

*This document provides management's discussion and analysis (MD&A) for our financial condition as at October 31, 2013, and results of operations for the quarter ended October 31, 2013. This MD&A should be read in conjunction with the Company's consolidated financial statements and notes for the year ended October 31, 2013. This MD&A has been prepared as of February 28, 2014 and is current to that date unless otherwise stated.*

*This document contains forward-looking statements which by their nature involve risks and uncertainties, many of which are beyond the Company's control and which could cause actual results to differ materially from those expressed in such forward-looking statements. Readers are cautioned not to place undue reliance on these statements. The Company disclaims any intention and assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*

*Additional information regarding the Company, including copies of the Company's continuous disclosure materials is available on the Company's website at [www.silverspruceresources.com](http://www.silverspruceresources.com) or through the SEDAR website at [www.sedar.com](http://www.sedar.com).*

## **Company Overview**

Silver Spruce Resources Inc. is a junior exploration company headquartered in Bridgewater, Nova Scotia with an exploration office in St. John's, Newfoundland and Labrador. Originally focused on uranium, mainly in the Central Mineral Belt (CMB) of Labrador, the Company diversified into our main project, Big Easy, a precious metal project on the island of Newfoundland and rare earth element (REE) projects in Labrador. In 2011, the Company focused on evaluating its significant REE projects in Labrador (Popes Hill, Popes Hill JV with Great Western Minerals Group, and Straits) however lack of interest and availability of financing for both REE and U projects worldwide has resulted in the projects being de-emphasized and consolidated to allow them to be retained over a longer period without requiring further work. Emphasis in 2012/2013 was placed on the Company's gold/silver project in eastern Newfoundland, Big Easy which is road accessible and is close to infrastructure greatly reducing exploration and future development costs.

The Company's uranium exploration was curtailed in 2008 due to the Nunatsiavut moratorium and uranium prices however we continue to hold significant uranium assets mainly in the CMB, making the Company a large landholder in one of the world's premier uranium districts. Projects include: the CMB joint venture (JV) with Jet Energy (formerly Crosshair), in which SSE holds a 2% production Net Smelter Return, and its 100% owned properties – Fish Hawk Lake, Snegamook, Mount Benedict, and Double Mer. The Fish Hawk Lake property, which is contiguous with the Snegamook property, was optioned from Virginia Energy in August, 2012. The CMBJV includes a mineral resource on the Two Time zone of 2.3 M lbs indicated and 3.7 M lbs U<sub>3</sub>O<sub>8</sub> inferred, discovered by SSE, the first discovery in the CMB of Labrador since the 1980's. Drill-ready opportunities exist on the Fish Hawk Lake, Snegamook, Double Mer and Mount Benedict properties.

The uranium development moratorium in Nunatsiavut territory was lifted in March 2012 by a unanimous decision of the Nunatsiavut council however uranium prices have not responded due to the Japanese tsunami disaster and its impact on prices. Limited continued exploration / development in the CMB by Aurora Energy (Paladin) has taken place but further development continues to be slow pending an increase in uranium prices.

The Company has limited funds to allow operations to be maintained in 2014. Exploration in 2012 consisted of a 2<sup>nd</sup> Phase; follow up drill program, limited ground work and an airborne survey on the Big Easy property. Limited exploration in 2013 consisted of due diligence field visits by government, university, companies, and individuals including a world renowned expert in low sulphidation (LS) gold/silver systems – Dr. Jeffrey Hedenquist.

As of October 31, 2013, cash reserves, totaled approximately \$32,723. The last financing was a flow through issuance in early 2012 which raised \$191,400 utilized for the Big Easy drilling and airborne survey programs. In 2013 the Company received \$17,105 in mineral claim deposits and a Junior Exploration Assistance Program (JEAP) grant of \$86,915 for the Big Easy exploration costs that were incurred in 2012, from the NL government. A proposed financing in the fall of 2012 did not materialize since the company's stock was under intense selling pressure during that time and the company was unwilling to reduce the price of the offering. The company

continues to evaluate its options for the remainder of 2013 and 2014 which include: a financing if the share price firms up; seeking joint venture partners for our properties or a combination of the two.

A continued commitment to prudent budgeting and an excellent property portfolio, including a uranium deposit with defined resources, and a significant, road accessible, REE property in Labrador and an excellent, road accessible, low sulphidation, gold/silver project on the island of Newfoundland gives Silver Spruce the opportunity to take advantage of these assets as the junior sector returns to more normal conditions, hopefully in 2014.

The Company has established environmental and safety protocols which include written procedures and policies which are overseen by Board committees for environment/health and safety.

### **Selected Annual Information**

The table below outlines selected financial information to the Company's years ended October 31, 2013 and 2012. The financial information is extracted from the Company's audited consolidated financial statements.

	<b>2013</b>	<b>2012</b>
	\$	\$
Income	26,376	73,234
Net and comprehensive loss	(1,101,697)	(3,550,176)
Net income (loss) per share - basic and diluted	(0.01)	(0.03)
Total assets	956,394	2,114,374
Total long-term financial liabilities	-	-

For the year ended October 31, 2013, the Company incurred a net loss of \$1,101,697 (loss per share of \$0.01) compared to a net loss of \$3,550,176 (loss per share of \$0.03) for the year ended October 31, 2012.

The Company recognized total income of \$26,367 for the year ended October 31, 2013 (2012 - \$73,234). Income of \$26,367 in 2013 included a Mexican VAT recovery of \$20,957 (2012 - \$18,158). Foreign exchange resulted in a gain in 2013 of \$805 (2012 - \$1,218 loss). Unrealized gain in market value of investments for 2013 was \$1,570 (2012 - \$5,106 loss). Gain on sale of equipment for 2013 was \$3,044 (2012 - \$341 loss).

The Company recorded impairment of \$937,170 in 2013 (2012 - \$2,817,040). The 2013 impairment was against the uranium property, Fish Hawk Lake and against the Rare Earth Element properties; Pope's Hill Joint Venture, Pope's Hill. The Company reviewed the capitalized costs on its properties and recognized impairment in value based upon current exploration results and significant adverse changes in the business climate and a significant decrease in the Company's market capitalization compared to the carrying value of its resource properties that indicated that an impairment existed. Management's assessment of the properties' estimated current value is also based upon a review of other property transactions that have occurred in the same geographic area as that of the properties under review. The 2012 impairment was against the uranium properties, Central Mineral Belt, Double Mer, Mount Benedict and Snegamook and against the Rare Earth Element properties; Pope's Hill Joint Venture, Straits and Pope's Hill.

Abandonment of mineral properties expense was \$NIL (2012 - \$148,679). In the prior year the company wrote-off the MRT and RWM properties.

There was no stock-based compensation in either 2013 or 2012.

Other general, administrative and professional expense decreased to \$327,544 in 2013 (2012 - \$647,772) largely due to accounting, audit and legal decreasing to \$93,066 (2012 - \$203,449); corporate relations decreased to \$10,880 (2012 - \$117,262); office and general decreased to \$70,019 (2012 - \$103,825); wages decreased to \$17,227 (2012 - \$46,387); and consulting decreased to \$88,963 (2012 - \$106,508) due to less exploration activity in 2013.

For the year ended October 31, 2013 the Company spent \$63,403 on its exploration properties compared to \$560,371 in the prior year. In the current year there was less activity with no newly acquired properties compared to one newly acquired property with more activity in the prior year. There were three properties impaired in 2013 compared to nine properties that were impaired or abandoned in the prior year.

### Selected Quarterly Information

The table below outlines selected financial information related to the Company's most recent financial year and the previous two quarters, accompanied by the applicable comparative period information.

	October 31, 2013	July 31, 2013	April 30, 2013	January 31, 2013
	\$	\$	\$	\$
Income	<b>1,857</b>	19,824	4,245	450
Net (loss)	<b>(243,752)</b>	(538,398)	(210,606)	(108,941)
Net (loss) per share -basic and diluted	<b>(0.01)</b>	(0.00)	(0.00)	(0.00)
	October 31, 2012	July 31, 2012	April 30, 2012	January 31, 2012
	\$	\$	\$	\$
Income	7,542	35,476	18,723	-
Net (loss)	(754,864)	(2,476,802)	(129,968)	(188,542)
Net (loss) per share -basic and diluted	(0.01)	(0.02)	(0.00)	(0.00)

For the three months ended October 31, 2013, the Company earned income, of \$4,233 compared to \$7,542 for the same quarter in the prior year. During this quarter there was a foreign exchange gain, and in prior year there was a foreign exchange loss.

For the three months ended October 31, 2013 the Company had a net loss of \$243,752 (October 31, 2012 - \$754,864) and a loss per share of \$0.01 (October 31, 2012 - \$0.01). This quarter the Company had total expenses of \$384,386 (October 31, 2012 - \$747,322). For the three months ended October 31, 2013, there were \$Nil abandonments of mineral properties, \$330,048 impairments of mineral properties and general operating activity of \$60,429 (October 31, 2012, \$148,679 abandonments, \$481,629 impairments, general operating activity \$153,266).

Wages decreased to \$6,500 this quarter (October 31, 2012 - \$11,167) due to a decrease in the number of directors. Consulting fees decreased to \$21,926 this quarter (October 31, 2012 - \$25,527) due to a decrease in management and consulting services.

Accounting, audit and legal fees decreased to \$9,288 (October 31, 2012 - \$25,940) due a decrease quarterly accounting service fees, decreased quarterly accrued audit fees and there were no IFRS conversion services.

