

Silver Fields Resources Inc.

**CONDENSED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

For the nine month period ended September 30, 2011

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed financial statements for Silver Fields Resources Inc. have been prepared by management in accordance with International Financial Reporting Standards. These financial statements, which are the responsibility of management are unaudited and have not been reviewed by the Company's auditors. The Company's Audit Committee and Board of Directors has reviewed and approved these interim financial statements.

The Company's independent auditor has not performed a review of these interim condensed financial statements in accordance with the disclosure requirements of National Instrument 51-102 released by the Canadian Securities Administrators.

CONTENTS

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)	3
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE LOSS/INCOME (UNAUDITED)	4
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)	5
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)	6
1. Corporate Information	7
2. Basis of Preparation	7
3. Summary of Significant Accounting Policies	9
4. Critical Accounting Estimates and Judgments.....	16
5. Cash and Cash Equivalents.....	17
6. Available-For-Sale Investment	17
7. Reclamation Deposits.....	17
8. Exploration and Evaluation Assets.....	17
9. Property, Plant and Equipment	18
10. Other Liabilities	19
11. Provisions.....	20
12. Share Capital and Reserves.....	21
13. Share-Based Payments	25
14. Nature of Expenses	26
15. Income Taxes	27
16. Related Party Transactions	28
17. Segmental Reporting	28
18. Loss Per Share	28
19. Events After the Reporting Date.....	29
20. First Time Adoption of International Financial Reporting Standards	30
Schedules of Exploration and Evaluation Assets.....	37

Silver Fields Resources Inc.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

Expressed in Canadian Dollars

September 30, 2011

	September 30, 2011	December 31, 2010
Assets		
Current assets		
Cash and cash equivalents (Note 5)	\$ 453,052	\$ 1,458,971
Prepaid expenses and deposits	35,585	25,834
Amounts receivable	13,319	11,818
HST/GST recoverable	113,334	37,682
Available-for-sale investment (Note 6)	-	-
Total current assets	\$ 615,290	\$ 1,534,305
Non-current assets		
Due from related parties	19,026	14,027
Loan receivable	20,000	20,000
Exploration and evaluation assets (Note 8)	1,276,364	961,957
Property, plant and equipment (Note 9 and Schedules)	142,886	90,222
Total non-current assets	\$ 1,458,276	\$ 1,086,206
Total assets	\$ 2,073,566	\$ 2,620,511
Liabilities and shareholders' equity		
Current liabilities		
Trade and other payables	\$ 701,045	\$ 548,985
Other liabilities (Note 10)	113,477	113,477
Total current liabilities	\$ 814,522	\$ 662,462
Total liabilities	\$ 814,522	\$ 662,462
Shareholders' equity		
Share capital (Note 12)	\$ 11,851,660	\$ 11,850,005
Subscriptions Receivable	-	(86,480)
Contributed surplus (Note 12)	2,448,246	1,826,935
Accumulated deficit	(13,040,862)	(11,632,411)
Total shareholders' equity	\$ 1,259,044	\$ 1,958,049
Total liabilities and shareholders' equity	\$ 2,073,566	\$ 2,620,511

Silver Fields Resources Inc.

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE LOSS/INCOME (UNAUDITED)

Expressed in Canadian Dollars

For the nine months ended September 30, 2011

	3 months ended September 30		9 months ended September 30	
	2011	2010	2011	2010
Interest and other income	8,835	1,018	11,621	2,128
Depreciation (Note 9)	(9,450)	(6,398)	(20,942)	(18,826)
Employee costs	-	-	(621,309)	(280,932)
Other expenses (Note 14)	(220,166)	(143,859)	(777,821)	(501,806)
Total expenses	(229,616)	(150,257)	(1,420,072)	(801,564)
Loss before income tax	(220,781)	(149,239)	(1,408,451)	(799,436)
Income tax expense (Note 15)	-	-	-	-
Loss and total comprehensive loss for the period	\$ (220,781)	(149,239)	\$ (1,408,451)	(799,436)
Loss per common share, basic and diluted (Note 18)	\$ (0.006)	\$ (0.01)	\$ (0.04)	\$ (0.05)

The accompanying notes form an integral part of these condensed interim financial statements

Silver Fields Resources Inc.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Expressed in Canadian Dollars

For the nine months ended September 30, 2011

	Share capital	Contributed surplus	Deficit	Total
Balance at January 1, 2010	\$ 9,994,222	\$1,312,112	\$ (10,364,160)	\$ 942,174
Loss for the period			(799,436)	(799,436)
Share capital issued for cash	368,569			368,569
Stock options issued (Note 13)		326,813		326,813
Share capital issued for property (Note 12)	250,000			250,000
Balance at September 30, 2010	\$ 10,612,791	\$1,638,925	\$ (11,163,596)	\$1,088,120
Balance at January 1, 2011	\$11,763,525	\$1,826,935	\$ (11,632,411)	\$1,958,049
Loss for the period			(1,408,451)	(1,408,451)
Share capital issued for cash(Note 12)	86,480			86,480
Stock options issued (Note 13)		621,311		621,311
Warrants exercised	1,655	-		1,655
Balance at September 30, 2011	\$ 11,851,660	\$2,448,246	\$ (13,040,862)	\$ 1,259,044

The accompanying notes form an integral part of these condensed interim financial statements

Silver Fields Resources Inc.

