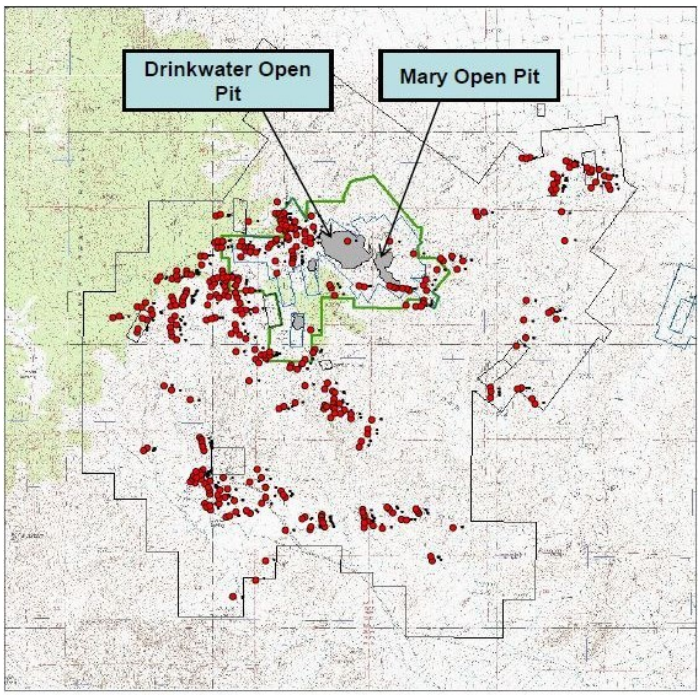
8 diamond drill holes. Measured and Indicated reserves were 221,000 Au ounces, and Inferred resources were 136,000 Au ounces for a total of 357,000 Au ounces for the Drinkwater and Mary pits.



10,176 acres



Pit locations

Mineral Ridge is an historic gold camp which has produced over 635,000 ounces of gold. Approximately 462,000 ounces[9] of past production was derived from underground mining operations and processed through conventional milling operations between 1864 and 1941. The first cyanide mill[10] in the US was constructed at Mineral Ridge in 1893. Under ownership of Pittsburgh-Silver Peak Gold, Black Mammoth and others, 462,025 Au ounces[11] were recovered until the mine was closed by the U.S. government under the War Act of 1942 in order to redeploy manpower for the war effort. The overall average grade during this period of underground production was 0.273 ounce per ton (8.49 g/t).

During the 1970's and 1980's, a few companies (Sunshine Mining Company, Homestead Mining Company, Zephyr Resources, Houston Oil and Minerals and Occidental Minerals) conducted geologic investigations on Mary and Drinkwater and explored for low-grade ores suitable for open pit mining. From 1989 to 1992, Zephyr Resources and Homestead Minerals shipped ore ranging from 0.074 to 0.12 ounces per ton from Mineral Ridge to the 16:1 Mill leaching facility from 1989 to 1992. In July 1993, Cornucopia Resources Ltd. acquired a mining lease on Mary and Drinkwater under the Mary Mining Trust, and after two years of exploratory drilling, began operating the mine in 1995. Gold prices were weak during this period, falling from $360 to $290 per ounce, and Cornucopia failed in 1997. In 1998, the property was transferred to Vista Gold, which conducted operations until the December 1999, when Vista's subsidiary, Mineral Ridge Resources, Inc., filed for bankruptcy protection under Chapter 11 due to gold prices declining to a 10-year low ($250 per ounce), along with operational problems and the inability to service the large debt position assumed from Cornucopia's transfer of the property to Vista**.**

[9] Technical Report on the Initial Mineral Resource Estimate for the Mineral Ridge Gold Project, Scorpio Gold, June 30, 2010, page 58.

[10] Ore is mixed with water, lime and sodium cyanide into slurry, which is passed through a precipitating unit to extract a metal sludge. Precious metals are recovered by melting the sludge into bullion.

[11] Mary Gold Mining Company: 2,120 ounces (1903-1904); Pittsburgh-Silver Peak Gold: 279,940 ounces (1907-1918), Blair Mines: 3,357 ounces (1919-1922); Silver Peak Mines: 16,876 ounces (1917-1931); Black Mammoth: 103,990 ounces (1928-1941); others: 55,742 ounces (1864-1902).

The fundamental operational decision at Mineral Ridge is the determination of the optimum gold extraction process. Zephyr Resources and Homestead Minerals contracted for the gravity and agitated leach circuit method, while Cornucopia constructed and employed the crushing and heap leach process as did Vista Gold. Importantly, both Cornucopia Resources and Vista Gold attempted to extract gold through the heap leaching process without milling and realized only a 60% recovery rate.

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. Mineral Ridge has a well-developed infrastructure, including heap leach pad, crushing circuit, roadways, power grid, water supply, maintenance shop, re-fuelling facilities and administrative buildings. Prior mine operators had spent approximately $18 million in office, process and ancillary facilities and $8 million on site preparation.

During the next two and one-half years, Golden Phoenix posted a $1.8 million interim reclamation bond and submitted a new mine operating plan[12] and reclamation plan with Nevada Department of Environmental Protection (NDEP). In May 2003, Golden Phoenix obtained an amended operating permit from the NDEP, and in June 2003, an increased $2.7 million reclamation surety bond was filed with the Bureau of Land Management (BLM). Once the bond was in place, mine operations and gold production resumed with cyanide leaching, open pit mining and old stockpiled materials being transferred to the leaching pad. New cyanide was added to the regular leach solutions that circulate through the leach pad in order to increase gold recovery. Based on the engineering and feasibility study completed in May 2003 by Behre Dolbear, management expected to recover 157,800 ounces[13] of gold over five years, generating sales of $59 million. With total operating and capital costs estimated to be $42 million, net income after taxes was projected to be $12 million.

In the spring of 2004, the Mineral Ridge mine was in full operation. Management had estimated that between 20,000 to 40,000 ounces of gold would be recovered during the first two years. However, in 2003 and 2004, the property yielded only 4,313 ounces of gold and 3,766 ounces of silver generating less than $2.5 million due to underperforming leach pads. Consequently, the Mineral Ridge mine was idled in January 2005 since the operations were not obtaining the results projected in the 2003 feasibility study. Management decided to further explore the property and update the feasibility study in order to delineate and quantify the gold contained on the property and to re-evaluate its economic potential.

Further exploration was conducted in early 2008 as management's attention was diverted toward the development of the Ashdown molybdenum property during the intervening years. Shallow drilling of the heap leach material confirmed the average grades of drill samples that had been previously taken in 2001 and 2003. Deep structure drilling to depths of between 800 and 1000 feet took place between the open pits to evaluate the structure of the underlying deposits and delineate additional reserves. 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.

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[14]. Scorpio Gold bears all costs of bringing the mine into commercial production,

[12] Plan of Operations (POO) and Environmental Assessment (EA).

[13] Based on probable reserve of 2,400,000 tons averaging 0.076 troy ounces of g/t at 81% recovery.

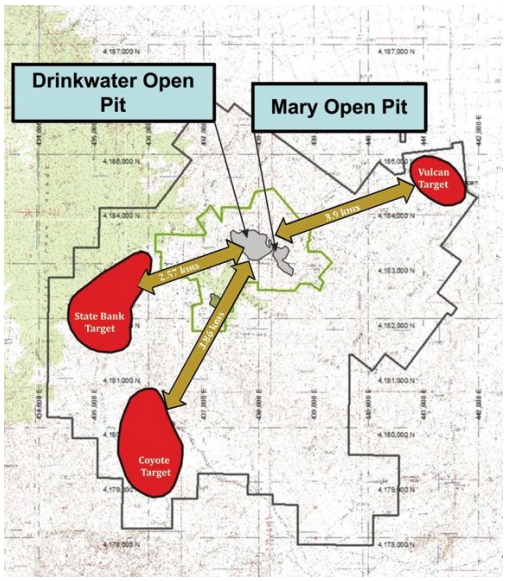
[14] The royalty to Mary Mining Company was annual royalty payments of $60,000 plus a sliding-scale production royalty based on the gold price divided by 100 in $50 increments with a cap at 8.5% (or gold at or above $850).

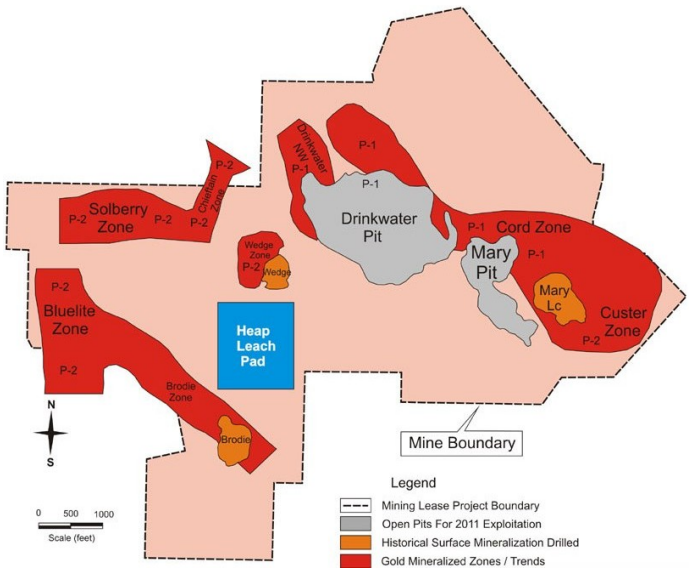
which is currently defined as four consecutive months of processing at least 3,500 ounces of gold per month, at which time Scorpio will earn an additional 10% for a total of 80%. When the joint venture was formed, it held the 54 patented and 134 unpatented mining claims (on almost 3,880 acres) of Golden 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[15].

The first shipment of loaded precious metals carbon[16] 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.





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

[16] 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.

The gold producing system at Mineral Ridge is considered to be mesothermal, but epithermal quartz-sulfide veins have recently been recognized. These **epithermal veins may significantly contribute to the total gold resources at Mineral Ridge**. Analysis of various mesothermal and epithermal geological features has identified five specific targets[17] that have potential for the discovery of additional gold mineralization.

A royalty obligation exists on several patented claims within the Mineral Ridge property. The royalty is a 1.0% sliding-scale production royalty on production when gold prices are less than $300 and rises ultimately to 3.0% when gold is above $500. However, Scorpio, the operator of Mineral Ridge, does not plan to mine in the area of these claims. The Nevada Department of Environmental Protection's annual permit cost is $20,000 for the Mineral Ridge property.

The Bureau of Land Management and Nevada Department of Environmental Protection review the reclamation bond amount every three years. In August 2006, a BLM audit was completed requiring that the bond be increased to approximately $2.8 million, and in 2009, it was increased to $3.0 million. The next review is expected in 2012.