Office and general decreased to \$12,681 this quarter (October 31, 2012 - \$31,081) due to interest and late fees paid in the prior year to the Government of Newfoundland and Labrador relating to the Health and Post-Secondary Education Tax (HAPSET) audit, and decreased directors meeting fees in the current year.

## Expenditures on Mineral Properties

During the quarter ended October 31, 2013, and the quarters ended July 31, 2013, April 30, 2013, and January 31, 2013 and the comparative periods, the Company incurred the following expenditures on exploration:

	October 31, 2013	July 31, 2013	April 30, 2013	January 31, 2013
	\$	\$	\$	\$
<b>CMB</b>	-	-	-	-
<b>Double Mer</b>	-	-	-	-
<b>Straits</b>	-	-	-	-
<b>Mount Benedict</b>	-	-	-	-
<b>Snegamook</b>	-	-	-	-
<b>MRT Property</b>	-	-	-	-
<b>Rambler South</b>	-	-	-	-
<b>Big Easy</b>	6,836	(6,218)	34,660	14,623
<b>Pope's Hill</b>	-	490	715	1,103
<b>Red Wine Mountains</b>	-	-	-	-
<b>Pope's Hill JV</b>	-	-	-	-
<b>Fish Hawk Lake</b>	187	-	-	75

	October 31, 2012	July 31, 2012	April 30, 2012	January 31, 2012
	\$	\$	\$	\$
<b>CMB</b>	8,445	-	1,188	-
<b>Double Mer</b>	2,089	-	-	-
<b>Straits</b>	2,531	5,305	-	41,604
<b>Mount Benedict</b>	7,611	-	502	251
<b>Snegamook</b>	473	263	-	251
<b>MRT Property</b>	600	7,054	44,002	27,151
<b>Rambler South</b>	-	-	-	-
<b>Big Easy</b>	61,950	206,987	(21,084)	9,065
<b>Pope's Hill</b>	14,795	504	17,503	62,438
<b>Red Wine Mountains</b>	-	1,227	-	2,460
<b>Pope's Hill JV</b>	56,000	75,000	22	15,309
<b>Fish Hawk Lake</b>	84,583	-	-	-

The credit balances represent reallocations of expenses between the properties in the quarters reporting period. During the three months ended July 31, 2013, the Company had a net refund of expenditures for the Big Easy property of \$6,218, as a result of expenditures during the period of \$2,052 and a refund of staking claims of \$8,270 from the Department of Natural Resources for Newfoundland and Labrador.

During the three months ended October 31, 2013, the Company wrote off the balance of the Fish Hawk Lake for an impairment of \$84,845 and Pope's Hill Joint Venture expenditures for an impairment of \$245,203.

During the year ended October 31, 2012 the Company wrote off the balance of expenditures for the Central Mineral Belt Joint Venture - \$2,093,991, Double Mer - \$24,123, Mount Benedict - \$118,873, Snegamook Lake - \$20,591, Straits - \$98,982 and Pope's Hill - \$460,480, for total impairments of \$2,817,040. As of October 31, 2012, these properties were not abandoned since claims are still in good standing. The Company also determined that further exploration was not warranted for MRT Property and Red Wine Mountains and these properties have been abandoned with related expenditures of \$133,900 and \$14,779 respectively written off at October 31, 2012. These write-offs reflect the results of the Company's impairment analysis as of October 31, 2012. The Company reviewed the capitalized costs on its properties and recognized impairment in value based on exploration results,

adverse changes in business climate, and a decrease in the Company's market capitalization compared to the carrying value of its resource properties that indicated that impairment may exist.

Management's assessment of the properties' estimated current value is also based upon a review of other property transactions that have occurred in the same geographic area as that of the properties under review.

## **PROJECTS – GOLD/BASE METAL**

### **General**

Our only precious metal project, Big Easy (BE) is located in eastern Newfoundland. The property is 100 % owned, subject to an option agreement described in the summary following.

### **Sample Preparation and Analysis**

Drill core is sawed in half using a diamond saw with one half of the core retained and the other half sent for analyses. Standard QA/QC techniques including check sampling is carried out. In the Big Easy exploration, analyses for rocks and stream samples were carried out at Eastern Analytical Laboratories in Springdale, NL, a recognized local laboratory, while core samples were analyzed at Accurassay Laboratories in Thunder Bay, ON, after sample preparation at their Gambo, NL facility. Check samples analysis was carried out at either Eastern Analytical, Springdale, or Activation Laboratories in Ancaster, ON. Samples were analyzed for gold by fire assay using an atomic absorption finish plus an ICP technique for other elements. Elements above the detection limit of the ICP for Pb, Zn and Ag were re-analysed for "ore grade" values using either a wet chemical method with an Atomic Absorption finish or more accurate ICP techniques. Exploration data including pictures, maps and data spreadsheets are on the Silver Spruce website at [www.silverspruceresources.com](http://www.silverspruceresources.com).

## **BIG EASY (BE)**

### **Property Description**

The 186 claim (4650 ha) property, located near Thorburn Lake in east-central Newfoundland, was optioned from prospectors Alex Turpin and Colin Kendall in April, 2010 (NR Apr. 27, 2010). The option agreement, to earn a 100% interest subject to a 3% NSR with a 1.5% buyback for \$1.5M, was a total of \$110,000 plus 1.6 M shares over 3 years (all paid). A yearly, advance royalty payment, deducted from future NSR payments, of \$20,000 per year, is payable from the 4<sup>th</sup> anniversary on. The mineralized zone is a new gold / silver discovery in an area not previously known to host significant gold mineralization. The zone lies in the western Avalon Zone along the northern extension of the Burin Peninsula high sulphidation belt (BPHSB) where precious metal exploration is being carried out by a number of companies and prospectors.

### **Exploration Summary**

The Big Easy altered/mineralized zone was found by prospecting in the mid 1990's by Phil Saunders and Jim Harris during follow up of an anomalous lake sediment value of 10 ppb Au in Henry's Pond (actually Grassy Pond – mislabeled by government mapping), and has been staked and worked periodically since that time. Historic work, prior to 2008, located grab sample values up to 196 ppb gold and soil sample values up to 370 ppb Au. In 2008 Cornerstone optioned the property, now named Big Easy, from the present vendors. Their work located values up to 403 ppb Au and 4.6 ppm Ag in rock samples and identified muscovite, chlorite and opal, using a Terrspec instrument, indicating an argillic to sub-prophyllitic alteration setting. Further exploration was recommended however the option was terminated when priorities changed in the company. Subsequent rock sampling by Turpin, mostly from angular boulders or rubbly outcrop of silicified sedimentary units, carrying banded chalcedonic quartz, argillic alteration and finely disseminated sulphides (mainly pyrite). Values up to 997 ppb (1 g/t Au) and 115 g/t Ag, in banded quartz veins in the northeast corner of Grassy Pond, led to the SSE option in 2010.

### **SSE Exploration**

Exploration has included prospecting/geological mapping and geological evaluation, line cutting, geophysics (IP), trenching, an airborne survey and two phases of diamond drilling. Prospecting located values up to 118 ppb Au

and 14 g/T Ag in angular boulders / rubbly subcrop over a strike length of 1.7 km and widths of 200–500 m with the north and south extensions lost under till cover. Trenching located a value of 2.08 g/T Au over 0.7 m in a silicified sedimentary angular subcrop, in the southern part of the known zone. Prospecting and trenching located colloidal, finely banded, silica, characteristic of hot spring deposits, near trench 7 near Grassy Pond, in trench 6, the southernmost trench and as float on the quad trail just to the south of the powerline.

The Big Easy zone occurs in the Rocky Harbour Formation of the Musgravetown Group, a red to green, sedimentary sequence dated at approx. 570 Ma. Banded, epithermal style, quartz veins, crosscut the bedding in the altered/mineralized zone, in the central and northern part of the property while more colloidal banded silica, which parallels bedding, indicating contemporaneous deposition, occurs in the southern portion of the zone. Quartz breccias, possibly related to phreatic (gas) explosions, are noted in the southernmost portion of the zone near Trench 6. Bladed textures, possibly indicative of boiling, are noted in subcrop and drilling in the south central portion of the zone.

Exploration along the southern extension of the Big Easy trend resulted in the discovery of similar alteration/mineralization, the ET zone, 3.5 km to the south of the Big Easy. It consists of silicification, carrying disseminated pyrite in brecciated sedimentary units with quartz veining including chalcedonic quartz. Grab samples gave values up to 125 ppb Au and 3.5 ppm Ag, similar to surface values found on the Big Easy zone. The mineralization has been traced over a 400 m strike length trending approximately 170/350 degrees and a width of a minimum of 75 m remaining open along and across strike. Altered (sericitized / silicified) and mineralized felsic volcanic units (Love Cove or equivalent) have also been discovered in the eastern part of the property to the north and south of Shoal Harbour Pond - these units host many of the high sulphidation altered/mineralized zones along the BPHSB.

A 349 line km, airborne, high resolution magnetic/VLF-EM survey covered the Big Easy property at 70 m terrain clearance and nominal 300 m line spacing with 200 m line spacing over the known mineralization at the Big Easy and ET zones, in the fall of 2012, targeted at lithologic (rock type) and structural information. The magnetic results show magnetic lows, likely representing the alteration in the mineralized zones, coincident with both the Big Easy and ET zones, with the two zones joined by a sinuous magnetic low which may represent alteration / mineralization (NR January 3, 2013). The sinuosity is believed to be due to crosscutting faults which offset the alteration system as shown by magnetic highs representing mafic dikes emplaced along ENE and NW trending structures. The VLF-EM survey shows the ENE and NW trends as conductive zones most likely representing water filled shear systems. The airborne data has been incorporated in the database to help plan further exploration.