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

Expressed in Canadian Dollars

For the nine months ended September 30, 2011

	3 months ended September 30		9 months ended September 30	
	2011	2010	2011	2010
Cash flows from operating activities				
Loss for the period	\$ (220,781)	\$ (149,240)	\$ (1,408,451)	\$ (799,436)
Adjustments to reconcile loss to net cash used in operating activities:				
Depreciation (Note 9)	9,450	6,398	20,942	18,826
Stock-based compensation	-	-	621,309	280,932
Write-off of amounts receivable	-	-	348	-
Interest income	(8,835)	(1,018)	(11,621)	(2,128)
Gain on disposal of assets	-	-	-	(4,800)
Changes in non-cash working capital balances:				
Amounts receivable	(507)	(500)	(1,849)	(405)
Due from related parties	-	(994)	(4,999)	(13,619)
HST/GST recoverable	(26,702)	(3,166)	(75,652)	(8,809)
Prepaid expenses	13,282	(462)	(9,751)	5,441
Accounts payable and accrued liabilities	39,468	31,083	152,059	51,868
Cash generated from operations	\$ (194,625)	\$ (117,899)	\$ (717,665)	\$ (472,130)
Income tax paid			-	-
Total cash inflows from operating activities	\$ (194,625)	\$ (117,899)	\$ (717,665)	\$ (472,130)
Cash flows from investing activities				
Acquisition of property, plant and equipment	\$ (26,690)	\$ -	\$ (73,606)	\$ (5,134)
Investment in exploration and evaluation assets	(155,713)	(17,669)	(314,407)	(28,842)
Proceeds on sale of marketable securities	-	-	-	6,090
Interest received	8,835	1,018	11,621	2,128
Total cash (outflows) from investing activities	\$ (173,568)	\$ (16,651)	\$ (376,392)	\$ (25,758)
Cash flows from financing activities				
Proceeds from share issuance	-	-	86,480	414,450
Proceeds from exercise of warrants	-	-	1,658	-
Total cash inflows from financing activities	\$ -	\$ -	\$ 88,138	\$ 414,450
Total decrease in cash during the period	\$ (368,193)	\$ (134,550)	\$ (1,005,919)	\$ (83,438)
Cash and cash equivalents at beginning of period (Note 5)	\$ 821,245	\$ 291,034	\$ 1,458,971	\$ 239,922
Cash and cash equivalents at end of period (Note 5)	\$ 453,052	\$ 156,484	\$ 453,052	\$ 156,484

The accompanying notes form an integral part of these condensed interim financial statements

1. CORPORATE INFORMATION

Silver Fields Resources Inc.'s ("Silver Fields") (the "Company") business activity is the exploration and evaluation of mineral properties in Canada. The Company was incorporated under the Canada Business Corporations Act on July 30, 1987, and has continued as a company under the Business Corporations Act of British Columbia. The Company is listed on the TSX Venture Exchange, having the symbol SF-V, as a Tier 2 mining issuer and is in the process of exploring its mineral properties.

The address of the Company's corporate office and principal place of business is Suite 900, 555 Burrard Street, Vancouver, British Columbia, Canada V7X 1M8.

2. BASIS OF PREPARATION

a) Statement of Compliance

These Consolidated Interim Financial Statements are unaudited and have been prepared in accordance with IAS 34 '*Interim Financial Reporting*' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These are the Company's third IFRS Consolidated Interim Financial Statements for part of the period covered by the Company's first IFRS Consolidated Annual Financial Statements for the year ending December 31, 2011. Previously, the Company prepared its Consolidated Annual and Consolidated Interim Financial Statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

As these are the Company's third set of Consolidated Interim Financial Statements in accordance with IFRS, the Company's disclosures exceed the minimum requirements under IAS 34. The Company has elected to exceed the minimum requirements in order to present the Company's accounting policies in accordance with IFRS and the additional disclosures required under IFRS, which also highlight the changes from the Company's 2010 annual Consolidated Financial Statements prepared in accordance with Canadian GAAP. In 2012 and beyond, the Company may not provide the same amount of disclosure in the Company's Consolidated Interim Financial Statements under IFRS as the reader will be able to rely on the annual consolidated financial statements which will be prepared in accordance with IFRS.

These condensed interim financial statements should be read in conjunction with the Company's 2010 annual financial statements and the explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 20.

The condensed interim financial statements were authorized for issue by the Board of Directors on November 29, 2011.

b) Basis of Measurement

The condensed interim financial statements have been prepared on a historical cost basis, as modified by the revaluation of available-for-sale financial assets.

The condensed interim financial statements are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

c) Going Concern of Operations

The Company has not generated revenue from operations. The Company incurred a net loss of \$1,408,451 during the nine months ended September 30, 2011 (2010 - \$799,436) and a net loss of \$220,781 during the three months ended September 30, 2011 (2010 - \$149,239) and, as of that date the Company's deficit was \$13,040,862. However, the Company has sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are expected to be adopted for the year-ending December 31, 2011 and have been applied consistently to all periods presented in these condensed interim financial statements and in preparing the opening IFRS balance sheet at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

a) Foreign Currency Transactions

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income. Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and losses on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

b) Cash and Cash Equivalents

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

c) Leased Assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Company (a "finance lease"), the asset is treated as if it had been purchased outright

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the statement of comprehensive loss on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

d) Mineral Exploration and Evaluation Expenditures

Pre-exploration Costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

e) Property, Plant and Equipment**Recognition and Measurement**

On initial recognition, property, plant and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Major Maintenance and Repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Gains and Losses

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

Depreciation

Depreciation is recognized in profit or loss and is provided on a declining balance basis over the estimated useful life of the assets at the following rates:

Furniture and Fixtures	20%
Office Equipment	20 - 30%
Vehicles	30%
Field Equipment	20 %

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

f) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to the profit or loss, except to the extent they reverse gains previously recognized in other comprehensive loss/income.

g) Financial Instruments**Financial Assets**

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

Loans and Receivables

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

Available-For-Sale Investments

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

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

Impairment on Financial Assets

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

Financial Liabilities

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

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid.

h) Provisions**Rehabilitation Provision**

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities include restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur. There were no provisions required as at January 1, 2010, December 31, 2010 or September 30, 2011.