VANDERBILT (NEVADA) PROJECT

In July of 2010, Golden Phoenix entered into an option agreement with Mhakari Gold Corporation[18] to earn an 80% interest in the Vanderbilt mine in Esmeralda County, Nevada, located immediately adjacent and southeast of the Mineral Ridge property. The Vanderbilt property consists of three patented and 44 unpatented mining claims, covering the historic Vanderbilt silver and gold mine, along with the surrounding Galena Flats area. The historic Vanderbilt mine was in production between the 1860's and the early 1900's[19], after which little exploration has been conducted. After acquiring the option on the property, **Golden Phoenix has completed two phases of initial rock sampling that look promising and an exploratory drilling program is planned for the fourth quarter of 2011.**



On July 6, 2010, Golden Phoenix acquired an option for an 80% interest from Mhakari Gold in the Vanderbilt property for payments of $51,000, the issuance of 2,000,000 shares of Golden Phoenix stock

[17] The five targets are 1) the down dip extension of the Mary Drinkwater zone, 2) the up dip extension of the Mary Drinkwater zone under Deep Springs Hill, 3) The NNE structural zone trending through the Drinkwater deposit, 4) the Brodie NNE structural zone to Oro Monte and 5) the Brodie-Missouri WNW structural zone.

[18] Mhakari Gold Corporation is a private Ontario-based gold and silver exploration company.

[19] Spurr, Josiah, E., Ore Deposits of the Silver Peak Quadrangle, Nevada, 1906 U.S. Geological Service report, pages 34-35.

and the issuance of five-year warrants to purchase a further 2,000,000 shares at $0.05 per share. In addition, within four years, Golden Phoenix must spend at least $350,000 for exploration and development of the Vanderbilt property and a combined minimum of $1,500,000 on both the Coyote Fault and Vanderbilt properties. After one year, Golden Phoenix will receive a 51% interest in the JV with Mhakari Gold and after four years, 80%.

Golden Phoenix completed the **phase I geologic mapping and outcrop sampling** in October 2010. Approximately four square kilometers were mapped, and 34 samples were collected for assay analysis, 30 from mineralized quartz deposits and zones of outcropping alteration, two from the underground workings and two from the granite footwall alteration. The average grade of all the samples was 2.1 g/t Au and 58.6 g/t Ag; the average sample weight was 3.7 kilograms. Management found that the two samples from the granite footwall alteration to be most intriguing. These two samples (samples 33 and 34) were taken from the footwall contact between the granite and the Wyman formation that hosts most of the mineralized quartz bodies. The footwall also appears to be mineralized with both samples assaying with significant silver deposition, and sample 34 assaying with 22.3 g/t Au over 1.0 meter. Management speculates that if the footwall is mineralized throughout its entirety, the footwall ore tonnage alone could be used to develop a future mine.

The **phase II** exploration program of the Vanderbilt property consisted of **rock sampling** of the historic Vanderbilt mine and creating a **map of the underground network**. Approximately three miles of underground exploration was conducted, with 26 channel samples taken from the walls and ore veins at the back ends of drifts. The assay analysis was completed in March 2011. The average grade of all the samples was 1.74 g/t Au and 91.4 g/t Ag; the average sample weight was 4.67 kilograms. High-priority drill targets for the **initial drilling program** will be determined by overlaying a topographic map on the map of the underground network developed from reconnaissance in phase II. Golden Phoenix has engaged Telesto Nevada, an engineering consulting firm, to assist in the map generation, along with the reclamation calculations required for the bonding necessary prior to beginning the exploratory drilling program.

COYOTE FAULT (NEVADA) PROJECT

In July of 2010, Golden Phoenix entered into an option agreement with Mhakari Gold Corporation to earn an 80% interest in the Coyote Fault property in Esmeralda County, Nevada, located immediately adjacent and northwest of the Mineral Ridge property. The Coyote Fault property consists of 34 unpatented mining claims, and covers the northern extension of the Coyote Fault structure. Prior to the involvement of Golden Phoenix, no modern mining exploration had been conducted. After acquiring the option on the property, Golden Phoenix completed a first phase of geologic mapping and outcrop sampling in December 2010. A phase II exploratory drilling program is planned for 2011.

On July 6, 2010, Golden Phoenix acquired an option for an 80% interest in the Coyote Fault property for payments of $75,000, the issuance of 5,000,000 shares of Golden Phoenix stock and the issuance of five-year warrants to purchase a further 5,000,000 shares at $0.05 per share. Also, Golden Phoenix must make $50,000 payments to Mhakari Gold by the six-month and one-year anniversaries of the agreement. In addition, Golden Phoenix must spend at least $150,000 for exploration and development of the Coyote Fault property within one year and at least an additional $1,000,000 over four years. After one year, Golden Phoenix will receive a 51% interest in the JV with Mhakari Gold and after four years, 80%.

Golden Phoenix completed the **phase I geologic mapping and outcrop sampling** in December 2010. Approximately seven square kilometers were mapped, and 29 outcrop samples were collected. The average grade of all the samples was 0.3 g/t Au. The richest sample was sample number 009 at 5.89 g/t Au that was taken near the southern end of the Coyote fault claim, which is 300 meters north of the Solberry zone on the adjacent Mineral Ridge property and 150 meters east of the Coyote fault line.

SANTA ROSA (PANAMA) - GOLD

Golden Phoenix is in the process of acquiring 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. Having signed a Letter of Intent to **acquire a 60% interest, with an option to earn an additional 20% interest**, Golden Phoenix is currently conducting due diligence. 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 entered into a non-binding Letter of Intent with Silver Global, S.A. to earn a 60% interest in Santa Rosa property with an option to acquire an additional 20% interest for payments totaling $20.5 million and $4,500,000 worth of Golden Phoenix shares, along with 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[20]. "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 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[21]." On August 3, 2011, Golden Phoenix informed Silver Global that the 72-hour due diligence had been completed, and the secondary, 45-day due diligence period had begun, requiring a milestone payment of 2.78 million shares of Golden Phoenix common stock and

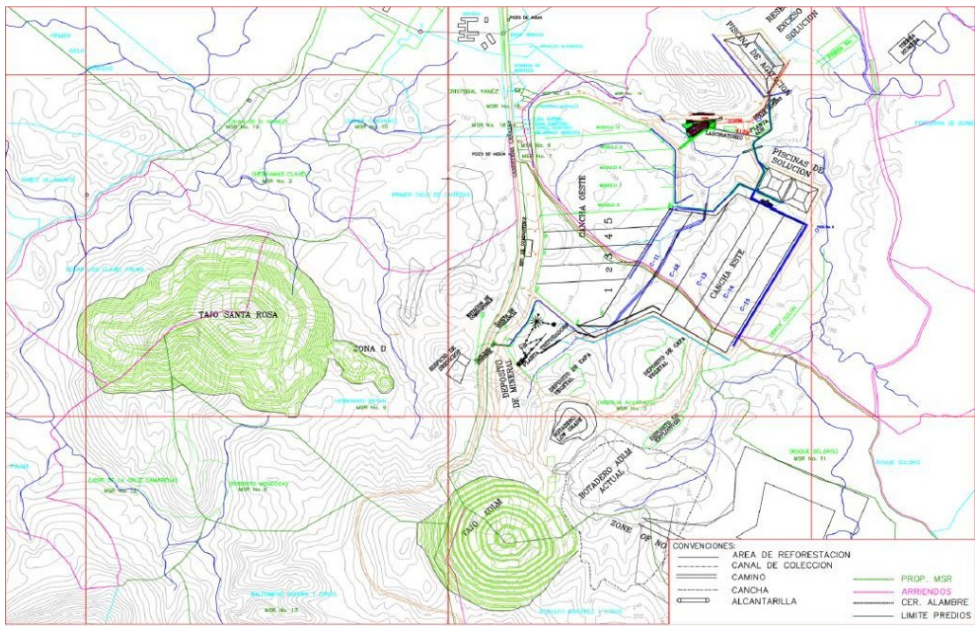
[20] Currently, Mineral Mining PLC claims ownership of Mina Santa Rosa on its web site, and in October 2009, Erin Ventures announced that it entered into an agreement to purchase a 75% interest in the Santa Rosa gold mine, which the company subsequently abandoned in May 2011.

[21] Golden Phoenix Minerals press release on August 8, 2011.

$500,000, which will be applied to the aggregate purchase price upon closing. 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. 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.

The Santa Rosa mine and Alto de la Mina areas were probably first explored by The Panama Corporation[22] 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[23] 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 1996** when 430,000 tonnes averaging 1.27 g/t gold were processed. The mine's designed annual capacity was 1.8 million tonnes.



[22] The Panama Corporation was an English corporation.

[23] 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.

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.

Panama is characterized by a hot, tropical climate with significant rainfall (100 inches annually), of which almost 70% occurs between September and November. The Santa Rosa mine constructed with a pumping system to minimize the impact of rainfall; however, the dewatering system was designed to handle all but three of the worst three-day rainfall events in a given year[24]. When an open pit mine is deluged by torrential rains, the water can trigger landslides as well as flood the mine. The ensuing delay of operations increases costs and lowers the productivity of the mine. The most productive time for mining in Panama is from December through April.

Not only does the rainy season impede mining operations, but also the excessive rainfall negatively impacts the leaching process. Excessive rainfall alters the chemical balance beyond the solution parameters for cost-effective gold extraction. In order to maintain the optimum pH, dissolved oxygen content and cyanide content, the chemical composition of the circulating solution must be managed. By adjusting the elements of the leach cycle, such as the application rate and cycle time, the solution balance can be easily and successfully controlled under normal weather conditions of moderate levels precipitation and evaporation. It is especially important to minimize the amount of rainfall absorbed by leach heaps when processing the clay-rich material present at Minas Santa Rosa. Also, downpours create a hydrological issue where excessive volumes of precipitation require water balance management, including the availability of a series of storage ponds in which to release the excess diluted solution. Overwhelming rain may necessitate the treatment and discharge of water from the operation. This undesirable event increases both capital and operating costs for the requisite water treatment facilities.

During periods of heavy and/or sustained rainfall, Greenstone experienced difficulty in maintaining effective solution grades on the leaching pads. For example, in 1996, gold production was only 64.6% of the feasibility recovery curve prediction due to heavy rains[25]. Again in September 1998, gold production dropped significantly due to excessive rains, which caused water balance problems. Management temporary suspended the addition of new cyanide to the leaching heaps until pond levels were reduced to appropriate operating levels in mid-October.