Two diamond drilling phases (totaling 12 holes – 2657 m) tested the Big Easy zone over a 1.2 km strike length. The phase 1 program - 1577 m in 7 holes (BE-11-1 to 7) was carried out in 2011. All holes, **the first ever drilled on the property**, intersected strongly altered (silicified/sericitized/chloritized) and mineralized sedimentary units (NR's March 24, April 8, May 3, June 1, 2011), with significant gold/silver intersections. The strongest intersection, in BE-11-3, gave 0.87 g/T gold (Au) and 33.5 g/T silver (Ag) over 30.5 m (228-258.5 m), including 6.05 g/T Au, 174 g/T Ag over 1.5 m (240.5-242 m) and 6.04 g/T Au, 114 g/T Ag over 1 m (245-246m); A banded, "bonanza style" 0.3 m vein in BE-11-7, the northernmost drill hole, located approximately 700 m to the north of the 2012 drill area, gave 335 g/T (> 11 oz/t) Ag and 2.57 g/T Au (231.3-231.6 m).

The Phase 2 drill program, 1,080m in 5 holes in 2012 (BE-12-8 to 12), tested the mineralization over a 200m strike length in the vicinity, and north of, the intersection in BE-11-3 (NR August 16, 2012). The widest mineralized zone was located, as in the 2011 drilling, at depth in DDH BE-12-12. Values of 1.3 g/T Au and 36.7 g/T Ag over 8.7 m from 200.1-208.8 m, including 4.6 g/T Au / 101.3 g/T Ag over 2.2 m (202.2-204.4 m), including 7.9 g/T Au and 130 g/T Ag over 1.2 m (202.3-203.5m) were located. The zone is comprised of brecciated quartz-adularia veining in a black matrix of fine-grained mineralization (picture on website). Near surface, banded quartz-adularia veins, typical of epithermal systems, gave narrow, high grade, values in silver and lower but significant values in gold, as follows:

- BE-12-9 – 5.65-5.9m (0.25 m) - 276 g/T silver, 1.73 g/T gold

- BE-12-9 – 15.9-16.4m (0.5 m) - 144 g/T silver, 1.25 g/T gold
- BE-12-10 – 30.7-30.9m (0.2 m) - 191 g/T silver, 2.11 g/T gold

Extensive banded quartz-adularia veins and areas of chalcedonic (opaline) quartz up to one metre wide, but generally from 1-30 cm wide, as well as brecciation with associated veining and silicification, were noted. Orientations of the veins varied from 20 to 90 degrees to the core axis, averaging 40 to 50 degrees. Most zones give true widths varying from 50-90 per cent of the intersected widths. The most significant values from the diamond drilling are summarized in the table following. Plan maps and a summary of the drilling; compilation maps of the property; and pictures showing the drilling, drill core and other exploration on the property are shown on the Silver Spruce website at [www.silverspruceresources.com](http://www.silverspruceresources.com).

*Significant Au/Ag values – Big Easy Diamond Drilling – Phases 1 and 2*

Hole #	From	To	Length	Au g/T	Ag g/T
BE11-03	183	272.2	89.2	0.41	15.4
incl.	228	258.5	30.5	0.87	33.5
incl.	239	246	7	2.5	74.1
incl.	240.5	242	1.5	6.05	174
incl.	245	246	1	6.04	114
BE-11-05	97	103.5	6.5	0.16	32.2
incl.	97	98.5	1.5	0.46	49
BE11-07	41	47	6	1.36	2
BE-12-9	5	7.3	2.3	0.42	49.8
incl.	5.65	5.9	0.25	1.73	276
And	15.9	17.55	1.65	0.63	109.3
incl.	15.9	16.4	0.5	1.25	144
BE-12-10	29.6	34.2	4.6	0.62	18.4
incl.	30.7	30.9	0.2	2.11	191
incl.	33.9	34.2	0.3	4.14	90
And	101	112.25	11.25	0.8	3.8
incl.	101	102.5	1.5	1.97	4
incl.	111.5	112.25	0.75	2.28	8
BE-12-11	9.8	12.3	2.5	1.7	33.5
incl.	10.8	11.2	0.4	4.39	69
BE-12-12	200.1	208.8	8.7	1.3	36.7
incl.	202.2	204.4	2.2	4.6	101.3
incl.	202.3	203.5	1.2	7.9	130

**Mineralogy** (NR Feb. 28/13)

Mineralogical studies are being carried out at Memorial University of Newfoundland (MUN) under the supervision of Dr. Graham Layne, Associate Professor of Earth Sciences, as part of a research grant from the Research and Development Corporation (RDC) of Newfoundland and Labrador, Geo EXPLORE program, with contributions from a B.Sc. thesis by Matthew Clarke. It has included petrological examination of polished sections to identify the minerals, with follow up by scanning electron microscope (SEM) equipped with backscattered electron (BSE) imaging and energy dispersive x-ray (EDX) detectors. Selected samples from the 2012 drill program (DDH BE-12-9 to 11), as well as samples from a section in DDH BE-11-3 that assayed 6 g/T Au, 174 g/T Ag over 1.5 m, have been studied. The main goal of this preliminary work was to gain insight to



the precious metal mineralogy associated with the various styles and generations of veining and brecciation in the drill core.

Native silver (Ag), electrum (Au/Ag), acanthite (Ag<sub>2</sub>S) and unidentified silver-sulfide-selenide (Ag-S-Se) minerals are noted, mainly in “ginguro” bands (narrow erratic black bands) in banded silica (quartz) veins. The Ag-S-Se minerals occur as very fine disseminations (2-3 microns) enclosed within pyrite (FeS<sub>2</sub>), while the native silver, electrum and acanthite are found as discrete polymineralic grains up to 30 microns in size, averaging 10-15 microns. A sample of core from the brecciated, gold/silver rich section in DDH BE-11-3 showed one 200 micron grain of pyrite with native Ag, electrum and acanthite in fractures, which is different from numerous smaller pyrite grains in the same polished section indicating that it may have been re-emplaced from another zone deeper in the system during the periodic re-activation of the boiling / hot spring system. The native Ag-electrum-acanthite mineral assemblage is also associated with well-preserved bladed features – quartz after calcite, possibly related to boiling, as shown in a sample from DDH BE-12-10.

### **Interpretation of Results**

Adularia (potassium feldspar), sinter-like colloidal silica deposits (hot spring deposits) and bladed textures typical of boiling zones have been found in float on surface and in drill core, indicating that the mineralized zones lie at or near the paleosurface of a large epithermal system. The presence of sinter-like colloidal silica and extensive opaline to chalcedonic silica indicates that we are most likely in the upper parts of the epithermal - hot spring system, and above the area where “bonanza grade” gold and silver veins would typically be found. The mineralogy is also indicative of a low sulphidation “hot spring” type, epithermal system similar to those found in Nevada (Sleeper) and Japan (Hishikari). The best gold/silver intersections are in the deeper holes with significant gold/silver values over reasonable widths, above the possible location of “bonanza type mineralization” and therefore higher gold and silver values may be located at depth.

The Big Easy property was evaluated by international expert Jeffrey Hedenquist, PhD. of Ottawa, ON. Dr. Hedenquist has practiced his profession as a geologist continuously since 1975, working as a researcher for the U.S. Geological Survey, the New Zealand Department of Scientific and Industrial Research, and the Geological Survey of Japan until the end of 1998. Since then he has been an independent consultant completing assignments in over 35 countries world-wide for over 75 clients. He publishes widely in international refereed journals on subjects related to epithermal and porphyry ore-deposit formation and active hydrothermal systems.

As required by Dr. Hedenquist in his evaluations, the “Summary” of his report follows in its entirety: “The Big Easy prospect shares numerous features typical of sulfide-poor epithermal vein systems that have experienced little erosion. The northerly striking structures are hosted by the Rocky Harbour Formation, an arenitic sedimentary package with horizons containing a volcanic component; there are also flow-banded rhyolites present. These characteristics are due to its location in an extensional basin, a few km west of the margin of a Neoproterozoic volcanic arc.

Evidence for preservation of the paleosurface comes from the presence of finely laminated silica gels, with deposition in a lacustrine basin. Periods of syn-hydrothermal clastic input may have been caused by sudden uplift and erosion, likely due to movement on local faults in this rift setting. The subsidence was at least 25 m, possibly up to 70 m (or more), which would have progressively buried veins to a deeper level below the prograding paleosurface.