Other Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

i) **Income Taxes**

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

j) **Government Grants**

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

k) **Share Capital**

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share purchase warrants and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Flow-through Shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through share proceeds in Note 10.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Earnings / Loss Per Share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

l) Share-based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

■ Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning after January 1, 2011 or later periods.

The Company has early adopted the amendments to IFRS 1 which replaces references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs'. This eliminates the need for the Company to restate derecognition transactions that occurred before the date of transition to IFRSs. The amendment is effective for year-ends beginning on or after July 1, 2011; however, the Company has early adopted the amendment. The impact of the amendment and early adoption is that the Company only applies IAS 39 derecognition requirements to transactions that occurred after the date of transition.

The following new standards, amendments and interpretations, that have not been early adopted in these interim financial statements, will or may have an effect on the Company's future results and financial position:

■ IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2013. The Company is in the process of evaluating the impact of the new standard on the accounting for the available-for-sale investment.

■ IFRS 13 Fair Value Measurement

IFRS 13 Fair Value Measurement defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRSs or address how to present changes in fair value. The new requirements are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. Management has yet to assess the impact that IFRS 13 is likely to have on the Company's financial statements.

The following new standards, amendments and interpretations, that have not been early adopted in these interim financial statements, will not have an effect on the Company's future results and financial position:

- IFRS 1: Severe Hyperinflation (Effective for periods beginning on or after July 1, 2011)
- IAS 12: Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12 (Effective for periods beginning on or after January 1, 2012))
- Amendments to IFRS 9: Financial Instruments (Effective for periods beginning on or after January 1, 2013)
- IFRS 10, "Consolidated Financial Statements", establishing principles for the presentation and preparation of consolidated financial statements (effective for periods beginning on or after January 1, 2013)
- IFRS 11, "Joint Arrangements", which sets out principles for the financial reporting of joint arrangements (effective for periods beginning on or after January 1, 2013)
- IFRS 12, "Disclosure of Interests in Other Entities", to address an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity (effective for periods beginning on or after January 1, 2013)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed interim financial statements within the next financial year are discussed below:

i) Rehabilitation Provisions

The Company is not subject to any rehabilitation costs as of September 30, 2011.

ii) Exploration and Evaluation Expenditure

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

iii) Title to Mineral Property Interests

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

iv) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company only recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to generate future taxable profits at the time the losses are recouped.

v) Share-based Payment Transactions

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

5. CASH AND CASH EQUIVALENTS

Cash at banks and on hand earns interest at floating rates based on daily bank deposit rates.

6. AVAILABLE-FOR-SALE INVESTMENT

Available-for-sale investment consists of an investment in common shares of Grande Portage Resources Ltd., and therefore has no fixed maturity date or coupon rate. The fair value of the listed available-for-sale investment has been determined directly by reference to published price quotations in an active market.

7. RECLAMATION DEPOSITS

The Company is required to make reclamation deposits in respect of its expected rehabilitation obligations. The reclamation deposits represent collateral for possible reclamation activities necessary on mineral properties in connection with the permits required for exploration activities by the Company. There are currently no reclamation deposits.

8. EXPLORATION AND EVALUATION ASSETS

	<u>Total</u>
Balance at January 1, 2010	\$ 930,089
Exploration costs	30,601
Acquisition of properties	116,568
Write-off of unsuccessful exploration expenditure	(115,301)
Balance at December 31, 2010	<u>\$ 961,957</u>
Exploration costs	314,407
Acquisition of properties	-
Write-off of unsuccessful exploration expenditure	-
Balance at September 30, 2011	<u>\$ 1,276,364</u>

The impairment assessment of exploration and evaluation assets resulted in no amounts being written off the Company's properties in the period ended September 30, 2011.

Silver Fields Resources Inc.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars

For the nine months ended September 30, 2011

9. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures	Office equipment	Field equipment	Total
Cost				
Balance at January 1, 2010	\$ 62,641	\$ 34,332	\$ 109,120	\$ 206,093
Additions	-	-	22,905	22,905
Disposals	-	-	(42,000)	(42,000)
Balance at December 31, 2010	\$ 62,641	\$ 34,332	\$ 90,025	\$ 186,998
Additions	32,330	15,160	26,116	73,606
Balance at September 30, 2011	\$ 94,971	\$ 49,492	\$ 116,141	\$ 260,604
Depreciation and impairment losses				
Balance at January 1, 2010	\$ 27,158	\$ 23,918	\$ 39,607	\$ 90,683
Depreciation for the year	7,097	3,124	(4,128)	6,093
	-	-	-	-
Balance at December 31, 2010	\$ 34,255	\$ 27,042	\$ 35,479	\$ 96,776
Depreciation for the period	6,682	3,347	10,913	20,942
	-	-	-	-
Balance at September 30, 2011	\$ 40,937	\$ 30,389	\$ 46,392	\$ 117,718
Carrying amounts				
At January 1, 2010	\$ 35,483	\$ 10,414	\$69,513	\$115,410
At December 31, 2010	\$ 28,386	\$ 7,290	\$ 54,546	\$ 90,222
At March 31, 2011	\$ 37,847	\$ 8,608	\$ 52,824	\$ 99,279
At June 30, 2011	\$ 54,202	\$ 8,662	\$ 62,782	\$125,646
At September 30, 2011	\$ 54,034	\$19,103	\$ 69,749	\$142,886

10. OTHER LIABILITIES

Other liabilities include the liability portion of the flow-through shares issued. The following is a continuity schedule of the liability portion of the flow-through shares issuances.