The gold of the Santa Rosa mine and Alto de la Mina predominantly occurs as electrum grains in two size ranges, both with a gold content between 70% and 98%. **This bimodal size distribution affects the assay results**, which are an important component of determining a property's reserves. The size of approximately 85% to 95% of the electrum grains range between 5 and 40 microns. The remaining grains measure from 75 to 250 microns. These larger grains of coarse gold are more difficult to sample correctly. Erratic and discontinuous distributions of coarse gold in mineralized deposits challenge the classic assumptions of grade continuity and interpolation; these potential sources of error make the resource estimation difficult. In general, underground bulk sampling and/or closely spaced development improve the accuracy of the grade distribution. Also, the method of assaying must be carefully chosen to

[24] Ore Reserve and Mine Plan – Interim Assessment of the Santa Rosa Project Panama, Independent Mining Consultants, Inc., June 1991, page 8-29.

[25] Santa Rosa Project, Property Merit Evaluation, 43-101 Technical Report for Silver Global SA by Bikerman Engineering & Technology Associates, Inc. BETA), May 7, 2010, page 49.

attain accurate readings. The screen fire assay method is optimal, followed by fire assay, bulk aqua leach (BLARG), aqua regia digest and bulk leach extractable gold (BLEG). Screen fire assaying involves screening the sample through a 150 micron sieve. Both the sub-150 micron and 150+ micron portions are separately analyzed by fire assay, and a weighted average is calculated to determine the overall gold content.

The presence of coarse gold dramatically slows the recovery rate of the heap leaching process. The larger grains of coarse gold require a long dissolution time. Ore from the Santa Rosa mine requires a three-year leach cycle to achieve an average gold recovery rate of 74%[26]. The extended leaching process also entails increased reagent requirements. In addition, the ore needs to be properly prepared for the aqueous cyanide solution to achieve the desired recovery rate. Three stages of crushing are required in order to liberate the gold for recovery and to reduce the particle size so that the surface area available for leaching solution contact is increased. **Therefore, Golden Phoenix plans on utilizing the vat leaching process to achieve high recovery rates in a short period of time** (see below).

Predicted Gold Recovery Rates[27]

Months	Santa Rosa	Alto de la Mina
6	30%	25%
12	65%	57%
24	70%	62%
36	74%	65%

This analyst's recovery rate for Greenstone's entire production period is calculated to be only 37.5%, using information from a Greenstone data file (100,007 ounces produced from 266,464 ounces expected from material mined and leached) [28]. The calculation lends credence both to the operational challenges faced by Greenstone and to the validity of the 3-year leaching cycle estimated for the recovery of the course gold content by the heap leaching process.

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[29]. 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.

[26] Fernandez, R. Martin, R. and Bikerman, D., Managing the Santa Rosa Open-Pit, Heap Leach Gold Project, Journal of Metallurgy, Journal of the Minerals, Metals and Materials Society, Volume 49, Number 4, April 1997, pages 15-19.

[27] Santa Rosa Project Property Merit Evaluation, loc. cit., page 49.

[28] Ibid., page 51.

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

Santa Rosa Project Resources by pit
(as of December 31, 1998[30])

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**

In November 1999, Seabridge Gold (SA: AMEX) entered into an agreement to acquire 100% of the Santa Rosa gold project by assuming the project's liabilities up to $5.9 million. However, Seabridge's due diligence included metallurgical test work at the mine site, which indicated that gold recoveries from the ore remaining on the leach pads would not offset the project's ongoing holding costs. At the time, the price of gold was below $250 an ounce. Seabridge terminated the agreement in March 2000.

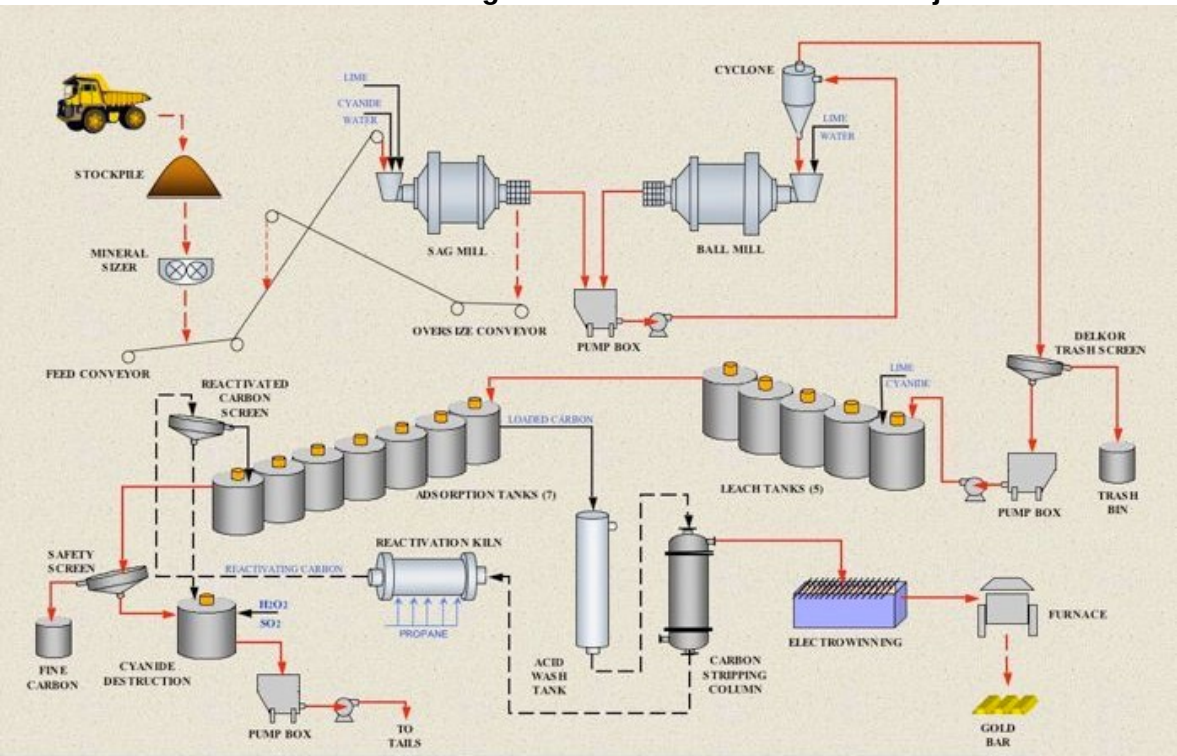
In the Republic of Panama, mining rights are granted for 20 year periods and are subject to a Federal royalty. The mineral cessions on the Santa Rosa mine and Alto de la Mina deposit were granted in 1987 and therefore expired in 2007. Silver Global SA began the process of obtaining the mining concessions on the Santa Rosa property in June 2008, and after a long process, a concession contract for the extraction of gold and other minerals was granted to Silver Global on May 17, 2010[31]. In February 2011, the Panamanian National Assembly approved Bill 277, amending the Code of Mineral Resources of 1963. The Bill increased the royalty on the mining sector from 2% to 5% of gross sales. Therefore, it is the expectation that the Santa Rosa property is subject to the new, higher royalty payment percentage.

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.

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

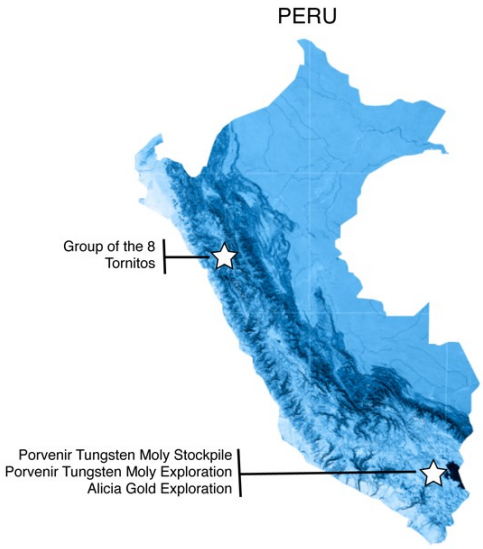
[31] Contract No. 06 signed by Ricardo Quijano, Minister of Código de Recursos Minerales: Rechazan concesion minera by Ismael Hernández., Mi Diario, September 6, 2010.

Planned Vat Leaching Process at the Santa Rosa Project

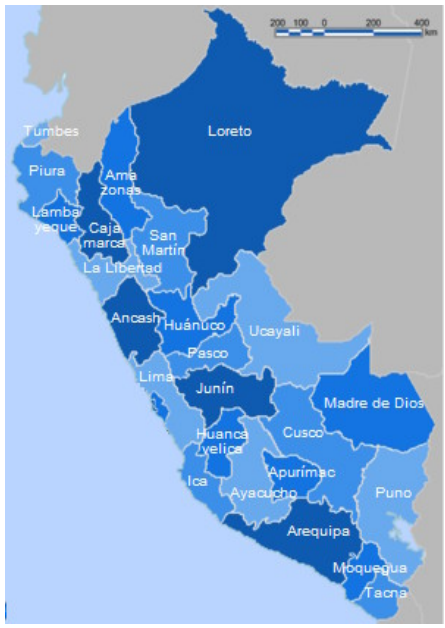


PERU – GOLD, TUNGSTEN and MOLYBDENUM

Golden Phoenix has entered into a binding Memorandum of Understanding to acquire an 80% 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.



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[32]. 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[33], 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 an 80% 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.

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. By December 31, 2010, Golden Phoenix had incurred expenses related to the Peruvian properties of $952,334, including $400,000 in option payments and deposits. 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 will require the payment of $750,000[34]. On June 1, 2011, **Golden Phoenix Minerals entered into a definitive** Mining Asset Purchase and **Strategic Alliance Agreement** with Sala-Valc S.A.C., a Peruvian corporation, **to acquire an 80% interest in the five Peruvian properties** for $750,000, of which $400,000 has been already paid[35], along with $500,000 worth of restricted stock. In addition, Golden Phoenix is required to fund at least $500,000 in exploration, development and/or production work. **The definitive agreement is expected to close in the second half of 2011.**

[32] USGS 2009 Minerals Yearbook - Gold.

[33] A surrogate for the index is the ETF iShares MSCI All Peru Capped Index Fund (ETF: NYSE).

[34] Following the signing of the agreement, Golden Phoenix will pay $250,000 and enter into a $500,000 promissory note to be paid in 12 equal monthly installments on the first of each month starting on May 1, 2011.

[35] Following the signing of the agreement, Golden Phoenix will pay the remaining amount through monthly payments of $50,000.

Golden Phoenix retained the right to purchase the remaining 20% interest when a positive feasibility study is completed on any property at a price determined by the net asset value (NAV) of the property. In addition, the company retains the right to sell any individual property,

In anticipation of completing a definitive agreement, a milling facility to process the stockpiled molybdenite at the Porvenir property was secured in the Strategic Alliance during October 2010. Currently, 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[36] 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[37]. Over the last 100 years, the Pataz province has produced six million ounces of gold[38]. Typical gold mineralization is in the form of quartz-sulfide vein deposits The typical grades in the ore shoots tend to vary between 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.