The structures outcropping at the surface range from mm-wide veinlets to meter-wide veins, at high angles to sedimentary bedding that has been tilted post-mineral ~30° to the west. Early prospecting, from 1994 to 2009, identified areas with up to ~0.4 g/t Au; since 2010 Silver Spruce has collected samples reporting up to 2 g/t Au and 13 g/t Ag at the surface. These grades are highly anomalous since the present erosion level is essentially the paleosurface, where grades in veins are typically low. The initial seven drill holes in 2011 (1577 m) along more than 900 m of north-south strike extent (with a drill gap of ~500 m) encountered narrow veins. At the southern and northern limits of drilling, intervals of 1.5 to 1 m contain up to 6.05 g/t Au and 174 g/t Ag, and 7.65 g/t Au and 10 g/t Ag, respectively. These results come from 30 to 170 m depth, i.e., near the top of the epithermal environment, and indicate the potential for grade development at Big Easy. The veins show evidence for banding, including colloform bands, zones of quartz that have replaced bladed calcite and quartz-adularia intergrowths (all three consistent with boiling in fractures), and rare occurrences of bands of acanthite; these features are typical of



low-sulfidation epithermal veins. The second round of drilling did not penetrate below the initial higher grade zones, which is necessary to determine the potential for deeper bonanza grades that are the hallmark of the most notable examples of this deposit style. In addition, the effects of the now-tilted faults on vein continuity with depth, remains to be determined.

The large strike extent, 900 m, of significant grades (up to ~8 g/t Au and 170 g/t Ag over ~1 m widths at shallow depths, <170 m depth below the paleosurface), indicates a potential that has yet to be adequately tested. The soil results indicate that the prospect may be open to the north; the occurrence of the ET zone, ~3.5 km south, indicates further potential to the south. Thus, there is potential to be tested both along strike as well as at depth, at least to ~250 m below the present surface to determine if there is a sharp top to a possible bonanza-grade shoot.”

The evaluation by Dr. Hedenquist has confirmed that the Big Easy zone has many characteristics of typical low sulphidation, epithermal systems, and although comparatively old, dated at about 570 Ma, the system is relatively pristine and undeformed although it may be tilted. Textures and veins in outcrop indicate that the present surface is the paleosurface (i.e., historical surface where hot springs were present) and that high-grade gold-silver veins, if present, should lie deeper (with tops up to 250+ m vertical) below the present surface, and that this potential has not been adequately assessed by the exploration carried out to date.

### **Planned Exploration – 2014**

A phase three, follow-up, drill program planned for 2013 did not take place due to the inability to raise money in this depressed market. Efforts have been aimed at attracting a JV partner for the property through dissemination of information and site visits and maintaining the property in good standing. This work has resulted in the recognition by many companies and individuals that the property, even though the mineralization is 570 M years old, appears to lie at the paleo surface with the possibility of bonanza veins deeper in the system. Continued interpretation of the mineralized zones and research studies of the extensive epithermal system and regional exploration along the trend will be carried out to maintain the properties and efforts to find a JV partner will continue in 2014.

### **Impairment**

No impairment is indicated as the property demonstrates significant potential based on the early stage exploration. Impairment issues will continue to be tested and the property will be written down, or off, if circumstances require.

## **URANIUM - LABRADOR**

### **Nunatsiavut Moratorium on Uranium Development**

In 2008 the Nunatsiavut Government (NG) instituted a 3 year moratorium on uranium mine development in their territory (Labrador Inuit Lands -LIL) until a land use plan was developed. The land use plan is still under development; however the moratorium was lifted when the NG Environmental Protection Plan came into force on March 9, 2012. The imposition of the moratorium combined with a drop in uranium prices has made it impossible to raise money for uranium projects in Labrador. The Paladin Energy purchase of Aurora Energy, and their Michelin/Jacques Lake deposits, and their stated intention of proceeding to production after more definition drilling to increase the resource, is a significant positive sign for the area, although recently the pace of exploration / development has been reduced considerably due to the U price and their commitments in Australia and Namibia. Positive news on the uranium price and the resultant availability of financing could result in a re-activation or JVs on our uranium projects. In the meantime the projects have been consolidated and can be maintained for a number of years, until uranium prices rebound, without any more exploration required.

### **Analyses**

All analyses were carried out at the Activation Laboratories (Actlabs) facility in Ancaster, Ontario, after sample preparation at their prep facility in Goose Bay. Uranium and other elements were analyzed by an ICP technique which gives good results for uranium values up to 1000 ppm. If results in excess of 250 ppm uranium are encountered, follow-up analysis by delayed neutron counting (DNC) is performed. A quality assurance/quality control (QA/QC) program, described on the website, was in place to increase confidence in the results generated.

## **THE CENTRAL MINERAL BELT (CMB)**

### **Background/Regional Activity**

The CMB was the most active uranium exploration area in Canada, after the Athabasca Basin, up until late 2008. In 2003, the Fronteer/Altius joint venture (now Aurora Energy/Paladin) was formed to evaluate the iron oxide copper gold (IOCG) potential of the CMB. During this work the potential for shear zone hosted uranium was noted at the Michelin and other deposits and with an increase in the price of uranium at that time, emphasis was then placed on uranium as a commodity and blanket staking of Brinex showings, discovered in the 1950's and 1960's, was carried out. In September 2009, Aurora announced a positive preliminary economic assessment for the Michelin project producing up to 3300 tonnes of uranium oxide (U<sub>3</sub>O<sub>8</sub>) per year. The deposits have measured and indicated resources of 35,000 tonnes of U<sub>3</sub>O<sub>8</sub>, plus 16,000 tonnes inferred resources. An investment of C\$1.05 billion is required with production ramping up to about 3000 tonnes per year. In early 2011, Paladin Energy purchased the Aurora Energy assets and indicated that they intend to move to production after continued definition drilling to enlarge and better define the resource.

Jet Metal Corp – TSXV - JET (formerly Crosshair Energy) acquired the Moran Lake property - copper/uranium/magnetite/hematite/vanadium zones, discovered and drilled by Shell Canada in the 1970's, in 2006/2007. A N.I. 43-101 compliant resource, in the C Zone, Armstrong and Area 1 zones, of approximately 5.2 million lbs indicated and 5.8 million lbs inferred U<sub>3</sub>O<sub>8</sub> was announced in August 2008. The company has recently dropped the option on the property due to lack of cash and a very high advanced royalty payment. In 2008, Crosshair purchased a 60 % interest in the CMBJV with Silver Spruce, including the Two Time zone, from Universal Uranium.

SSE holds a 2% NSR on the properties in the CMBJV held by Jet (NR May 31, 2012) meaning that SSE will share in any successes on the CMBJV properties without any further expenditures required and any further drilling successes on the Two Time deposit will greatly enhance the exploration potential of the 100% owned, Snegamook property and adjoining Fish Hawk Lake property, which lie immediately to the south along the TT trend. Crosshair's drilling on the Two Time deposit in 2011/12 was approximately 50 metres to the north of the Snegamook boundary and U mineralization was encountered in all holes. No work was carried out in 2013.

### **SILVER SPRUCE WHOLLY OWNED PROPERTIES (100%)**

Silver Spruce owns a 100% interest in 480 claims (120 km<sup>2</sup>) in 5 uranium properties in Labrador. They include - Snegamook (86), Fish Hawk Lake (73), Double Mer (74), Straits (32) and Mount Benedict (247). The company also retains a 2% net smelter return (NSR) on the Central Mineral Belt Joint Venture (CMBJV) properties including the Two Time zone. The Snegamook, Double Mer, Straits and Mount Benedict properties are subject to NSR's as described in the property descriptions.

### **Planned Exploration - 2014**

No uranium exploration was carried out from 2011 to 2013 and no exploration is planned in 2014 unless uranium prices increase to allow financing for uranium exploration. The properties have been downsized to those areas of highest potential by reductions and consolidations allowing the assessment credits to carry forward for a number of years. Some of the properties are joint venture possibilities especially as prices rise.

### **Impairment**

The property expenditures have either been written down or off due to the inability to raise funds for further exploration over the past few years.

## **SNEGAMOOK LAKE (SN)**

### **Property Description**

The property, located to the southeast of Snegamook Lake in central Labrador, in the western part of the Central Mineral Belt (CMB), consists of 86 claims (21.5 km<sup>2</sup>), and is surrounded by the CMBNW JV property to the north, west and east and the “Fish Hawk Lake” property to the south. The Company has earned a 100-percent interest subject to a two-percent NSR. The property is located outside Inuit lands on lands subject to the Labrador Innu Land Claim.

### **Exploration Summary**

Exploration from 2006 to 2008 included: an airborne radiometric / magnetic survey, prospecting, lake sediment sampling, line cutting, RadonEx radon gas surveys, prospecting and diamond drilling (53 holes, 13,765.3 m).

The property hosts the Snegamook zone, on strike to the south of the TT zone, and the Near Miss prospect. At the Snegamook zone, seventeen (17) drill holes intersected a 20-50 m wide zone of U bearing, brecciated/altered monzodiorite over a strike length of 300 m, to a vertical depth of 200 m, the same geological setting as the TT Zone. The zones are shallow dipping and vary in width from 5-53 m, with grades ranging from 225 to 771 ppm (0.023-0.077%) U<sub>3</sub>O<sub>8</sub>. The widest section in SN-08-8 averages 206 ppm U<sub>3</sub>O<sub>8</sub> (0.021% - 0.41 lb/ton) over 73 m, similar to values located in early drilling on the TT zone. The Near Miss zone gives erratic U mineralization in hematized, brecciated, granitic to monzodioritic units with one meter intervals giving values from 113-2,117 ppm (0.011-0.21%) U<sub>3</sub>O<sub>8</sub> with the widest intersection averaging 213 ppm U<sub>3</sub>O<sub>8</sub> (0.021%, 0.43 lb/ton) over 16 m, including 1 m at 0.21% (4.23 lb/ton) U<sub>3</sub>O<sub>8</sub>. Crosshair’s drilling on the TT is less than 100 m from the northern boundary of the SN property, indicating the likelihood that the TT zone continues onto the SN property at depth. Further exploration is warranted along the TT-Snegamook trend and in other prospects such as the Near Miss.