Flow-through Shares

	Total
Balance at January 1, 2010	\$ -
Liability incurred on flow-through shares issued	113,477
Settlement of flow-through share liability on incurring expenditures	-
Balance at December 31, 2010	<u>\$ 113,477</u>
Settlement of flow-through share liability on incurring expenditures	-
Balance at September 30, 2011	<u>\$ 113,477</u>

During the year ended December 31, 2010, the Company issued 11,347,665 units pursuant to the following non-brokered flow-through private placements:

a) 7,043,665 flow-through units at \$0.09 per unit for total proceeds of \$633,930. Each unit consisted of one flow-through common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase an additional common share for \$0.15 per share until December 8, 2011, and \$0.20 per share thereafter until December 8, 2012.

b) 4,304,000 flow-through units at \$0.09 per unit for total proceeds of \$387,360. Each unit consisted of one flow-through common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase an additional common share for \$0.15 per share until December 31, 2011, and \$0.20 per share thereafter until December 31, 2012.

A flow through premium of \$113,477 has been recognized in respect of these flow-through placements, which is recorded as a liability until the relevant expenditures are incurred.

As at December 2010, the Company had not fulfilled its commitment to incur exploration expenditures in relation to flow-through share financing in 2010.

During the year ended December 31, 2009, the Company issued 15,668,000 units pursuant to the following non-brokered flow-through private placements:

a) 8,250,000 flow through units at \$0.02 per unit for total proceeds of \$165,000. Each unit consisted of one flow-through common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase an additional common share for \$0.05 per share until March 25, 2010, and \$0.10 per share thereafter until March 25, 2012.

b) 7,418,000 flow through units at \$0.025 per unit for total proceeds of \$185,450. Each unit consisted of one flow-through common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase an additional common share for \$0.05 per share until October 23, 2010, and \$0.10 thereafter until October 23, 2012.

No premium was received on these flow-through issues.

As at September 30, 2011, the Company had only partially fulfilled its commitment to incur exploration expenditures in relation to flow-through share financing in 2009.

The Company may be required to indemnify flow-through investors for the amount of increased tax payable by the flow-through investor as a consequence of the failure of the Company to incur qualifying exploration expenditures previously renounced to the flow-through investors. As at December 31, 2010, the Company estimated that the potential liability on unspent amounts is \$247,000 (2009: \$150,000) and accrued a provision for this included in accounts payable and accrued liabilities. The final assessment of liability by Canada Revenue Agency may differ from management's assessment.

11. PROVISIONS

Rehabilitation Provision

As at September 30, 2011, the Company has no anticipated rehabilitation costs.

12. SHARE CAPITAL AND RESERVES

a) Common Shares

The Company is authorized to issue an unlimited number of common shares, issuable in series.

The holders of common shares are entitled to receive dividends which are declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

The following is a summary of changes in common share capital from January 1, 2010 to September 30, 2011:

	Number of Shares	Amount
Balance at January 1, 2010	103,466,891	\$ 9,994,222
Shares issued via private placement (non-flow through)	15,157,943	1,303,635
Flow-through share issuance (net of premium)	11,347,665	1,021,290
Adjustment for flow-through premium	-	(26,477)
Issue of shares for property acquisition	5,000,000	100,000
Renunciation of flow-through shares	-	(87,000)
Issue of shares on exercise of options	-	-
Less share issue costs		(455,665)
Consolidated in roll-back	(97,620,202)	
Balance at December 31, 2010	37,352,297	\$ 11,850,005
Issue of shares on exercise of warrants	16,550	1,655
Less share issue costs		-
Balance at September 30, 2011	37,368,847	\$11,851,660

b) Preferred Shares

The Company is authorized to issue an unlimited number of preference shares, issuable in series.

The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series. No preferred shares have been issued since the Company's inception.

c) Contributed Surplus

The following is a summary of changes in contributed surplus from January 1, 2010 to September 30, 2011:

	September 30, 2011	December 31, 2010	January 1, 2010
Warrants			
Share Options (Note 13)			
Contributed Surplus	\$2,448,246	\$ 1,826,935	\$ 1,312,112

Silver Fields Resources Inc.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars

For the nine months ended September 30, 2011

d) Share Purchase Warrants

The following is a summary of changes in warrants from January 1, 2010 to September 30, 2011:

	Number of Warrants
Balance at January 1, 2010	2,520,550
Issue of warrants	28,391,141
Exercised warrants	-
Balance December 31, 2010	30,911,691
Issue of warrants	-
Exercised warrants	(16,583)
Balance as at September 30, 2011	30,895,108

As at September 30, 2011, the Company had outstanding warrants as follows:

Number of warrants	Exercise price	Expiry
1,080,300	\$ 1.00	10/23/11-12
1,423,667	\$ 1.00	3/25/12
3,795,000	\$ 0.20	5/27/12
600,000	\$ 0.20	6/04/12
550,000	\$ 0.20	6/09/12
15,652,108	\$ 0.15/20	12/08/11-12
1,144,533	\$ 0.15/20	12/08/11-12
6,303,500	\$ 0.15/20	12/31/11-12
346,000	\$ 0.15/20	12/31/11-12
30,895,108		

Silver Fields Resources Inc.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars

For the nine months ended September 30, 2011

During the nine months ended September 30, 2011, there were no new financings. There were 16,550 shares issued during the three months ended March 31, 2011 to reflect the exercising of 1,655 warrants.

On May 07, 2010 the company consolidated its share capital on a one new for ten old share basis. The post consolidated capitalization is unlimited common shares with no par value.