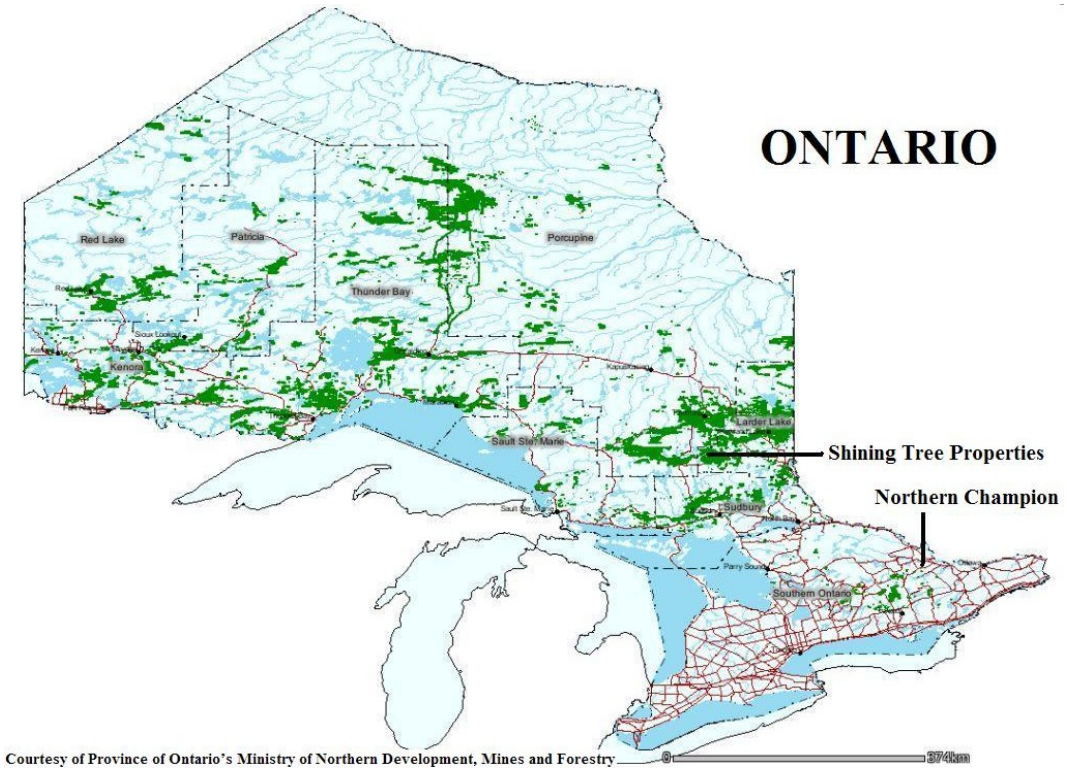
ONTARIO, CANADA

Golden Phoenix owns a 100% interest in five properties located in Ontario. Four of the properties were obtained through the acquisition of Ra Resources and are in the Shining Tree area, specifically in Churchill, Browning, Nursey and Asquith townships. The fifth property (Northern Champion) is located in Griffith and Brougham townships.

[36] Horizontal (or nearly horizontal) entrances to an underground mine.

[37] 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.

[38] 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.



1) a prospective gold property in Churchill Township,
2) a prospective copper-zinc property located in Browning Township,
3) a copper-nickel and copper-zinc exploration property located in Nursey Township,
4) a copper-nickel and copper-zinc exploration property located in Asquith Township and
5) a molybdenum property (Northern Champion property) in Griffith and Brougham townships.

SHINING TREE (ONTARIO) – GOLD and BASE METALS

In April 2011, Golden Phoenix acquired a 100% interest in four gold and base metal properties within Ontario's Shining Tree mining district through the acquisition of Ra Resources Ltd[39] (a private mining exploration company based in Toronto). Golden Phoenix acquired Ra Resources for 32,642,831 shares; in addition, option holders of Ra Resources' stock received 700,000 options to acquire Golden Phoenix shares at approximately $0.03 per share. The total purchase price was almost $6.1 million.

Shining Tree area is located in the Larder Mining Division, District of Sudbury, in the province of Ontario near the village of Shining Tree. The area is located approximately 50 miles north of Sudbury and about 50 miles south of Timmins. Shining Tree is in the southwest part of the Abitibi Greenstone Belt, which hosts many mineral deposits, including numerous gold mines in Ontario and Québec, which have produced over 170,000,000 ounces of gold. Many gold-bearing quartz vein occurrences have been discovered in the Shining Tree area, though the distribution of the gold has been erratic within the veins. Some of the significant veins are the Gosselin, Churchill, Gold Corona, Cochrane, Kingsley, Ribble (Ronda mine), Matona, Pet and Caswell/Saville veins. On a regional scale, the Abitibi Greenstone Belt is also a favorable geologic environment for base metal deposits. Major commercial base metal deposits have been discovered and mined both to the north (the Kidd Creek copper-zinc deposit near Timmins, Ontario) and the south (the McConnell nickel-copper deposit near Sudbury, Ontario) of the Shining Tree

[39] The acquisition was by way of a "three-cornered amalgamation" in accordance with the Business Corporations Act (Ontario).

area. The Abitibi Greenstone Belt has produced 8.2 million tonnes of copper and 15.9 million tonnes of zinc.



Abitibi Greenstone Belt



Major Mines near Shining Tree (courtesy of Creso)

Gold was discovered in the Shining Tree area in 1911 when gold-bearing quartz veins were first reported near West Shining Tree Lake. The first exploration work was undertaken in 1912, and the numerous gold showings in the Shining Tree area led to a considerable amount of prospecting, trenching, drilling and shaft sinking. There are at least thirteen known shafts sunk on gold prospects in the vicinity of West Shining Tree Creek[40]. However, only two mines became operational: the Tyranite mine in Tyrrell Township and the Ronda mine in MacMurchy Township on the border with Churchill Township (between Michiwakenda and Violet lakes and 13 miles west-southwest of the Tyranite mine). The Tyranite mine has an historical estimated inferred resource of approximately 102,000 ounces Au[41] with vein deposits of widths up to 4.5 meters and low grade zones of widths of up to 15 meters. A three-compartment shaft was sunk in 1936, and ultimately serviced seven levels. Production commenced in 1939 and continued until 1942, during which time 31,352 ounces gold and 4,860 ounces silver were extracted[42]. The Ronda mine was developed by a two-compartment shaft with four levels, and production began in 1939. The Ronda Mine produced only 2,727 ounces Au and 4,830 ounces of Ag from the Ribble vein before it was closed in that same year[43]. Both mines were closed due to World War II.

Previous historical gold exploration work in the Shining Tree area has indicated extensive gold mineralization throughout the region. To-date, the gold deposits have been commonly associated with quartz veins, often with spectacular showings of coarse free gold[44], which precipitated the intense prospecting interest in the area prior to World War II. However, the quartz-vein systems tend to pinch and

[40] Geophysical Report for Magnetometer Survey Shining Tree Project, Cripple Lake Claim Group, Bryant, J.G.,1976, page 6.

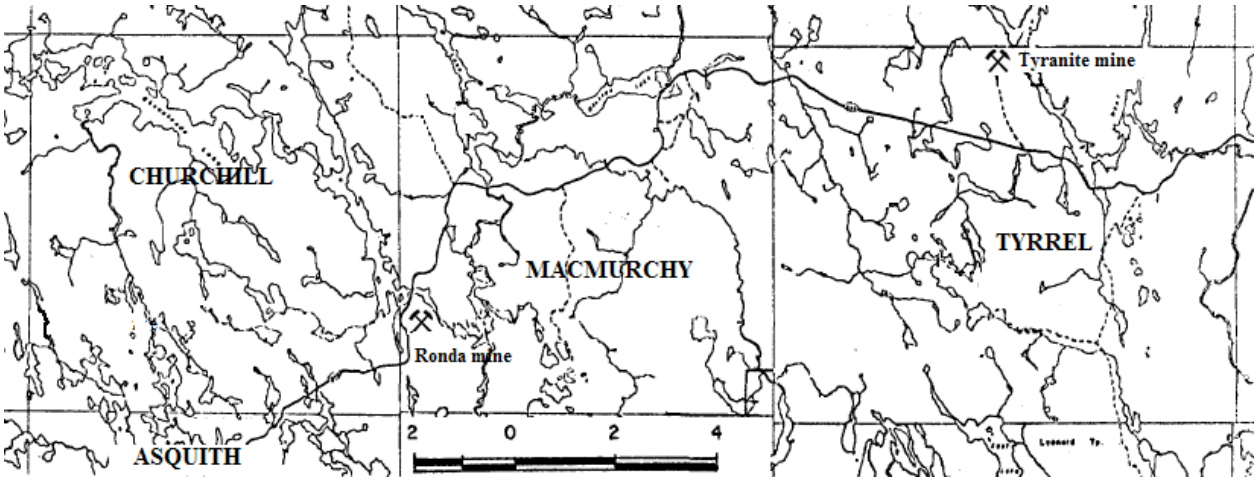
[41] Guindon, D.L., Grabowski, G.P.B., Wilson, A.C., Metsaranta, D.-A. and Greenfield, M.J. 2011. Report of Activities 2010, Resident Geologist Program, Kirkland Lake Regional Resident Geologist Report: Kirkland Lake District; Ontario Geological Survey, Open File Report 6265, page 39.

[42] The ore graded at 0.147 oz/t Au.

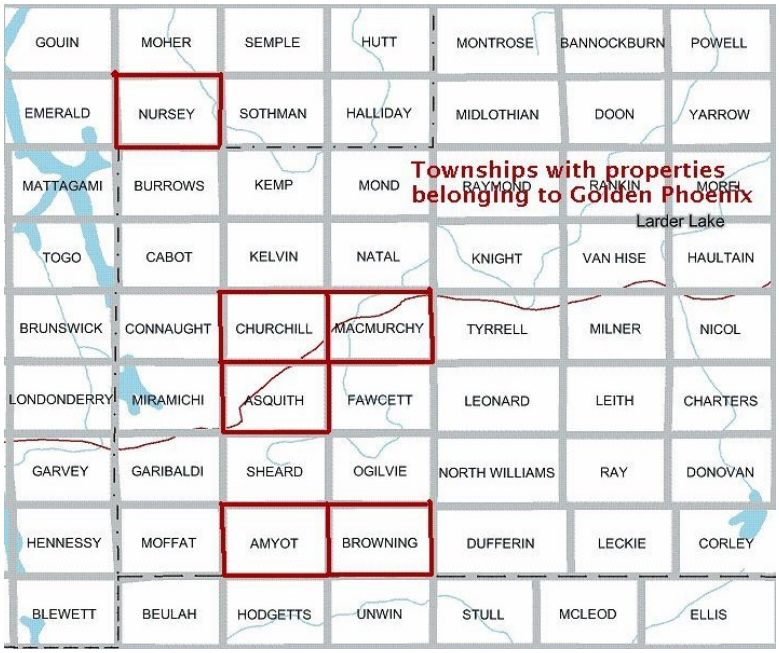
[43] Ibid., Guindon, D.L., Report 6265, 2011, page 44.