No exploration has been carried out since 2008 however the property can be maintained without further work until 2017. No exploration is planned for 2014 unless financing permits. It is an obvious joint venture possibility.

### **Impairment**

The last of the exploration expenditures were written off in 2012.

## **FISH HAWK LAKE (FHL)**

### **Property Description**

The property, located to the southeast of Snegamook Lake in central Labrador, in the western part of the Central Mineral Belt (CMB), consists of 73 claims (18 km<sup>2</sup>) after reductions and consolidations carried out in 2012 and 2013. It is surrounded by the CMBNW JV property to the east and the Snegamook property to the north. It was purchased from Virginia Energy in August 2012 (NR August 7, 2012). It is 100% owned subject to a two-percent NSR with a 1% buyback for \$500,000. The property is located outside Inuit lands on lands subject to the Labrador Innu Land Claim.

### **Exploration Summary**

Exploration in 2006/07 by Santoy Resources (predecessor to Virginia Energy) included: an airborne radiometric / magnetic survey, prospecting, geological mapping, lake sediment sampling and diamond drilling. The property covers a number of significant uranium showings, including the Anomalies 7, 7a and 17 (A7, A7a, A17) showings discovered by Canico in the late 1970s and the Fish Hawk Lake North, Central and South (FHLN,C+S), Brook and Whiskey Jack showings/occurrences discovered by Santoy. Twenty Six (26) drill holes have tested the area: eight on A7 by Canico, as well as three on A7, 13 on FHLS and two on FHLN by Santoy. No exploration has been carried out since 2007. Highlights of the drilling include:

- Anomaly 7 – 0.13% U<sub>3</sub>O<sub>8</sub> / 23.4 m, incl. 0.25% / 9.7 m
- FHLS - 0.063% U<sub>3</sub>O<sub>8</sub> / 27.9 m, incl. 0.18% / 4.5 m and 0.106% / 9.9 m in FHLS-07-3

Narrow high grade zones in uranium with copper (Cu) and silver (Ag), were noted in Santoy drilling, FHLS-07-9 – 1.15% U<sub>3</sub>O<sub>8</sub>, 0.79 oz/T Ag, 0.5% Cu / 0.94 m. Mineralization is hosted in at least two different geological settings - fractured to brecciated, hematized granodiorite, similar to that in the TT and Snegamook zones, as well as unconformity-related mineralization along the contact between a fault-bounded wedge of Moran Lake sedimentary units and Archean basement intrusives. The zones have been mapped by drilling and surface outcrop and float, with strike lengths from 250 to in excess of 400 m, and to depths of greater than 100 m.

### **Planned Exploration**

No exploration has been carried out since 2007 however the property has been reduced / consolidated and will be maintained without further work into 2016. No exploration is planned for 2014 unless prices increase and financing becomes available.

### **Impairment**

The exploration expenditures of \$84,845 were written off in Q4 2013.

## **DOUBLE MER (DM)**

### **Property Description**

The property consists of 74 claims (18.5 km<sup>2</sup>), located in the Double Mer-Lake Melville area, on the north side of Lake Melville, in Labrador, approximately 110 kilometres to the east of Happy Valley-Goose Bay. The property was acquired by staking in 2006 in an arm's length deal with a local prospector who retains a 1% NSR. The property lies within LISA lands and covers strong uranium in lake sediment anomalies in leucogranites of Helikian age. It was reduced in size to cover significant U radiometric anomalies and showings in early 2012 to allow retention without continued work until 2015.

### **Exploration Summary**

Exploration has included: an airborne radiometric/magnetic survey in 2006, data compilation, prospecting, geological mapping, geochemistry (streams, soils) and ground geophysics (scintillometer/radon gas) from 2006-08. The property is characterized by a linear, 10 km long, airborne radiometric anomaly. It hosts two styles of U mineralization: 1) pegmatite-hosted and 2) structurally controlled in brecciated and/or mylonitized zones in polydeformed gneisses. Prospecting (grab samples) located seventy-six (76) values >500 ppm (0.05%) U<sub>3</sub>O<sub>8</sub> with forty-two (42) >1,000 ppm (0.1%), seven over the 95<sup>th</sup> percentile of 2,200 ppm (0.22%) and a high of 4,281 ppm (0.43%) U<sub>3</sub>O<sub>8</sub>. Uranium in soil values up to 208 ppm (bg <10 ppm) and radon gas anomalies occur over the mineralization, over widths up to 30 m mainly in areas associated with short, steep scarps characterized by breccia units. Mineralization also occurs in a highly deformed pegmatite up to 40 m, but generally 5-10 m wide which can be traced over a minimum strike length of 300 m. No follow-up trenching or drilling has been carried out. Ground follow up by trenching and drilling is required to evaluate the uranium potential.

### **Planned Exploration**

No exploration is planned for 2014 with further work dependent upon U prices and financing availability.

### **Impairment**

The remaining exploration expenditures of \$24,123 were written off in 2012.

## **MOUNT BENEDICT (MB)**

### **Property Description**

The property, totalling 247 claims (62 km<sup>2</sup>), is located in the Benedict Mountains area, near the Labrador coast, in the eastern part of the CMB, approximately 180 kilometres northeast of HVGB and 50 km to the south of Makkovik. The claims are 100% owned by Silver Spruce, subject to a one percent NSR on the original staked property. It is located in part on Labrador Inuit Land (LIL), with the remaining part on Labrador Inuit Settlement Area (LISA) lands. The property covers uranium in lake sediment anomalies hosted in felsic plutonic rocks of the Benedict Mountains Intrusive Suite (BMIS), with some felsic supracrustal units of the Aillik Group, the host for the Michelin deposit which is located to the southwest of the property.

### **Exploration Summary**

Exploration has included: compilation, airborne radiometric/magnetics, prospecting, geological, geochemical, geophysical and radon gas surveys, stream sediment geochemistry, line cutting, environmental baseline and archeological studies, followed by diamond drilling. The property has two significant U prospects, in the northern part of the property, the **AT-649** and the **T Super 7** zones. At the **AT-649** - Five representative grab samples from outcrop, in a 10 m area, off scale on the scintillometer, averaged 0.497% U<sub>3</sub>O<sub>8</sub>, defining a high grade U zone at least 10 m wide, exposed in a small brook flowing into Stag Bay. Float boulders downstream from the showing give values from 0.06 to 3.37% U<sub>3</sub>O<sub>8</sub>, with three values >1%. The host rock is a moderately to strongly hematized felsic to mafic intrusive which has been fractured and veined with uraninite/pitchblende and magnetite. The high grade zone has not been tested directly due to environmental regulations which require a set back of a minimum of 50 m from the brook. Diamond drilling (1,263 m in nine holes) has defined a zone of low grade mineralization hosted in a sheared and altered monzonite to monzodiorite related to the high grade mineralization. The zone varies from 4 to 16 m wide, giving U<sub>3</sub>O<sub>8</sub> values of up to 598 ppm (0.06%, 1.2 lb/ton) over 1 m and intersections of 4.3 m at 0.025% at a vertical depth of 40 m. The zone was tested over a strike length of 150 m and to a vertical depth of 75 m and remains open along strike and to depth.

**The T Super 7** is located 4.8 km to the southwest of AT-649. It carries U mineralization in bedrock with grab sample values from 500 ppm (0.05%) to over 1% (20 lb/ton) U<sub>3</sub>O<sub>8</sub>. Tested by seven holes totalling 968 m, the drilling indicates weak to moderate mineralization over good widths. Mineralization in DDH MBS7-08-5 is hosted in a northeast trending mylonite zone which carries two separate mineralized zones: 27 m (5-32 m) at 138 ppm (0.014%) U<sub>3</sub>O<sub>8</sub> and 22 m (44-66 m) at 278 ppm (0.028%) U<sub>3</sub>O<sub>8</sub> in a highly altered felsic intrusive or volcanic unit. An 8 m wide section, from 51 to 59 m grades 444 ppm (0.044%) U<sub>3</sub>O<sub>8</sub>. Geological mapping indicates a minimum strike length of 300 m, remaining open along strike to the northeast and southwest and radon gas surveys give strong anomalies over a minimum 750 m strike length coincident with the zone. The mineralization is similar to the AT-649, developed along a major northeast trending structure which trends through, and is associated with, the AT-649 mineralization. Further work, including diamond drilling, is warranted along the 649/Super 7 trend.

### **Planned Exploration**

No exploration is planned for 2014 dependent upon uranium prices and financing or JV opportunities.

### **Impairment**

The remaining exploration expenditures of \$118,873 were written off in 2012.

## **JV PROPERTIES - CENTRAL MINERAL BELT JV (CMBJV) – SSE – 2% NSR**

The CMBJV properties consist of 575 claims (144 km<sup>2</sup>) in the Central Mineral Belt (CMB) of Labrador. The properties are proximal to the Michelin, Moran Lake and other uranium showings and are located, to the west of and inland from, the coastal Postville-Makkovik area of Labrador, approximately 150 kilometres northeast of Happy Valley-Goose Bay. They were acquired by staking in 2005/06 to cover uranium in lake sediment anomalies, hosted in volcanic, sedimentary and plutonic rocks, with potential for unconformity style deposits similar to those in the Athabasca Basin, iron oxide copper gold deposits such as Olympic Dam, shear hosted style

uranium deposits such as the Michelin and granite hosted deposits such as the Rossing Mine in Namibia. Silver Spruce's original joint venture partner, Universal Uranium, earned a 60% interest in the CMBJV in March 2007 by spending \$2 million in an option agreement. UUL sold its 60% interest to Crosshair (now JET Metals) in May 2008, for 10 M Crosshair shares plus \$500,000, with UUL retaining a 2% NSR on the 60% purchased. Crosshair took over the operatorship of the JV when SSE reverted to a 2% NSR on the properties.