During the year ended December 31, 2010, the Company issued 26,505,608 units pursuant to the following non-brokered private placements:

- a) 3,450,000 units at \$0.10 per unit for total proceeds of \$345,000. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase an additional common share for \$0.15 per share until May 27, 2011, and \$0.20 per share thereafter until May 27, 2012.
- b) 600,000 units at \$0.10 per unit for total proceeds of \$60,000. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase an additional common share for \$0.15 per share until June 5, 2011, and \$0.20 per share thereafter until June 5, 2012.
- c) 500,000 units at \$0.10 per unit for total proceeds of \$50,000. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase an additional common share for \$0.15 per share until June 9, 2011, and \$0.20 per share thereafter until June 9, 2012.
- d) 8,608,443 units at \$0.08 per unit for total proceeds of \$688,675. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase an additional common share for \$0.15 per share until December 8, 2011, and \$0.20 per share thereafter until December 8, 2012.
- e) 7,043,665 flow-through units at \$0.09 per unit for total proceeds of \$633,930. Each unit consisted of one flow-through common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase an additional common share for \$0.15 per share until December 8, 2011, and \$0.20 per share thereafter until December 8, 2012.
- f) 1,999,500 units at \$0.08 per unit for total proceeds of \$159,960. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase an additional common share for \$0.15 per share until December 31, 2011, and \$0.20 per share thereafter until December 31, 2012.
- g) 4,304,000 flow-through units at \$0.09 per unit for total proceeds of \$387,360. Each unit consisted of one flow-through common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase an additional common share for \$0.15 per share until December 31, 2011, and \$0.20 per share thereafter until December 31, 2012.

Finders' fees relating to the above private placements were \$445,788, including cash of \$211,895 and 1,885,533 share purchase warrants, valued at \$233,893 as disclosed below, which entitle the holder thereof to purchase one common share for each warrant held at \$0.15 per share for the first 12 months after issue date and at \$0.20 per share thereafter for another year.

Silver Fields Resources Inc.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars

For the nine months ended September 30, 2011

e) Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's balance sheet include 'Contributed Surplus', 'Accumulated Other Comprehensive Loss/Income' and 'Accumulated Deficit'.

'Contributed Surplus' is used to recognize the value of stock option grants and share warrants prior to exercise.

'Accumulated Other Comprehensive Loss/Income' includes an available-for-sale reserve. This reserve is used to recognize fair value changes on available-for-sale investments.

'Accumulated Deficit' is used to record the Company's change in deficit from earnings from period to period.

13. SHARE-BASED PAYMENTS

a) Option Plan Details

The Company has an incentive Stock Option Plan ("the Plan") under which non-transferable options to purchase common shares of the Company may be granted to directors, officers, employees or service providers of the Company. The terms of the Plan provide that the Directors have the right to grant options to acquire common shares of the Company at not less than the closing market price of the shares on the day preceding the grant at terms of up to four years. No amounts are paid or payable by the recipient on receipt of the option, and the options granted are not dependent on any performance-based criteria. In accordance with the Plan, 25% of the options vest immediately, with a further 25% vesting in each of the subsequent three years on the anniversary of the initial grant date.

The following is a summary of changes in options from January 1, 2010 to September 30, 2011:

Grant Date	Expiry Date	Exercise Price	Opening Balance	During the Year			Closing Balance	Vested and Exercisable	Unvested
				Granted	Exercised	Forfeited			
12/31/09		\$0.10	508,600	-	-	-	508,600	508,600	-
05/01/10						(508,600)	-	-	-
05/17/10	05/17/15	\$0.10	0	2,015,000	-	-	2,015,000	865,000	1,150,000
01/18/11	01/18/16	\$0.10	2,015,000	3,900,000	-	-	5,915,000	865,000	5,050,000
Weighted Average Exercise Price			\$0.10	\$0.10	-	\$1.00	\$0.10	\$0.10	\$0.10

b) Fair Value of Options Issued During the Period

There were no options issued during the three month periods ended June 30, 2011 and September 30, 2011. The weighted average fair value at grant date of options granted during the three month period ended March 31, 2011 was \$0.10 per option (year-ended December 31, 2010: \$0.10).

Options Issued to Employees

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Options Issued to Non-Employees

Options issued to non-employees, are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted, using a valuation model.

The model inputs for options granted during the period ended March 31, 2011 included:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
01/18/11	01/18/16	0.16	\$0.10	1.745	60 months	249%	0
05/17/10	05/17/15	\$0.16	\$0.10	2.28%	60 months	2535	0

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Silver Fields Resources Inc.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars

For the nine months ended September 30, 2011

c) Expenses Arising from Share-based Payment Transactions

Total expenses arising from share-based payment transactions recognized during the nine month period ended September 30, 2011 as part of employee benefit expense were \$ 621,309 (2010: \$280,932). During the three month period ended September 30, 2011 there were no such expenses recognized (3 months ended September 30, 2010: \$Nil)

d) Amounts Capitalized Arising from Share-based Payment Transactions

Total expenses arising from share-based payment transaction that were capitalized during the period as part of exploration and evaluation activities were \$ Nil.

14. NATURE OF EXPENSES

	3 months ended September 30		9 months ended September 30	
	2011	2010	2011	2010
Other expenses include:				
Accounting and audit fees	\$ 4,229	\$ 7,664	\$ 57,774	\$ 54,406
Bank charges and interest	1,307	1,539	3,302	3,760
Consulting fees	20,880	8,682	93,808	31,859
Director's fees	9,000	4,500	22,500	22,500
Foreign exchange	18	2	14	67
Investor relations	22,500	-	45,000	-
Legal fees	162	46	3,185	965
Management fees	30,000	27,000	115,000	81,000
Office and support services	15,464	12,362	74,800	40,944
Promotions, advertising and travel	55,854	43,856	201,545	124,883
Rent	6,761	6,541	20,389	15,793
Shareholder communication	33,000	15,500	85,250	68,000
Telephone	10,208	8,568	27,356	27,607
Transfer agent and regulatory fees	10,783	7,599	27,550	34,822
Write-off of amounts receivable	-	-	348	-
Gain on disposal of assets	-	-	-	(4,800)
	\$ 220,166	\$ 143,859	\$ 777,821	\$ 501,806

15. INCOME TAXES

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate for the full financial year applied to the pre-tax income of the interim period. In view of the losses incurred in the period, there is no income tax expense.