[44] Coarse free gold is generally defined as gold grains greater than 20 microns in size.

swell and generally lack continuity. The lode veins host erratic distributions of high-grade gold and exhibit larger low grade zones with high-grade gold pods/lenses[45].



The Shining Tree area is experiencing a resurgence of exploration. Though activity began to pick up in the 1970's, exploration activity has increased significantly over the last few years. Both Platinex (PTX: TSX-V) and Pro Minerals (PRM: TSX-V) completed diamond drilling programs in Churchill Township last year, and Creso (CXT: TSX-V) has been drilling in Tyrrell Township since 2009, having completed an airborne geophysical survey[46] over portions of the Shining Tree area in 2008. This year, Goldeye Explorations (GGY: TSX-V) is implementing a ten hole, 2,500 to 3,000 meter diamond drill program in Tyrrell Township, six of which have been completed, and Mineral Mountain Resources[47] (MMV: TSX-V) has an ongoing drilling program in MacMurchy Township. Also, Threegold Resources (THG: TSX-V) acquired 12 claims last year in Tyrrell and Knight Townships.



Provided by Golden Phoenix

[45] Various summary reports in refer to the lenses, pods, pockets, kidneys and /or boudins of high-grade gold as a characteristic of Shining Tree showings.

[46]Terrequest Ltd. completed and interpreted an airborne (helicopter) geophysical survey for Creso by collecting magnetic, VLF-EM and radiometric data in 2008. Also, and gradient array and Insight section DC/IP survey was conducted by Insight Geophysics.

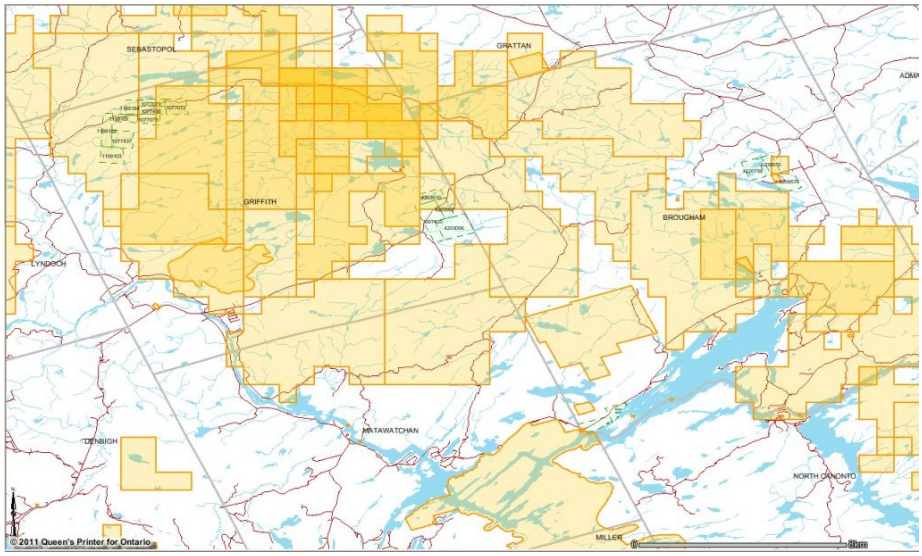
[47] Mineral Mountain Resources has optioned its interest from Golden Harp Resources (GHR: TSX-V).

In 2006, Ra Resources acquired its Shining Tree holdings, which now belong to Golden Phoenix. The **potential gold property in Churchill Township** is located three kilometers north of Shining Tree Village and composed of six mining claims divided into 16 units, covering an area of 256 hectares. According to a 43-101 feasibility study completed in 2009, the Churchill Township property contains three gold mineralized trends, namely Main Zone, Hi-Grade Zone and 10E Zone. In 2010, a geophysical program was completed by Insight Geophysical, and five shallow exploratory holes were drilled that indicated that the gold mineralization increased in width and grade with depth. For 2011, the company plans to drill five deep holes totaling 2,500 meters that are designed to intersect the projected gold zone 300 meters from surface in order to confirm management's theory that gold mineralization improves with depth.

Though the Shining Tree area has been the scene of gold exploration activity since the early 1900's, **exploration expanded to nickel, copper and copper-zinc in the mid-1960's.** The company's **prospective copper-zinc property in Browning Township** consists of over 100 contiguous claims. In 1996, Falconbridge conducted a four-hole diamond drill program, which returned analytical values for copper of 238 to 1,570 parts per million copper in three of the four holes. In addition, the Ontario Geological Survey conducted a high density lake sediment and water geochemical survey of the Montreal River headwaters area of Northern Ontario in the summer of 1996. The report specifies that high levels of copper were found in lake sentiment in Browning Township[48]
Lastly in Nursey and Asquith Townships, Golden Phoenix has prospective copper-nickel and copper-zinc properties. In Asquith Township, the company has two mining claims totaling 12 units, formerly part of the Papoose property. An assessment report completed in 1993 based on 27 samples detected some copper and zinc values, most below 100 ppm with a few anomalies in the 250 to 400 ppm range.

NORTHERN CHAMPION (ONTARIO) – MOLYBDENUM

The Northern Champion property consists of five registered claims of approximately 880 acres in Griffith and Brougham Townships in Renfrew County in the Province of Ontario, Canada. Located 70 miles west of Ottawa, the claims encompass a former producing mine known as the Spain Mine in Griffith Township, along with the Legree prospect in Brougham Township. In 2006, Golden Phoenix acquired the mining claims, along with a NI 43-101 Technical Report and Feasibility Study that describes the molybdenite deposit on the property. A multi-phase exploratory program was begun in 2010.



Claims in Griffith and Brougham Townships
(Courtesy of Province of Ontario's Ministry of Northern Development, Mines and Forestry)

[48]Ontario Geological Survey 2001; Montreal River headwaters area lake sediment survey, Northern Ontario; Ontario Geological Survey, Open File Report 6061, page 23..

On April 18, 2006, Golden Phoenix purchased the Northern Champion Property, consisting of five registered claims totaling 22 units, from four individuals[49] (together with a NI 43-101 Technical Report and Feasibility Study describing the molybdenum deposit) for 1,158,729 shares of stock worth $498,380. The four sellers retained a 3.3% Net Smelter Return (NSR).

The Northern Champion Property was first mined when a pit was opened by Joseph Legree in 1912. W.J. Spain sank a shaft in 1915, which was then taken over by Steel Alloys Corporation in 1918. The property ultimately consisted of a 50 foot shaft mine and a 75 by 120 feet and 10 to 25 feet deep open pit[50]. Between 1912 and 1919, from which 8,067 pounds of pure molybdenite was produced[51]. The Spain mine had two veins of molybdenite separated by approximately ten feet of gneiss. Some of the molybdenite occurred in extremely large flakes, some being over a foot across. Masses of nearly pure molybdenite, some of which weighed up to 50 pounds, were mined[52]. The greater part of Canadian war-time (WW I) production of molybdenite was derived from the Ottawa Valley. After the WW I, all the molybdenite mines, including those on the Northern Champion Property, in the area closed down by 1920[53]. Later in 1939, North American Molybdenite Corporation Limited conducted some exploratory activities of stripping, trenching and 4,000 feet of diamond drilling on the Northern Champion Property. Then between 1965 and 1966, New Far North Exploration Limited dewatered the pit and performed some drilling and sampling. Little exploration was carried out on the property; however, when the price of molybdenum oxide increased to more than $100 per kilogram in 2005, Consolidated Big Valley Resources[54] attempted to option 100% of the former Spain Mine molybdenite property, but the acquisition never materialized due to financing difficulties. Golden Phoenix acquired the mining claims in 2006.

Initially, Golden Phoenix conducted bulk sampling and completed an induced polarization (IP) survey in 2007, but exploration and development activities waned on the Northern Champion Property until 2010, when management began to move forward on developing the property. Phase I consisted of line cutting and surface mapping of geologic surface features and was completed in 2010. Trenching and geochemical sampling or Phase II will be initiated in 2011. In addition, the company may drill previously identified zones to the east and investigate an IP anomaly to the north of the open pit.

ASHDOWN (NEVADA) - MOLYBDENUM and GOLD

The Ashdown Property was a joint venture project between Golden Phoenix and Win-Eldrich Mines Limited (WEX: TSX-V). Golden Phoenix became involved with Ashdown in 2004, and is one example how the company perceived an opportunity as molybdenum prices started to rise in 2003 and advanced a property to production. Originally a gold mine and perceived as a gold mine by its then owner, Ashdown became a molybdenum producer after Golden Phoenix became the project's manager and operator in 2006. Management was perceptive in targeting a known resource, including an untouched stockpile, of one of the highest-grade molybdenum in the world. Over the course of four years, the Ashdown mine became a full-scale mining operation and made a cash distribution to the joint venture owners. However, the credit crisis of 2008 dramatically impacted molybdenum prices, and Golden Phoenix sold its interest in the JV to Win-Eldrich Mines for $1.26 million, 3 million shares of Win-Eldrich Mines stock, 1.25 million

[49]Mr. Lalonde, Messr. Robitaille, Messr Davis and Mr. Dockweiler.

[50]Report on VLF-EM and Magnetometer Survey on claim EO 898184, 1988, page 1.

[51]Gordon, J.B., Rybak, U.C., and Robertson, R.A. 1981: Uranium and Thorium Deposits of Southern Ontario, Ontario Geological Survey, Open File Report 5311, page 548.

[52]Worchester, P.G., Molybdenum Deposits of Colorado with general notes on the molybdenum industry, Denver, Colorado, 1919, Pages 20-21.