### **Exploration Summary**

Exploration consisted of a helicopter-borne radiometric/magnetic survey, a limited airborne gravity survey over part of the CMBNW property, prospecting using scintillometers, lake sediment, soil and radon gas geochemistry, ground scintillometer surveys, geological mapping, trenching and diamond drilling. Follow up on the airborne radiometric survey in late 2006 by SSE, led to the discovery of the Two Time zone on the CMBNW property, the only significant new uranium discovery in the CMB since the early days of exploration in the CMB by Brinex, Canico and Shell in the 1950's to 1980's. The global financial crisis in 2008 / early 2009 and the resulting budgetary restraints, the NG uranium moratorium and the price of uranium, has limited exploration to that required to keep the properties in good standing for the last few years. Crosshair, as operator, in consultation with SSE, carried out exploration in 2009/10 aimed at consolidating, reducing and retaining those properties which showed the most potential. Three new uranium prospects were discovered on the CMB JL (2) and CMB NE (1) JV properties with values up to 0.46% , 0.28% and 0.1% U<sub>3</sub>O<sub>8</sub> in selected grab samples from the three showings (NR Feb. 8/11). SSE declined to participate in the exploration programs and was diluted to a 2% NSR according to the formula in the JV agreement (NR May 31/12).

The Two Time (TT) U deposit, located on the CMBNW property has an NI 43-101 indicated resource of 2.33 M lb. (1.82 MT at 0.058% U<sub>3</sub>O<sub>8</sub>) and an additional inferred resource of 3.73 M lb. (3.16 MT at 0.053% U<sub>3</sub>O<sub>8</sub>). The zone remains open along strike and at depth and Crosshair has continued exploration drilling to the south towards our Snegamook property, with drill holes within 50 m of the north boundary of the SN property. In 2011 drilling at the Firestone Showing, located 7 km to the southeast of the TT Zone, gave 3.5 m at 0.084% U<sub>3</sub>O<sub>8</sub>, including 0.5 m of 0.519% U<sub>3</sub>O<sub>8</sub> (DDH FS-11-007). Other U showings are found on the Jacques Lake and Northeast properties. The 2% NSR on the CMBJV properties means that Silver Spruce will benefit from continued exploration on the TT zone and the other prospects in the JV area without any further expenditure. Crosshair's 2012 work also enhanced the prospectivity of our Snegamook and Fish Hawk Lake properties which lie along strike of the TT deposit to the southeast covering the extension of the TT geological units.

### **Exploration – 2012**

Crosshair reported (NR August 22, 2012) that drilling on the Two Time deposit intersected mineralization over a significant interval giving 0.031% U<sub>3</sub>O<sub>8</sub> over 28.5 m including 4 m at 0.051% and 3 m at 0.074%, indicating the deposit is continuous to the south along strike and down dip. Drill hole CMB-12-49 is a 50 m step out to the south from previous holes that were drilled in 2011, lying approximately 50 m to the north of the north boundary of the Snegamook property, which is owned 100% by Silver Spruce. No exploration was carried out in 2013 and as far as known none is planned for 2014.

### **Impairment Issues**

Since SSE has no further participating interest in the CMBJV properties the remainder of the exploration costs were written off in 2012. The company retains a 2% NSR on any production from the properties however no value can be placed on this at this point as production is not imminent.

## **RARE EARTH ELEMENT (REE) PROPERTIES**

The Company holds four rare earth element (REE) properties totalling 473 claims (118 km<sup>2</sup>) in Labrador including Pope's Hill (PH), Popes Hill JV, RWM and Straits. Three of the properties (except PHJV) are 100% owned by Silver Spruce, subject to net smelter returns (NSR's) on the Straits property as described in the property descriptions. A 50/50 joint venture with Great Western Minerals Group covers part of the 100 km long PH trend.

Compilation maps showing the property locations, the geophysical and geochemical results, a diamond drill plan map plus a summary of the drill hole and trench data on the Popes Hill property and data and pictures from all the

Company's REE projects can be viewed on the company website at [www.silverspruceresources.com](http://www.silverspruceresources.com). The properties are described individually below.

### **Sample Preparation / Analysis**

Drill core from diamond drilling in the PH MP pit area was cut in half with one half sent for analysis and the other half retained in the DNR Goose Bay core library. Analyses on the 2006 PH samples were by a REE package (Group 4B REE) carried out at the ACME Laboratories facility in Vancouver, BC after sample preparation at Eastern Analytical in Springdale, NL. REE analyses in 2010 and 2011 for rocks, drill core and channel samples were done at the Activation Laboratories (Actlabs) facility in Ancaster, Ontario after sample preparation at their facility in Goose Bay using their Code 8 REE package which consists of a lithium borate fusion and analysis by either ICP or ICP-MS. In addition, on the Straits property, analysis was carried out for  $U^{3}O^{8}$  and  $Nb^{2}O^{5}$  by XRF. Stream sediment and soil samples were analyzed for a suite of 8 REE's, 4 light and 4 heavy, including La, Ce, Nd, Sm (lights), Eu, Tb, Yb, and Lu (heavies) using the 1 D enhanced package at Actlabs. Values were checked by Actlabs using internal standards and blanks are routinely added to samples sent to the laboratories. A quality assurance/quality control (QA/QC) program, described on the Silver Spruce website, is in place to increase confidence in the results generated.

### **Exploration**

Exploration has included an airborne radiometric/high resolution magnetic and VLF-EM survey along the 100 km long PH trend (Popes Hill, PHJV properties), regional stream sediment geochemistry and prospecting along the entire PH trend, prospecting/geology and trenching, washing, cutting and sampling of the trenches on the original PH property and gridding on the original PH property. The RWM and ST properties were evaluated by limited prospecting and sampling using helicopters for access. In 2012, compilation and report writing was carried out in order to maintain the most significant claims. No work was carried out in 2013.

### **Planned Exploration**

No exploration is planned for these projects in 2014 unless financing opportunities for REE exploration are available. The properties have been reduced / consolidated to allow the main prospects to be retained for the longer term. The main Popes Hill property is a JV opportunity for companies involved in REE exploration.

### **Impairment**

Impairment on these properties is indicated since no work is planned at this time – writeoffs/writedowns are described in the individual property descriptions.

## **POPE'S HILL (PH) – 100 % OWNED**

### **Property Description**

The PH trend extends in a generally E-W to NE-SW direction from the Pope's Hill area, approximately 100 km from Happy Valley/Goose Bay (HVGB) on the Trans Labrador Highway (TLH), along and parallel to the Churchill River. The property totals 165 claims (41 km<sup>2</sup>) after regional properties, with limited potential, were dropped. The claims cover REE showings, lake sediment anomalies and structural features defined by government mapping. REE mineralization, discovered by SSE, is associated with syenitic intrusive units in the gneisses at the MP trend and with pegmatites to the south of the MP trend on the original PH property. No previous REE or other exploration is documented for the area.

### **Exploration Summary**

Uranium, thorium and REE mineralization was located in 2006 while prospecting for uranium. No further work was carried out in 2006 due to the lack of interest in REE's and the property was not staked until spring 2010, when interest in REE's peaked. A prospecting / sampling program (31 samples) using scintillometers to locate radioactive mineralization carried out in the fall of 2010 gave scintillometer readings from 1,000 to 7,500 cps associated with thorium rich phases. Anomalous total rare earth element plus yttrium (TREE) values with 16 > 5%, and 5 > 10% with a high value of 24.1% (NR Oct. 28, 2010) were located. TREE values varied from a low of 0.07% to a high of 24.07% averaging 5.73%, which included 7 "host rock" samples, with values 0.4% or lower. Two of the 5 highest values (> 10 %), were outcrop samples. Samples are mostly rich in light rare earth elements



(LREE), but the more anomalous values give higher values in HREE up to 7.5% percent of the REE. Significant values in Nb, Zr, Th and U were also noted. The anomalous trend was traced over a 7 km strike length extending to the east, approximately 4 km, and to the west, approximately 3 km, from the MP showing in the bedrock pit by the TLH. The highest REE values were in a dark grey to black sub-metallic to glassy mineral, in segregations which are variably non-magnetic to moderately magnetic. All of the REE bearing samples are weakly to moderately radioactive with significant Th content (up to 0.7%) but generally 0.1-0.3 % and minor uranium values (up to 461 ppm but generally < 100 ppm). Overburden depths are 1-2 m maximum with scarce outcrop away from the road. The rock unit hosting the REE mineralization is a peralkaline, syenitic unit of late Paleoproterozoic age which hosts green pyroxene crystals. Magnetic, VLF-EM and radiometric (spectrometer) surveys were carried out with lithological/alteration trends noted striking in a 070 degree (ENE) direction and magnetics indicating crosscutting, probable fault or shear structures, trending at approximately 150/330 degrees, one of which passes through the area of the MP pit. Radiometric results were inconclusive due to the limited area covered and the inclement weather however radiometric anomalies were defined in the MP showing area.