Deferred Tax Assets and Liabilities

As at September 30, 2011, the Company has estimated non-capital losses for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years. A summary of these tax losses is provided below.

Tax Losses

These tax losses will expire as follows:

Year of Expiry	Taxable Losses
2014	\$ 286,000
2015	250,000
2026	474,000
2027	826,000
2028	724,000
2029	629,000
2030	817,000
Total	\$ 4,106,000

The potential benefits of these carry-forward non-capital losses, capital losses and deductible temporary differences have not been recognized in these condensed interim financial statements other than to the extent that equivalent deferred tax liabilities on temporary differences relating to renounced flow-through expenditure exist (September 30, 2011 and December 31, 2010 \$245,900) as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

Silver Fields Resources Inc.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars

For the nine months ended September 30, 2011

16. RELATED PARTY TRANSACTIONS

The following is a summary of the Company's related party transactions during the period:

	3 months ended September 30		9 months ended September 30	
	2011	2010	2011	2010
Accounting fees	\$ 2,500	\$ 3,750	\$ 13,750	\$ 18,000
Consulting fees	17,550	4,500	50,042	20,250
Directors' fees	9,000	4,500	24,000	18,000
Deferred exploration and development costs	35,762	3,250	106,092	10,989
Management fees	22,330	28,800	94,008	82,800
Shareholder communication fees	35,750	10,000	85,250	45,000
	\$ 122,892	\$54,800	\$ 373,142	\$ 195,039

The charges were measured by the exchange amounts, which use the amounts agreed upon by the transacting parties.

As of September 30, 2011, trade and other payables includes \$70,192 (2010: \$61,888) due to directors of the Company, companies controlled by directors of the Company, and relatives of a director with respect to unpaid management fees, director's fees and deferred exploration costs.

17. SEGMENTAL REPORTING

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

18. LOSS PER SHARE

Weighted Average Number of Common Shares:	3 months ended September 30, 2011	9 months ended September 30, 2010
Issued common shares at January 1		37,352,297
Issued common shares at June 30	37,368,880	
Effect of shares issued in period	-	-
Effect of share warrants exercised	-	12,574
Weighted average number of common shares (basic and diluted)	37,368,880	37,364,871

19. EVENTS AFTER THE REPORTING DATE

On July 06, 2011 the Company announced exploration on its 100% owned Keremeos Silver Property has discovered several new mineralized areas. In addition, a large grid has been surveyed over the targeted area east of the former Dankoe Mine and over 300 soil samples have been submitted for assay. Sampling is ongoing and is expected to produce close to 500 samples in this phase of exploration. A geophysical survey (Mag, VLF-EM) of the grid area has been completed by a well-known consulting firm and report preparation is underway. Details can be found in the Company's news release dated July 06, 2011 at www.sedar.com

On August 16, 2011 the Company reported assays from the Company's project located at the Horn Silver property east of Keremeos, B.C. Details can be found in the Company's news release dated August 16, 2011 at www.sedar.com.

On Sept 08, 2011 the Company announced it has acquired an additional 800 hectares of land, bringing the total holdings for the Horn Silver project to 2,408 hectares. Details can be found in the Company's news release dated September 08 , 2011 at www.sedar.com

On October 18, 2011 the Company reported it has received assays from additional sampling of the "Cow Trail Vein", on its Keremeos Silver Project on the east side of Mt. Richter Ridge. Details can be found in the Company's news release dated October 18, 2011 at www.sedar.com

On October 25, 2011 the Company reported it has received additional assays from the Horn Silver Project 30 km east of Keremeos, B.C. Details can be found in the Company's news release dated October 25, 2011 at www.sedar.com

On November 15, 2011, the Company announced that it will be offering a non-brokered private placement of 12,000,000 units, to raise proceeds of \$600,000. The private placement will consist of 6,000,000 non-flow through units priced at \$0.05 and 6,000,000 flow-through units priced at \$0.05 per unit. Details can be found in the Company's news release dated November 15, 2011 at www.sedar.com

20. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

OPTIONAL EXEMPTIONS

The IFRS 1 applicable exemptions and exceptions applied in the conversion from pre-changeover Canadian GAAP to IFRS are as follows:

Share-based Payment Transactions

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

MANDATORY EXCEPTIONS

Derecognition of Financial Assets and Liabilities

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

Estimates

The estimates previously made by the Company under pre-changeover Canadian GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result the Company has not used hindsight to revise estimates.

RECONCILIATIONS OF PRE-CHANGEOVER CANADIAN GAAP EQUITY AND COMPREHENSIVE INCOME TO IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The changes made to the statements of financial position and statements of comprehensive income as shown below have resulted in reclassifications of various amounts on the statements of cash flows, however as there have been no material adjustments to the net cash flows, no reconciliation of the statement of cash flows has been prepared.