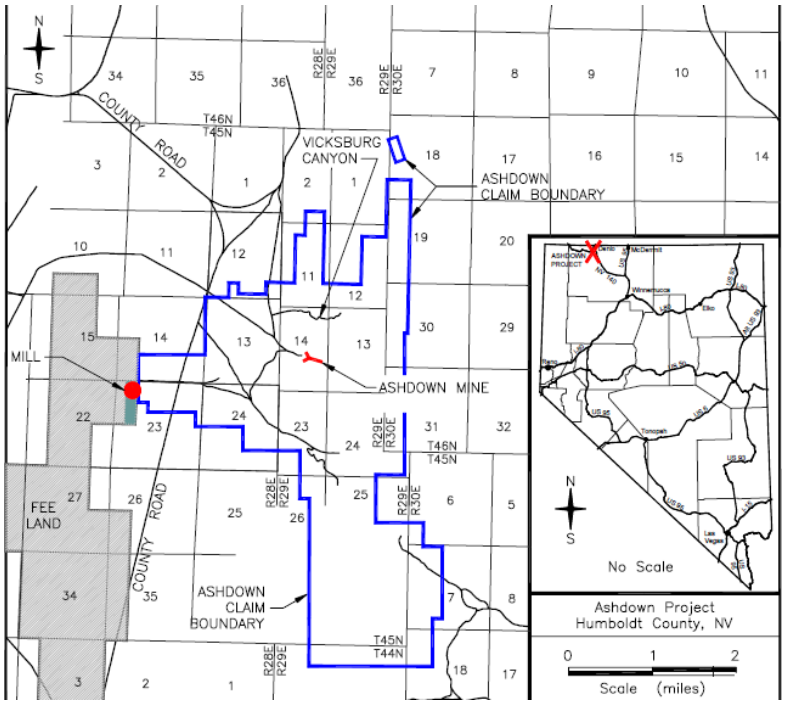
[53] Engineering and Mining Journal, March 1920, page 655.

[54]Consolidated Big Valley Resources changed its name to Gold Bullion Development Corp. in January 2007.

shares of American Mining and a 2% Net Smelter Royalty, in line with the company's royalty mining growth strategy.

Located in Humboldt County in northwestern Nevada, the Ashdown Property is approximately 11 miles southwest of Denio Junction. In 2004, the property covered six square miles and was controlled through 196 unpatented mining claims; however, when under Golden Phoenix's control, the property was expanded to encompass approximately nine square miles, controlling 293 unpatented mining claims.

The Ashdown mine was operated as a gold mine, producing 52,000 ounces of gold[55] from discovery in 1863 until being closed in 1942 due to the War Act. In 1980, American Copper and Nickel Company (the U.S. subsidiary of INCO) purchased the Ashdown claims in exchange for royalty rights and between 1980 and 1983, with a joint venture partner[56] began to explore and develop the property. Through a program of bulk sampling along 1,880 feet of the vein with cross cut and drift tunnels[57], along with 49 diamond core drill holes, the Sylvia Vein, a highly concentrated molybdenite mineralization deposit, was delineated[58]. The vein system covered an area 840 feet wide with a strike length of 1,800 feet, from 105 feet to 630 feet below the surface. The molybdenum veins within the system range from a few inches to 25 feet wide and average 3 to 50 feet in length[59]. However, during that time period, molybdenum prices collapsed from a high of $32.00 per pound in 1979 to $2.50 in 1983, due the depression in the global steel industry, especially from the collapse of the oil boom of 1979. As a result, exploration for molybdenum ceased at Ashdown, and 1,400 tons of bulk samples (averaging 2.9% molybdenum) that had been excavated were left stockpiled near the mouth of the mine[60].



[55]Summary Report on the Cold Creek Mo-Au Property, Humboldt County, Nevada for Action Minerals Inc. May 19, 2005, page ii.

[56] Outokumpu Mines, Inc. (OMI), a subsidiary of the Finnish mining company Outokumpu Oy.

[57] A crosscut is a level tunnel driven across the mineral vein while a drift is a horizontal tunnel driven along the mineral vein.

[58] OMI identified 325,000 tons of gold ore grading 0.152 opt, 146,000 tons of molybdenum ore grading 2.74%, and a 600,000-ton molybdenum resource grading 1.0%. USGS website, Deposit ID 10310474.

[59]Summary Report on the Cold Creek Mo-Au Property, Humboldt County, Nevada for Action Minerals Inc. May 19, 2005, pages 5-6.

[60]Summary Report on the Cold Creek Mo-Au Property states that stockpile consisted of 1,500 tons grading 3.47% molybdenum.

Following a series of transactions, Win-Eldrich Mines Limited (WEX: TSX-V) acquired the property in 1987 for its gold resource. Prior drilling and exploration indicated that 1.125 million tons of ore at an average grade of 0.088 opt gold was within 200 feet of the surface and was mineable by open pit[61]. The property was also known to contain 146,000 tons of high-grade molybdenum reserve grading at 2.9% molybdenum disulfide and another 600,000 tons grading 1%. The property was twice optioned in the 1990's and both expired due to declining gold prices during the period. Beginning in 2000, molybdenum prices started to rise, increasing from below $2.25 per pound in 2000 to above $7.50 in 2003, primarily due to increased Chinese consumption.

Opportunistically, Golden Phoenix Minerals entered into a Joint Venture agreement with Win-Eldrich for the Ashdown property in early 2004. Golden Phoenix was allowed to earn a 60% titled interest in the project as manager and operator by either bringing the mine into production or through investment. In May 2006, the company earned its interest by spending $5,000,000 toward mine development, and Ashdown Project LLC was formed. However, prior to the formation of the JV, in 2005, management of Win-Eldrich, fearful of a decline of molybdenum prices, contracted for the milling in Philipsburg, Montana of approximately 2,000 tons of ore that had been mined and stockpiled in 1983, that produced about 37,000 pounds of molybdenum, which was sold at an average price of $25 per pound. Golden Phoenix had planned to process the stockpile outside the mine and use the revenue to fund the underground mining operation.

The initial goal of Golden Phoenix was to extract the know molybdenum deposits at Ashdown while redeveloping a plan for gold and silver production at Mineral Ridge (see above). Focusing on the high-grade molybdenum mineralization of the Sylvia Vein deposit rather than gold, Golden Phoenix initially drilled nine RC holes to confirm the presence of high-grade molybdenum mineralization and to better define the ore body. The company prepared the property for production; the permitting process began for the Plan of Operations necessary for full-scale mining operations. In the meantime, the Golden Phoenix operated under a Notice of Intent, which allowed the extraction of 1,000 tons of mineralized material for bulk testing. In 2005, the Sylvia Decline was repaired and reopened; also construction began of a flotation mill to process the molybdenum disulfide into concentrate. In May, the mill was fully permitted, and the Sylvia Vein was reached in September. On October 30, 2006, the Plan of Operations permit was granted, by which time the mill was prepared to process 100-tons of molybdenite ore per day. A $345,960 deposit was made for indemnification of site restoration costs (reclamation bond), and mining and milling operations commenced in November.

Year	Tons Milled	Recovered Grade (%)	Pounds (Mo)	Concentrate (%)	Sales[62] ($ million)	Average Price ($/lb)
2005	2,000	N/A	37,000	53.7	0.949	32.06
2006	156	N/A	7,966	57.1	0.177	24.77
2007	18,151	1.09	395,634	52.0	10.398	31.30
2008	15,805	1.32	416,244	50.8	10.537	28.57
2009	10,912	0.98	214,928	52.9	N/A	13.04
2010	9,222	1.15	212,490	54.3	2.921	15.31

Golden Phoenix sold its first molybdenum concentrate[63] from the Ashdown mine in December 2006. Production quickly ramped up in 2007, when 18,151 tons of ore were milled, producing 395,634 pounds

[61] The Northern Miner, .July 6, 1987 and confirmed in a feasibility study for an open pit leach operation (1989).

[62] Sales are encumbered by brokerage and other fees. In addition, in 2007, financing needed to develop the Ashdown mine lowered sales as gross revenues were $12.5 million.

[63] Molybdenum concentrate is bagged in Super Sacks, each weighing approximately 3,950 pounds. The concentrate is converted into molybdenum oxide by roasting at an outside facility and then sold.

of molybdenum (see table below). At mid-year, Ashdown Project LLC made its first distribution of $1.25 million, with Golden Phoenix receiving 60% ($750,000) and Win-Eldrich collecting 40% ($500,000). Achieving this milestone entailed almost four years of development, from the initial Letter of Agreement on September 23, 2003 to the distribution announcement on July 11, 2007.

Production continued until November 2008 as additional development work and exploration continued. Between December 2006 and November 2008, Ashdown produced almost 820,000 pounds of molybdenum. Exploration continued to better determine mineable reserves. An induced polarization (IP) field study was conducted in early 2007, and on March 27, 2008, two reports were issued: a National Instrument 43-101 compliant Technical Report and Feasibility Study (for Win-Eldrich Mines Limited, a Canadian-listed company) and recoverable proven and probable reserves in accordance with Industry Guide 7 as required by the Securities Exchange Act of 1934 (for Golden Phoenix Minerals, a U.S.-listed company). Including the additional reserves discovered more than 150 feet below the existing mine, as of January 2008, Ashdown had proven reserves of 2,773,908 pounds molybdenum (Mo) grading 2.91% and probable reserves of 1,074,023 pounds with a grade of 0.78%.

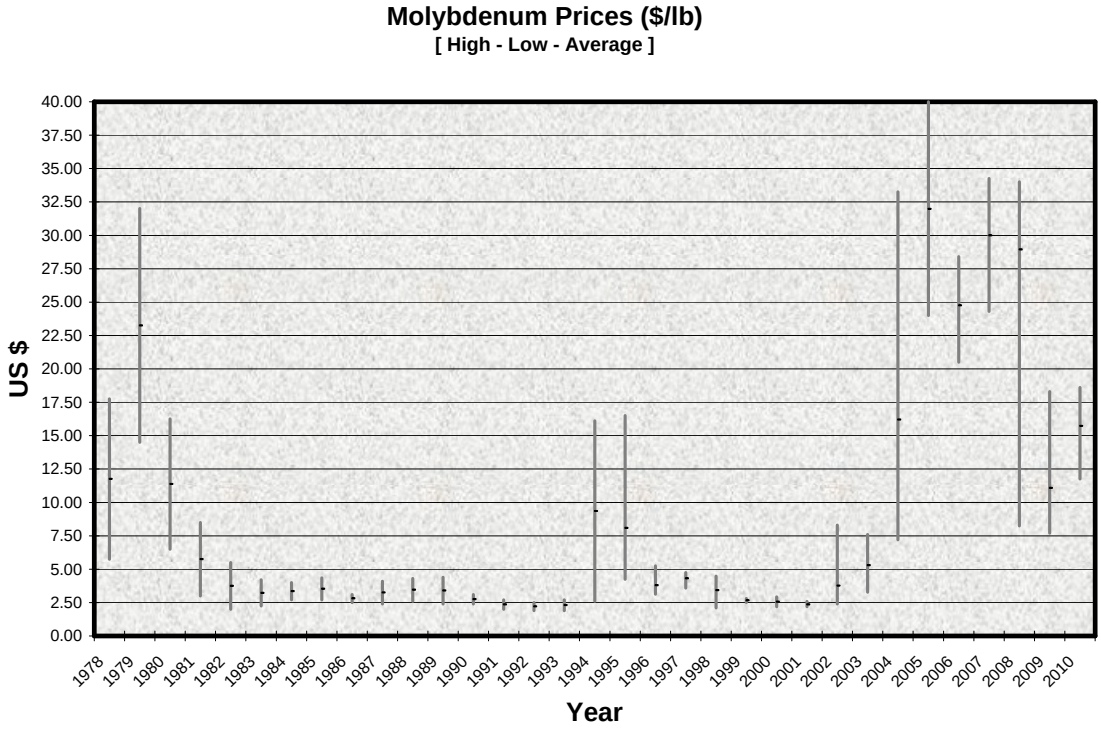
Classification	**Tons (diluted)**	**Pounds (Mo)**	**Grade (%)**
Proven	47,602	2,773,908	2.91
Probable	68,916	1,074,023	0.78
Total	**116,517**	**3,847,930**	**1.65**
NI 43-101	**Tons**	**Pounds**	**Grade**
Measured	36,653	2,773,908	3.78
Indicated	145,063	2,710,618	0.93
Total	**181,716**	**5,484,525**	**1.51**

The life-of-mine average cost of producing a pound of molybdenum was estimated to be $10.10. In the base case (with the assumption that molybdenum prices would decline moderately from $30.00 per pound in 2008 to $22.50 per pound in 2011), the Ashdown mine had a Net Present Value (NPV) of $35,322,829 at an 8% discount rate.