### **Exploration**

A total of 1120 m in 10 holes (PH-11-1-10) tested the MP showing in the bedrock pit and another close by target on the Trans Labrador Highway (TLH), approximately 100 km from Goose Bay (NR March 3, 2011) in February 2011. The drilling was designed to test TREE mineralized bedrock and float samples from the pit, VLF-EM anomalies thought to represent shear systems, and magnetic anomalies which could reflect the variably magnetic TREE mineralization. The drilling tested an approximate 700 m long zone of the known 7 km mineralized trend, mainly in the MP pit area. All drill holes were at least partially sampled using radioactivity as a guide (Th content), visual identification of prospective zones and magnetically anomalous areas. Wide zones, up to 140 m of > 0.1 % REE mineralization, were intersected with 4 holes giving widths in the 50 m range. Narrow (0.1-0.3 m) zones of higher grade TREE values in the 1 to 6 % range are also found throughout most of the drill holes. Strong Zr values generally >1,000 ppm (0.1%) were noted over wide intervals associated with the REE mineralization (NR March 29, 2011). The diamond drilling defined an area of anomalous REE mineralization hosted in syenitic units in the granitic gneisses, however the high grade REE segregations on surface in the pit were not intersected. Geological mapping indicates that the area is cut by numerous faults making structural control more difficult than expected and possibly disrupting the REE bearing units. High grade REE mineralization was located in summer exploration in 2011 along trend further to the east.

### **Mineralogy**

A REE mineralogical research study was carried out at Memorial University of Newfoundland (MUN), under the supervision of Dr. John Hanchar, the Head of MUN's Department of Earth Sciences. It was partially supported through a GeoEXPLORE research grant from the Research Development Corporation (RDC) of Newfoundland and Labrador. REE rich rock samples representative of the mineralization were evaluated. Results indicate that the REE from the MP trend of the Pope's Hill prospect are primarily hosted in allanite, titanite, monazite and britholite, with trace amounts hosted in fergusonite, REE-carbonates and apatite. The total average rare earth oxide (REO) composition of the sample was 17.5 wt %, with the percentage contributed by each mineral: allanite - 47.6 %; high-REE titanite - 24.1 %; monazite - 16.7 %; both varieties of britholite (high-REE and low-REE) - 11.1 %; and the rest in fergusonite, REE carbonate and apatite. Disseminated allanite and monazite were also noted in the adjacent host rock units in the thin section analysis.

## Prospecting/Geological Mapping

Prospecting using scintillometers to locate radioactive mineralization on the MP trend traced the REE mineralization in outcrop over an approximate 2.8 km strike length (NR Aug. 9 and Aug. 30/11). The zone is laterally continuous, extending eastward from the MP showing in the pit on the TLH and to the north of the pit, through the T1 and T2 showings located 800 and 1,100 m, respectively, to the T5 and T6 showings located 2,000 and 2,200 m respectively, in the vicinity of the brook where a boulder running 24.1% TREE was found in 2010 (NR Oct. 28, 2010). Outcrops with massive segregations are located at the MP showing, and in all the "T" showings with other areas of mineralization noted between the showings but not fully exposed. The mineralized unit, a syenitic unit, conformable with the granitic gneisses, a minimum of 10 m wide, carries green pyroxene crystals, as phenocrysts or porphyroblasts, up to 5 cm long, and is open along strike to both the east and west. The massive, high grade, segregations, up to 30 cm wide, which typically run 10-25% TREE, are characterized by pinch and swell structures with at least two parallel massive segregations, separated by 5-6 m of host rock, noted in the T2, T5 and T6 exposures, with other parallel zones carrying narrow veins and disseminations in the host unit. Other massive segregations are exposed in hand dug pits up to 30 m across strike from the "T" showings. These may be part of the same system indicating the mineralized unit could be much wider than now exposed.

The 136 samples taken from the moderately to highly radioactive, massive segregations and adjacent host rock along the MP trend give HREE percentages ranging from 1.1% to 47.6%, averaging 8.4%, including 45 values > 10% HREE (NR Aug. 30/11). Average values for REEs are: 10,083 ppm (1.00%) La, 21,364 ppm (2.14%) Ce, 2,570 ppm (0.26%) Pr, 8,425 ppm (0.84%) Nd, 1,422 ppm (0.14%) Sm, 44 ppm Eu, 1,019 ppm (0.10%) Gd, 149 ppm Tb, 750 ppm (0.075%) Dy, 130 ppm Ho, 314 ppm Er, 37 ppm Tm, 191 ppm Yb, 25 ppm Lu and 2,775 ppm (0.28%) Y. Thirty (30) samples gave P<sub>2</sub>O<sub>5</sub> values > 2% with a high of 11.6% and preliminary mineralogy studies have shown that REE mineralization, with higher HREE content, is present in apatite (calcium phosphate) and apatite content should be reflected by P<sub>2</sub>O<sub>5</sub> values. Thorium values for the radioactive, higher grade, REE samples, are generally in the 0.2% to 0.4% range.

In the T1 / T2 area, over an approximate 600 m strike length, 28 outcrop/sub crop grab samples gave an average of 8.6% TREE including 6 host rock samples with values <1% (0.1 to 0.9%) (NR Aug. 30/11). HREE values ranged from 2.7% to 47.6%, averaging 12.7%, with 16 > 10% HREE. The average values for the REE's are: 16,652 ppm (1.67%) La, 36,417 ppm (3.64%) Ce, 4,135 ppm (0.41%) Pr, 15,351 ppm (1.54%) Nd, 2,552 ppm (0.26%) Sm, 62 ppm Eu, 1,977 ppm (0.2%) Gd, 287 ppm Tb, 1,512 ppm (0.15%) Dy, 261 ppm Ho, 633 ppm Er, 74 ppm Tm, 379 ppm Yb, 49 ppm Lu, and 5,716 ppm (0.57%) Y. These are selected grab samples and as such they are not representative of the overall values in the zone.

A trenching program along the MP trend was carried out in the fall of 2011 (NR Aug. 31, Sept. 27, Oct. 20 and Nov. 3/11) to expose the favorable, REE anomalous, syenitic unit which carries the high grade segregations. A series of 14 trenches from 100 to 500 m apart were dug to give grade / width information on the zone over a 2.5 km long trend. Radioactivity, representing Th bearing minerals associated with the REE mineralization, was used to guide the trenching and sampling. Total count values from background (< 100 counts per second (cps)) to weakly anomalous (200-400 cps) to > 5000 cps were located with REE mineralization noted in a number of areas, both disseminated and as massive segregations up to 30 cm wide, in two hand dug trenches, 5 and 11A. Another trench, #15, located approximately 200 m from the TLH, to the south of the MP trend, gave anomalous (> 300 cps) to strong (> 2000 cps) radioactivity in three zones over widths up to 25 m. Mineralization in the trench 15 area is related to pegmatite veins carrying REE minerals such as allanite. Twelve trenches were washed, mapped and channel sampled with approximately 290 samples taken over widths varying from 10 cm to 2m. Trenches 9, 10, 13 and 14 were not sampled due to low radioactivity and the lateness of the season, with snow and ice conditions making continued exploration difficult.

Total Rare Earth Oxide plus yttrium oxide (TREO) results give wide (up to 30 m) low grade zones grading 0.2% to 0.75% TREO, narrower (>3 m) medium grade zones >0.75% TREO and narrow zones (<1 m) of high grade values >3% TREO (NR February 9, 2012). The highest values were found in the T1 to T5 area in trenches 3, 4, 5, 6, 7 and 11. Some trenches gave anomalous values over the entire exposed zone, including: Tr 7 - 0.71% TREO / 22.6 m; Tr 5 - 0.74% TREO / 9.5 m; and Tr 11b - 1.29% TREO / 5.7 m, indicating that the zones could be much wider. The highest individual value was 16.88% TREO / 0.3 m in Tr 11b, located near the 24% TREE boulder found in 2010.

Heavy rare earth oxide (HREO) percentages of the TREO range from 3.6 to 20.3 %, generally 5-13 %, with dysprosium oxide being one of the higher HREO, in the syenitic units. Narrow high grade zones, related to the massive segregations, “carry” the mineralized zones in most instances; however, significant background values in the 0.1 to 0.5 % range are noted through the syenite that hosts the mineralization. Values of 0.84 % TREO / 9 m, including 1.24 % / 1.6 m, were found in Trench 15, in the pegmatitic material near the TLH. HREO was 2.8-4.9 % of the TREO. Zirconium (Zr) values in the REE mineralized zones along the MP trend are mainly in the 500-1500 ppm range, with a high value of 2.32 % noted in trench seven. Trench 15, in the pegmatites, has generally much higher Zr values, in the 1000-9000 ppm (0.1-0.9 %) range. Thorium (Th) values are generally 2-500 ppm in the REE mineralized areas, with a high of 0.31 % (3100 ppm) noted in trench 11b. The host syenite units strike at approximately 70 degrees and dip to the south (toward the TLH) at approximately 30-40 degrees, parallel to the gneissosity of the geological units. True width of the zones is estimated at 70-90%, depending upon the steepness of the hill where the mineralization occurs.

### **Regional Exploration**

Airborne magnetic/radiometric/VLF-EM surveys, stream sediment geochemical sampling and concurrent prospecting were completed over prospective areas to the north and west of the Churchill River over the 100% owned SSE properties (NR Aug. 30/11). A number of radioactive zones were noted in the scintillometer prospecting surveys and areas of anomalous stream sediments some with contiguous anomalous rock samples were located. No follow up was carried out.