Silver Fields Resources Inc.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars

For the nine months ended September 30, 2011

RECONCILIATION OF STATEMENT OF FINANCIAL POSITION AS AT JANUARY 1, 2010 – TRANSITION DATE

	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets			
Current assets			
Cash and cash equivalents	\$ 239,922		\$ 239,922
Prepaid expenses and deposits	8,266		8,266
Accounts receivable	21,770		21,770
HST/GST recoverable	9,255		9,255
Loan receivable	20,000		20,000
Available-for-sale investments	1,290		1,290
Total current assets	\$ 300,503		\$ 300,503
Non-current assets			
Exploration and evaluation assets	930,089	-	930,089
Property, plant and equipment	115,410	-	115,410
Total non-current assets	\$ 1,045,499		\$1,045,499
Total assets	\$ 1,346,002	-	\$ 1,346,002
Liabilities and shareholders' equity			
Current liabilities			
Trade and other payables	\$ 142,084	\$ -	\$ 142,084
Other liabilities	261,744	-	261,744
Total current liabilities	\$ 403,828	\$ -	\$ 403,828
Total liabilities	\$ 403,828	\$ -	\$ 403,828
Shareholders' equity			
Share capital	\$ 9,885,647	\$ 108,575	\$ 9,994,222
Contributed surplus	1,312,112	-	1,312,112
Accumulated deficit	(10,255,585)	(108,575)	(10,364,160)
Total shareholders' equity	\$ 942,174	\$ -	\$ 942,174
Total liabilities and shareholders' equity	\$ 1,346,002	\$ -	\$ 1,346,002

Silver Fields Resources Inc.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars

For the nine months ended September 30, 2011

RECONCILIATION OF STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2010

	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets			
Current assets			
Cash and cash equivalents	\$ 156,484	\$ -	\$ 156,484
Prepaid expenses and deposits	2,825	-	2,825
Accounts receivable	15,603	-	15,603
HST/GST recoverable	18,064	-	18,064
Total current assets	\$ 192,976	\$ -	\$ 192,976
Non-current assets			
Loan receivable	\$ 20,000	\$ -	\$ 20,000
Due from related parties	20,436	-	20,436
Exploration and evaluation assets	1,208,931	-	1,208,931
Property, plant and equipment	101,473	-	101,473
Total non-current assets	\$ 1,350,840	\$ -	\$ 1,350,840
Total assets	\$ 1,543,816	\$ -	\$ 1,543,816
Liabilities and shareholders' equity			
Current liabilities			
Trade and other payables	\$ 455,696	\$ -	\$ 455,696
Total current liabilities	\$ 455,696	\$ -	\$ 455,696
Total liabilities	\$ 455,696	\$ -	\$ 455,696
Shareholders' equity			
Share capital	\$ 10,504,216	\$ 108,575	\$ 10,612,791
Contributed surplus	1,638,925		1,638,925
Accumulated other comprehensive income			
Accumulated deficit	(11,055,021)	(108,575)	(11,163,596)
Total shareholders' equity	\$ 1,088,120	\$ -	\$ 1,088,120
Total liabilities and shareholders' equity	\$ 1,543,816	\$ -	\$ 1,543,816

Silver Fields Resources Inc.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars

For the nine months ended September 30, 2011

RECONCILIATION OF STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2010

	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets			
Current assets			
Cash and cash equivalents	\$ 1,458,971	\$ -	\$ 1,458,971
Prepaid expenses and deposits	25,834	-	25,834
Amounts receivable	11,818	-	11,818
HST/GST recoverable	37,682	-	37,682
Available-for-sale investment	-	-	-
Total current assets	\$ 1,534,305	\$ -	\$ 1,534,305
Non-current assets			
Due from related parties	\$ 14,027	\$ -	\$ 14,027
Exploration and evaluation assets	961,957	-	961,957
Property, plant and equipment	90,222	-	90,222
Loan receivable	20,000	-	20,000
Total non-current assets	\$ 1,086,206	\$ -	\$ 1,086,206
Total assets	\$ 2,620,511	\$ -	\$ 2,620,511
Liabilities and shareholders' equity			
Current liabilities			
Trade and other payables	\$ 548,985	\$ -	\$ 548,985
Other liabilities	-	113,477	113,477
Total current liabilities	\$ 548,985	\$ 113,477	\$ 662,462
Total liabilities	\$ 548,985	\$ -	\$ 662,462
Shareholders' equity			
Share capital	\$ 11,767,907	\$ 82,098	11,850,005
Subscriptions receivable	(86,480)	-	(86,480)
Contributed surplus	1,826,935	-	1,826,935
Accumulated deficit	(11,436,836)	(195,575)	(11,632,411)
Total shareholders' equity	\$ 2,071,526	\$ (113,477)	\$ 1,958,049
Total liabilities and shareholders' equity	\$ 2,620,511	\$ -	\$ 2,620,511

Silver Fields Resources Inc.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars

For the nine months ended September 30, 2011

RECONCILIATION OF THE STATEMENT OF COMPREHENSIVE LOSS/INCOME FOR THE THREE MONTHS ENDED

SEPTEMBER 30, 2010

	Canadian GAAP	Effect of transition to IFRS	IFRS
Interest and other income	\$ 1,018	-	\$ 1,018
Depreciation	(6,398)	-	(6,398)
Employee costs	-	-	-
Other expenses	(143,859)	-	(143,859)
Total expenses	\$ (150,257)	-	\$ (150,257)
Loss before income tax	\$ (149,239)	-	\$ (149,239)
Income tax expense	-	-	-
Loss for the period attributable to owners of the parent	\$ (149,239)	-	\$ (149,239)
Loss per common share, basic and diluted	\$ (0.01)	-	\$ (0.01)

RECONCILIATION OF THE STATEMENT OF COMPREHENSIVE LOSS/INCOME FOR THE NINE MONTHS ENDED

SEPTEMBER 30, 2010

	Canadian GAAP	Effect of transition to IFRS	IFRS
Interest and other income	\$ 2,128	-	\$ 2,128
Depreciation	(18,826)	-	(18,826)
Employee costs	(280,932)	-	(280,932)
Other expenses	(501,806)	-	(501,806)
Total expenses	\$ (801,564)	-	\$ (801,564)
Loss before income tax	\$ (799,436)	-	\$ (799,436)
Income tax expense	-	-	-
Loss for the period attributable to owners of the parent	\$ (799,436)	-	\$ (799,436)
Loss per common share, basic and diluted	\$ (0.05)		\$ (0.05)