When Golden Phoenix entered into the JV agreement with Win-Eldrich in early 2004, the price of molybdenum was in the process of rising from $9 to ultimately $40 per pound. During the time period of developing the mine, molybdenum prices remained strong, averaging around $29 per pound, due to strong global demand and export duties on molybdenum being imposed by China. However, demand for molybdenum evaporated when the credit crisis of 2008 precipitated a global economic slowdown. Molybdenum prices fell dramatically from an average of $33.50 per pound in the first three quarters of 2008 to $12.00 in November.

Mining operations at the Ashdown mine were suspended that month, and the mine was put into care and maintenance. With global GDP contracting an unprecedented 5% on an annualized basis in the fourth quarter of 2008, the credit crunch significantly impacted demand for steel. 2009 capital budgets for oil-related industries, an important end-market for molybdenum, declined 21%. As molybdenum prices continued to decline to $9.00 per pound in late February 2009, Golden Phoenix sold its entire interest in

Ashdown to Win-Eldrich for a $5.3 million secured promissory note. The price of molybdenum bottomed at $7.70 per pound in April.



A year later, the debt was restructured into a $4,231,925 Series A Limited Recourse Secured Promissory Note plus the assumption of several Golden Phoenix debt obligations totaling $1,068,074. After Win-Eldrich made $192,285 in payments, Golden Phoenix and Win-Eldrich agreed in August 2011 that the Secured Promissory Note would be exchanged for a 2% Net Smelter Royalty (NSR) on the Ashdown project[64], 3 million shares of Win-Eldrich Mines (WEX: TSE-V), 1.25 million shares of American Mining Corporation (AMCM: OTCQB) and a seat on the Board of Directors of Win-Eldrich, in line with the company's royalty mining growth strategy of converting loan and equity positions into royalty agreements. The ownership of American Mining shares enhances the ability of Golden Phoenix receive gold and silver production support in Nevada from American Mining's 16 to 1 milling facilities in Nevada. The definitive agreement is expected to close by October 31, 2011.

RECENT NEWS

On August 22, 2011, Golden Phoenix reported results for the second quarter ending June 30, 2011. Operating revenues were $65,600 from the rental of drilling equipment at Mineral Ridge. The cost of mining operations was $46,529 for the initial preparation, testing and milling of stockpile material at the Porvenir tungsten-molybdenum project in Peru. Exploratory and evaluation expenses increased dramatically to $6.4 million from $249,277 in the year-ago comparable quarter; however, the $6.1 million acquisition cost of Ra Resources was expensed during the quarter due to uncertainty as to the recoverability of property's acquisition costs. General and administrative expenses increased 111% from $378,035 to $797,567 due to the increased support required to pursue new exploration property projects. Golden Phoenix reported a loss from continuing operations of $7.19 million or $0.02 per diluted share.

On August 18, 2011, Golden Phoenix and Win-Eldrich agreed that the $4.232 million Secured Note would be exchanged for a 2% Net Smelter Royalty (NSR) on the Ashdown project, 3 million shares of

[64] 1% of the 2% perpetual NSR may be purchased by Win-Eldrich for $1,000,000, and the remaining 1% NSR may also be purchased at no more than $2,000,000.

Win-Eldrich Mines (WEX: TSE-V), 1.25 million shares of American Mining Corporation (AMCM: OTCQB) and a seat on the Board of Directors of Win-Eldrich. The definitive agreement is expected to close by October 31, 2011.

On August 11, 2011, Golden Phoenix reported the repurchase of 500,000 shares as part of the 12-month stock buyback program announced in September 2010. The Board of Directors has approved the repurchase of up to 20% of the outstanding common stock.

On May 26, 2011, Golden Phoenix Minerals, Inc. entered into a $12.5 million purchase agreement with Lincoln Park Capital Fund, LLC. Upon signing, Golden Phoenix received $500,000 from LPC for 3,333,333 shares of stock and warrants to purchase 3,333,333 shares at $0.20 per share. In addition, Golden Phoenix issued 1,543,210 shares to LPC as a commitment fee. 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 is obligated to file a registration statement with the SEC covering the shares that are issued under the agreement. The agreement may be terminated by Golden Phoenix at any time.

SANTA ROSA (conducting due diligence prior to entering into a definitive agreement to earn up to an 80% interest).

On July 12, 2011, Golden Phoenix announced the signing of a partially binding Letter of Intent with Silver Global, S.A. to acquire a 60% interest in the Santa Rosa gold mine located in Panama. Golden Phoenix will have an option to buy an additional 20% interest upon achieving certain milestones. The Santa Rosa gold mine produced over 100,000 ounces of gold from 1996 until being shutdown in February 1999 as its operator, Greenstone Resources Ltd., was beginning to enter bankruptcy. On August 3, 2011, Golden Phoenix informed Silver Global that the initial 72-hour due diligence analysis of the Santa Rosa property had been completed, and the secondary, 45-day due diligence period had begun, requiring 2.78 million shares of Golden Phoenix and a non-refundable $500,000 payment to Silver Global. The next day, August 4th, Golden Phoenix announced that a $1 million bridge loan from Waterton Global Value, L.P. had been secured in order to complete the due diligence investigation. In addition, Waterton will provide a $15.5 million debt facility to fast track the financing and development of the Santa Rosa project.

MINERAL RIDGE (30% interest): The first shipment of loaded precious metals carbon left the mining site in April, followed by two subsequent shipments in May.

On June 28th, Golden Phoenix announced that the first production batch of loaded gold and silver carbon yielded 623 ounces of gold and 301 ounces of silver. On July 19th, Golden Phoenix announced that to-date 1,472 ounces of gold and 790 ounces of silver have been sold, while total production is estimated to be 2,550 ounces of gold and 1,500 ounces of silver.

On June 13th, Scorpio Gold announced that exploration drilling has begun on the Coyote target, located approximately four kilometers southwest of the Mineral Ridge operation. This target is on the Mineral Ridge property and should not be confused with the Golden Phoenix Coyote Fault property to the northwest of the Mineral Ridge operation.

On May 31st, the first production blast took place in the Drinkwater pit, which should delivery approximately 25,000 tons with an average grade of 1.84 g/t gold to the crusher in June (current processing capacity is 2,500 tons per day). Production capacity is expected to increase steadily to 20,000 tons per day by late July.

VANDERBILT (option to earn 80% interest over four years): On August 25th, Golden Phoenix engaged Telesto Nevada to assist with the map generation and reclamation calculations necessary to initiate exploratory drilling on the Vanderbilt claims. Subsequently, Telesto will prepare a Notice of Intent to conduct mineral exploration on the property for Golden Phoenix.

SHINING TREE (100% interest): On April 14, 2011, Golden Phoenix acquired a 100% interest in four gold and base metal properties within Ontario's Shining Tree mining district through the **acquisition of Ra Resources Ltd**. Golden Phoenix acquired Ra Resources by way of a "three-cornered amalgamation" and issued 32,642,831 shares in consideration for the acquisition. In addition, option holders of Ra Resources' stock received 700,000 options to acquire Golden Phoenix shares at approximately $0.03 per share.

ASHDOWN (2% NSR):: On March 4, 2011, Golden Phoenix Minerals announced the execution of a Letter of Intent with Win-Eldrich Gold to **settle the $4.232 million** Series A Limited Recourse Secured **Promissory Note** in exchange for a **2% Net Smelter Royalty** (NSR) on the Ashdown project, **3 million shares of Win-Eldrich Mines** (WEX: TSE-V), a $500,000 cash payment and a seat on the Board of Directors of Win-Eldrich. Five months later, on August 14th, the definitive agreement was signed, which substituted **1.25 million shares of American Mining Corporation** (AMCM: OTCQB) for the $500,000 cash payment. In March 2011, American Mining became a 50/50 joint venture partner with Win-Eldrich to own and operate the Ashdown property. The definitive agreement is expected to close no later than October 31, 2011.

NORTH WILLIAMS TOWNSHIP (100% interest): On March 1, 2011, Golden Phoenix Minerals entered into an option agreement with four individuals to **acquire a 100% undivided interest in 61 unpatented mining claim units in North Williams Township** of Ontario. In order to earn the 100% interest, Golden Phoenix must immediately make a $20,000 payment and deliver 100,000 shares. In addition, Golden Phoenix must pay $40,000 and deliver 100,000 shares at or before the first anniversary (March 1, 2012), $80,000 and 100,000 shares at or before the first anniversary and $160,000 and 100,000 shares at or before the third anniversary.

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 second quarter (June 30, 2011), cash and marketable securities decreased 94% to $90,283 primarily due to dramatic increases in exploration/evaluation and G&A expenses. Long-term debt was $12,002, and shareholders' equity decreased to a deficit of $885,447 due to an operating loss of $9.08 million. During the first six months of 2011, the company's cash requirements for exploratory and evaluation programs increased from $399,986 to $7.9 million, which included $6.1 million for the acquisition of Ra Resources. General and administrative expenses increased from $777,994 to $1.9 million due to the increased support required to pursue new exploration property projects.

Since its incorporation in June 1997 as a mineral exploration, development and production company, Golden Phoenix has been able to secure funds to continue its efforts, primarily by stock sales, debt issuance, debt restructuring and loans from officers and shareholders. Twice has the company over-relied on debt and successfully de-leveraged through the equity financing. In 2006, $4.2 million was received from the sale of 11,901,992 shares to Fusion Capital pursuant to a purchase agreement though which Fusion Capital purchased $12,500 worth of stock on each trading day. As a result, liabilities and debt were substantially reduced during 2006 and 2007. In April 2007, a private offering of 23,441,066 shares provided $6,744,505 which resulted in the company ending the year with $2,173,811 in cash and cash equivalents. However, with the collapse of molybdenum prices in late 2008, the company entered into a bridge loan and debt restructuring with Crestview Capital Master, LLC, whereby $1.97 million in debt was restructured and repaid in full by March 2010.

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 has 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 proceed as announced;
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
GOLD											
Mineral Ridge (NV)	221,000	136,000	1.46	N/A	67%	266	1,870		N/A	30%	93,165,479
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	1,870	5.0%	N/A	30%	185,720,535
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	14.74	3.3%	N/A	30%	1,009,548
Ashdown (NV)	2,773,908	N/A	3	N/A	90%	10.10	14.74			2% NSR	231,677
MARKETABLE SECURITIES											
Win-Eldrich Mines (WEX)							0.16		3,000,000	N/A	480,000
American Mining (AMCM)							0.49		1,250,000	N/A	612,500
BALANCE SHEET ADJUSTMENTS											
Working capital											(1,124,996)
Property and equipment											164,519
Debt											(12,002)
Anticipated Santa Rosa debt											(16,500,000)
							Net Assets & Resources				263,747,260
							Shares Outstanding				322,261,943
								Asset Value			0.82
								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**	**196,800**	**205,000**
Costs of mining operations	1,207,754	1,593,607	8,868,308	202,380	0	33,345	171,228	180,000
Exploration, development and mineral property lease expenses	3,271,550	2,909,404	449,598	1,413,829	0	2,105,516	14,141,579	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	3,503,420	4,000,000
Depreciation and amortization expense	151,337	104,616	232,747	137,516	78,438	74,321	77,014	80,000
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**	**17,893,241**	**12,260,000**
Loss from operations	**(5,525,583)**	**(8,858,092)**	**(2,537,197)**	**(6,120,148)**	**(1,845,835)**	**(4,587,462)**	**(17,696,441)**	**(12,055,000)**
Interest income	3,005	6,463	121,822	11,323	4,541	48,186	35,888	45,000
Interest expense	(1,743,884)	(1,152,607)	(275,981)	(97,988)	(760,521)	(233,686)	(35,904)	(25,000)
Gain (loss) on extinguishment of debt	(56,234)	5,312,853	537,309	46,528	1,032,579	162,423	20,000	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)	3,486	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)**	**23,520**	**20,000**
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)**	**(17,672,921)**	**(12,035,000)**
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)	(17,672,921)	(12,035,000)
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)**	**(17,672,921)**	**(12,035,000)**
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	308,016,992	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 E	2011 4Q E	Year 2011 E
Revenue:	**0**	**0**	**43,000**	**64,500**	**107,500**	**0**	**65,600**	**65,600**	**65,600**	**196,800**
Costs of mining operations	0	0	0	33,345	33,345	31,641	46,529	46,529	46,529	171,228
Exploration, development and mineral property lease expenses	50,709	249,277	924,772	880,758	2,105,516	736,846	6,404,733	3,500,000	3,500,000	14,141,579
General and administrative expenses	399,959	378,035	528,423	686,361	1,992,778	1,105,853	797,567	800,000	800,000	3,503,420
Depreciation and amortization expense	18,058	18,321	18,924	19,018	74,321	19,097	19,201	19,306	19,411	77,014
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**	**4,365,835**	**4,365,940**	**17,893,241**
Loss from operations	**(468,726)**	**(1,134,635)**	**(1,429,119)**	**(1,554,982)**	**(4,587,462)**	**(1,893,437)**	**(7,202,430)**	**(4,300,235)**	**(4,300,340)**	**(17,696,441)**
Interest income	0	11,121	36,678	387	48,186	328	5,060	500	30,000	35,888
Interest expense	(78,239)	(35,093)	(36,601)	(83,753)	(233,686)	(9,323)	(8,581)	(9,000)	(9,000)	(35,904)
Gain (loss) on extinguishment of debt	36,901	0	0	125,522	162,423	0	20,000	0	0	20,000
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)	0	0	3,486
Total other income (expense)	**6,236**	**(233,272)**	**(1,576,935)**	**51,502**	**(1,752,469)**	**(4,319)**	**15,339**	**(8,500)**	**21,000**	**23,520**
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)**	**(4,308,735)**	**(4,279,340)**	**(17,672,921)**
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)	(4,308,735)	(4,279,340)	(17,672,921)
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)**	**(4,308,735)**	**(4,279,340)**	**(17,672,921)**
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	322,261,943	325,000,000	308,016,992
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

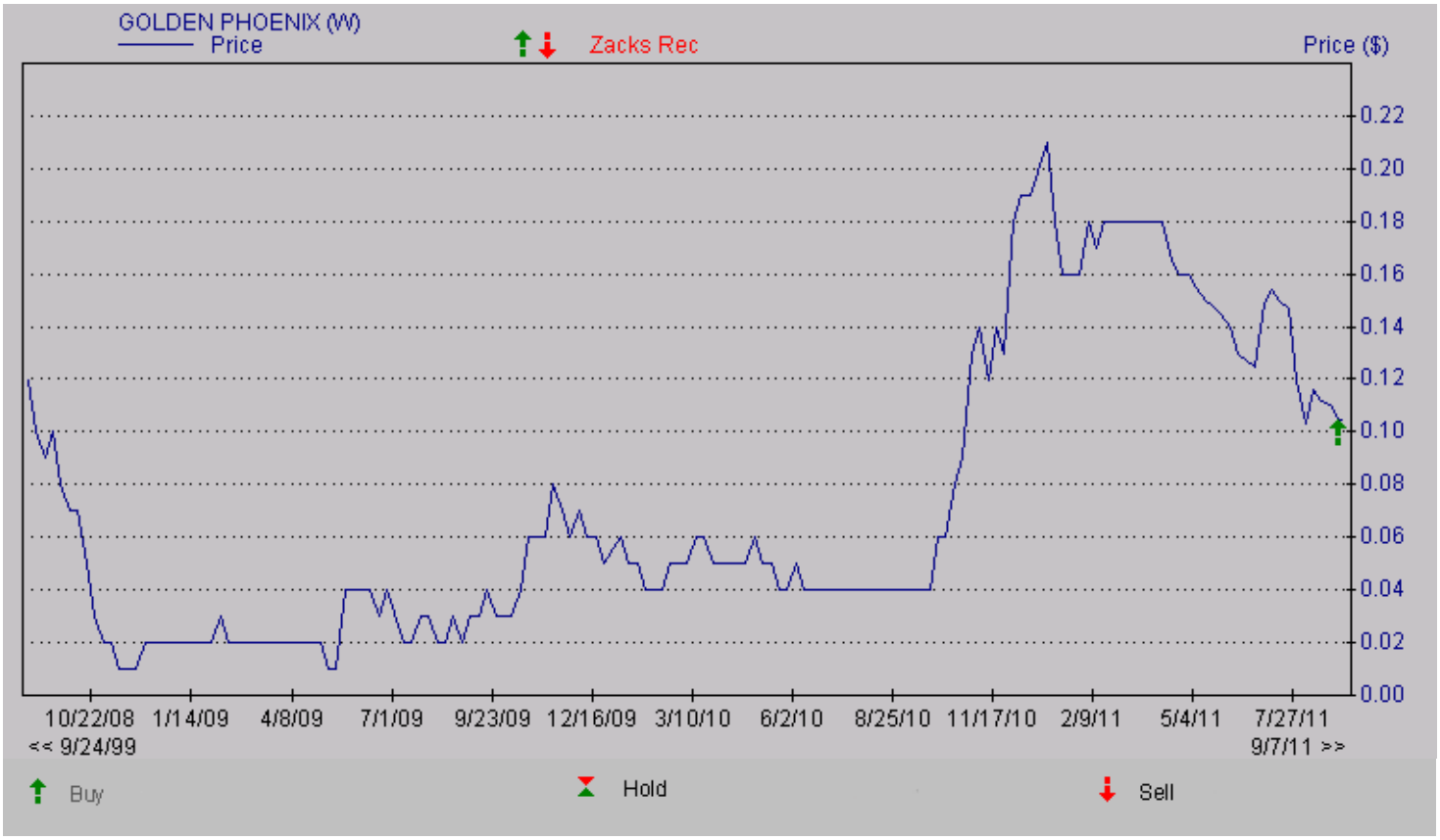
Golden Phoenix Minerals, Inc.

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	79,068	125,136
Marketable securities	0	205,943	163,958	0	0	0	0	1,100,000
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	100,000	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**	**179,068**	**1,376,736**
Mineral properties	-	-	-	-	-	-	5,000,000	11,530,000
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
Assets of discontinued operations	1,826,140	-	-	3,383,205	2,552,400	0	0	0
Total Assets	**6,407,526**	**5,033,320**	**8,348,850**	**6,490,298**	**3,054,285**	**1,976,640**	**5,404,068**	**13,106,736**
LIABILITIES								
Accounts payable	1,278,499	1,096,308	891,836	1,253,489	1,273,547	216,522	462,909	400,000
Accrued liabilities	6,430,259	542,438	980,287	573,156	1,005,433	425,863	332,736	200,000
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	233,492	0
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**	**1,289,515**	**1,100,000**
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	5,000,000	14,500,000
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**	**5,000,000**	**14,500,000**
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	322,262	400,000
Additional paid-in capital			37,509,985	40,127,362	40,842,415	45,071,867	52,649,095	63,143,725
Common stock subscriptions receivable	28,686	(60,000)	0	(121,187)	0	0	0	0
Treasury stock	0	0	0	0	0	(49,510)	(104,815)	(250,000)
Retained earnings (deficit)	(31,134,731)	(35,215,285)	(37,565,720)	(44,622,302)	(47,421,049)	(44,859,427)	(53,751,989)	(65,786,989)
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**	**(885,447)**	**(2,493,264)**
Total Liabilities and Equity	**6,407,526**	**5,033,320**	**8,348,850**	**6,490,298**	**3,054,285**	**1,976,640**	**5,404,068**	**13,106,736**
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



DISCLOSURES

The following disclosures relate to relationships between Zacks Investment Research ("ZIR") and Zacks Small-Cap Research ("Zacks SCR") and the issuers covered by the Zacks SCR analysts in the Small-Cap Universe.

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