Silver Fields Resources Inc.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars

For the nine months ended September 30, 2011

RECONCILIATION OF THE STATEMENT OF COMPREHENSIVE LOSS/INCOME FOR THE YEAR ENDED DECEMBER 31, 2010

	Canadian GAAP	Effect of transition to IFRS	IFRS
Interest and other income	\$ 3,986	-	\$ 3,986
General and administrative expense	\$ (988,387)	-	(988,387)
Depreciation	(25,749)	-	(25,749)
Loss on disposal of equipment	(4,344)	-	(4,344)
Gain on disposal of available-for-sale investments	4,800	(4,800)	-
Amounts receivable forgiven	(6,409)	-	(6,409)
Mineral properties written off	(108,633)	-	\$ (108,633)
Part XII.6 tax and penalty	(143,515)	-	(143,515)
Total expenses	\$ (1,272,237)	(4,800)	(1,277,037)
Loss before income tax	\$ (1,268,251)	(4,800)	\$ (1,273,051)
Future income tax recovery	\$ 87,000	(87,000)	\$ 0
Income tax expense	-	-	-
Loss for the period attributable to owners of the parent	\$ (1,181,251)	\$ (91,800)	\$ (1,273,051)
Other comprehensive income, net of tax			
Fair value gains / (losses) on available-for-sale investments	-	4,800	4,800
Total other comprehensive income, net of tax	-	\$ 4,800	\$ 4,800
Total comprehensive income for the period attributable to owners of the parent	\$ (1,181,251)	(87,000)	\$ (1,268,251)
Loss per common share, basic and diluted	\$ (0.07)		\$ (0.07)

EXPLANATIONS FOR THE ADJUSTMENTS ARE AS FOLLOWS:

i) Flow-through Shares

Under pre-changeover Canadian GAAP, the entire proceeds from the issuance of flow-through shares were recognized in equity less the tax effects of renunciation. Under IFRS, on issuance of flow-through shares, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the end of the reporting period, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

As a result, for issuances of flow-through shares for which expenditures have been renounced, share capital was increased by \$108,575 at the date of transition (December 31, 2010 - \$82,098) and retained earnings were decreased by \$108,575 (December 31, 2010 - \$195,575). The impact on net income for the six months-ended June 30, 2010 was \$NIL (year-ended December 31, 2010 - \$87,000).

Where flow-through shares were issued but expenditures not incurred by the end of the reporting period, a liability is shown in 'other liabilities'. This resulted in a liability of \$NIL at the date of transition (December 31, 2010 - \$113,477).

ii) Available for sale investments

The investment was revalued to fair value in the period prior to its disposal in 2010 and accordingly the increase in value was shown in other comprehensive income.

Silver Fields Resources Inc.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian Dollars

For the nine months ended September 30, 2011

SCHEDULE 1									
EXPLORATION AND EVALUATION ASSETS									
For the nine months ended September 30, 2011									
	BRITISH COLUMBIA						SASKATCHEWAN	TOTAL	
	Teihsun River	Argentum	Frisby Ridge	Copeland	Keremeos Silver	Tulameen Silver	Coal Properties		
Balance, January 1, 2011	\$ 386,842	\$ 83,991	\$ 34,758	\$ 60,974	\$ 110,319	\$ 96,918	\$ 188,155	\$	\$ 961,957
Acquisition costs:									
Cash	-	-	-	-	-	-	-	-	-
Shares	-	-	-	-	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred exploration costs:									
Exploration	(5,517)	1,292	-	-	240,738	-	2,517		239,030
Camp and accomodation	-	-	69	-	32,642	-	9,666		42,377
Transportation	-	-	-	-	29,204	-	3,796		33,000
	\$ (5,517)	\$ 1,292	\$ 69	\$ -	\$ 302,584	\$ -	\$ 15,979	\$	\$ 314,407
Balance, September 30, 2011	\$ 381,325	\$ 85,283	\$ 34,827	\$ 60,974	\$ 412,903	\$ 96,918	\$ 204,134	\$	\$ 1,276,364

SCHEDULE 2											
EXPLORATION AND EVALUATION ASSETS											
For the Year Ended December 31, 2010											
	BRITISH COLUMBIA								MANITOBA	SASKATCHEWAN	TOTAL
	Teihsun River	Argentum	Frisby Ridge	Copeland	Keremeos Silver	Tulameen Silver	Abhau	Duke	Coal Property	Coal Properties	
Balance, January 1, 2010	\$ 383,515	\$ 83,991	\$ 34,758	\$ 60,974	\$ 83,045	\$ 96,918	\$ -	\$ -	\$ 13,301	\$ 173,587	\$ 930,089
Acquisition costs:											
Cash (recoursed)	-	-	-	-	-	-	1,000	1,000	(6,668)	-	(4,668)
Shares	-	-	-	-	-	-	40,000	60,000	-	-	100,000
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,000	\$ 61,000	\$ (6,668)	\$ -	\$ 95,332
Deferred exploration costs:											
Exploration	3,327	-	-	-	20,706	-	-	-	-	4,285	28,318
Camp and accomodation	-	-	-	-	750	-	-	-	-	6,613	7,363
Transportation	-	-	-	-	5,819	-	-	-	-	3,669	9,488
	\$ 3,327	\$ -	\$ -	\$ -	\$ 27,275	\$ -	\$ -	\$ -	\$ -	\$ 14,567	\$ 45,169
Write off of Mineral Properties	-	-	-	-	-	-	(41,000)	(61,000)	(6,633)	-	(108,633)
Balance, December 31, 2010	\$ 386,842	\$ 83,991	\$ 34,758	\$ 60,974	\$ 110,320	\$ 96,918	\$ -	\$ -	\$ -	\$ 188,154	\$ 961,957