### **Planned Exploration**

No exploration is planned for 2014, due to lack of funding for REE projects. The area has JV potential due to its location along the TLH.

### **Impairment**

A writedown of 42% of the exploration costs for much of the regional exploration expenditures was taken in Q4, 2012. The remainder of the regional exploration expenditures (estimated at 20% of the remaining costs) was written off in Q2 2013 for an impairment of \$121,326. In Q3 2013 the remaining balance was written off for an impairment of \$485,796.

## **POPES HILL JV – 50 % INTEREST**

### **Property Description**

A total of 268 claims (67 km<sup>2</sup>) remain in the Popes Hill Joint Venture (PHJV) along the PH trend as a 50/50 JV with Great Western Minerals Group (GWMG) (NR Nov. 30, 2010) as the operator. Many of the regional properties have been dropped as assessment credits run out and the remaining properties will most likely suffer the same fate. The claims covered areas prospective for REE mineralization based on geology, geochemistry (lake sediment results – anomalous La and Ce) and structural features.

### **Exploration**

Regional exploration including airborne radiometrics/magnetics/VLF-EM, prospecting, geological mapping, and geochemistry, was carried out in 2011. A number of anomalous areas were defined by the stream geochemical survey with some anomalous REE values located in associated rock samples although no significant mineralization was noted. No follow up was carried out.

### **Planned Exploration**

No further exploration is planned at this time. The properties are being dropped as assessment credits run out.

### **Impairment**

No exploration has been carried out since 2011 and none is planned. Since the claims will be dropped as they come due – complete impairment of costs involved in the exploration is indicated. The remaining exploration costs related to these properties of \$245,203 were written off in this quarter.

## **RWM**

### **Property Description**

The property consists of 8 claims (2 km<sup>2</sup>) covering part of the second highest heavy rare earth element value, >80 ppm HREE (Eu, Tb, Yb and Lu), in the Government lake sediment database for Labrador, in the southern Red Wine Mountains, approximately 30 km to the east of the Orma Lake road which provides access to the Churchill Reservoir area.

### **Summary**

The highly anomalous lake sediment sample includes 210 ppm Ce, 240 ppm La, 11 ppm Lu, 18 ppm Rb, 48.9 ppm Sm, 12 ppm Tb, 14.5 ppm U and 62 ppm Yb plus elevated F. Eu, Th and V give background values. Another lake sediment sample in the same area is also moderately anomalous in REE. The geological setting is described in government mapping as late paleoproterozoic granite, quartz monzonite, granodiorite, syenite, and quartz diorite, lying just to the south of the Red Wine peralkaline suite.

### **Exploration Summary**

An airborne radiometric / magnetic survey in July 2010 showed coincident U/Th/K anomalies in two areas of the claim group, in the southwest and northeast, underlain by magnetically low units, which are separated by a magnetically high area. A one day field visit, using a helicopter, located radioactive floats in the area of the radiometric anomalies. Six grab samples gave anomalous values in La >100, high 2,510 ppm; Nd >100, high 1,520 ppm; and Ce >200, high 4,360 ppm; Anomalous values were also found in Th >200, high 3,480 ppm with two values >2,000 ppm; and Zr >1,500, high 1,625 ppm against a background of 50 ppm. The highest/most coincident anomalous values were found in the mafic volcanic sample from the northeastern portion of the property. The area is primarily boulder fields and eskers with no outcrop noted (NR Sept. 27/11). Results indicate an average of 0.89% TREE with 7 samples giving TREE values >1%, with a high of 2.58%. The samples are predominantly LREE enriched. Generally, samples >1% TREE gave lower HREE percentages in the 5-15% range. Samples with lower TREE values (in the 0.4% range) give HREE percentages averaging 9.8% with the highest at 56.5%.

### **Planned Exploration**

No exploration is planned for 2014 due to lack of funding for REE projects.

### **Impairment**

The property expenditures were written off in 2012.

## **STRAITS (ST)**

### **Property Description**

The property, located in the Straits of Belle Isle area of southern coastal Labrador, between Mary's Harbour and Red Bay, consists of 32 claims (8 km<sup>2</sup>) in five small licences. It was acquired for its uranium potential however REE potential has been noted and the property is now considered a U/REE property.

### **Exploration Summary**

The area was staked in 2006 to cover uranium in lake sediment anomalies associated with a north-northwest trending fault structure in Proterozoic, metamorphosed, felsic volcanics, now orthogneiss. The vendor retains a 1 % NSR on the original staking plus an AOI around the original property. Exploration has included lake, stream sediment and soil geochemistry, ground scintillometer surveys, prospecting, and geological mapping. Significant uranium showings were located in the south central part of the property near the coast (see uranium section for descriptions). Data from the project was re-evaluated for REE potential in 2010, using La as a guide, since significant Th values were located during the uranium exploration. A geochemical release by the Government of Newfoundland in June 2010, showed anomalous values in REE with TREE values in the 400 to 650 ppm range on the property, some of the highest located in the survey. Background is less than 100 ppm TREE. Values up to 2.48 % TREE, 2.2 % Zr, and 636 ppm Nb were located in rocks from the area (NR July 26/11). Thirteen samples gave values >0.1 % TREE, including five (5) >0.4 %. Samples were generally LREEs with percentages in the 85-

90 % range. Most high values are located in outcrop in the north central and north-eastern ends of the property, however, one sample in the southwestern part gave a value of 0.5 % TREE.

Helicopter supported prospecting, in November 2011, evaluated areas of thorium (Th) radioactivity in the airborne surveys as well as other areas anomalous in lanthanum (La), Th and REE from previous ground surveys (NR Nov. 18/11, May 27, 2010) and favorable geologic units as suggested by a consultant. Fifty four (54) rock samples were taken, mostly from outcrop, using radioactivity, related to Th and uranium (U) bearing minerals possibly associated with REE mineralization, as a guide. Scintillometer readings in anomalous areas averaged 500 to 9000 counts per second (cps) against a background of 150 cps. In total, 11 samples gave total rare earth oxide (TREE) values > 0.1 % and 13 gave U<sub>3</sub>O<sub>8</sub> values >100 ppm (NR Jan. 19/12). The most significant mineralized area was located on Licence 17761M, to the north of Temple Bay, where five outcrop samples of mafic to felsic gneisses cut by pegmatites, associated with a structural lineament, gave TREE >1% with a high of 4.76 %, including 3.42 % TREE with 58% heavy rare earth oxides (HREO) including 0.19 % dysprosium oxide (Dy<sub>2</sub>O<sub>3</sub>). The average HREO for the five samples was 23.4 %, with all having associated U<sub>3</sub>O<sub>8</sub> values ranging from 400 to 1130 ppm, while Th<sub>2</sub>O<sub>3</sub> values are generally low at 40-196 ppm, except for one sample at 1016 ppm. The samples were also anomalous in Zr, Nb and Ta. The samples were taken from narrow veins < 30 cm wide associated with the pegmatites. Scintillometer readings over the mineralization ranged from 1300 to 4200 cps. While the mineralization located is narrow, the REO / uranium association, the HREO content and the apparent structural control in this relatively unexplored area are all positive indications of significant potential for both REE and uranium.

### **Planned Exploration**

No exploration is planned in 2014 due to lack of funding for REE or U projects. The properties are either being reduced or dropped as they come due to allow maintenance of some of the properties for the longer term.

### **Impairment**

The property expenditures were written off in 2012.

## **OTHER PROPERTIES/PROJECTS**

The Company evaluates properties and opportunities under a “general exploration” budget when available. These projects/properties/opportunities include various commodities in various parts of the world, mainly Newfoundland and Labrador, generally where the Company already has assets, although little work of this nature has taken place in 2013 due to lack of funds. Projects may be generated from this work and information will be released as they are acquired. General exploration costs are expensed as spent unless they result in the acquisition of a property when they are then capitalized against the property. No exploration is planned unless funding is available.

## **MANAGEMENT**

### **Peter Dimmell, BSc, P.Geo. , FGC - President and CEO, Director**

Mr. Dimmell is a geologist and prospector who has been involved in mineral exploration in Canada, the United States and overseas for 44 years. He is a past president and a life member of the Prospectors and Developers Association of Canada (PDAC), a past Chairman and past director of Mining Industry NL, a member and past councillor of the Geological Association of Canada (GAC), a life member of the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), and an associate member of the Association of Applied Geochemists (AAG) and the Society of Exploration Geologists (SEG). He is also currently a director of three other public companies: Pele Mountain Resources Inc., VVC Exploration Corp. and Durango Resources Inc. (formerly Atocha Resources Inc.)

### **Gordon Barnhill - VP Corporate Affairs, Director, CFO**

Prior to joining Silver Spruce Resources, Mr. Barnhill was the President of a company providing management consulting, capital research, business evaluations, deal structuring and investment strategies. From 1973 to 1997 Mr. Barnhill had an extensive career in banking with Canada's largest banking institution as a senior commercial lending officer.

## **LIQUIDITY, FINANCINGS AND CAPITAL RESOURCES**

### **Operating Activities**

The Company had a net cash outflow from operating activities of \$197,090 for the year ended October 31, 2013 (October 31, 2012 - \$448,040 outflow).

### **Financing Activities**

The Company had a net cash inflow from financing activities of \$30,000 for the year ended October 31, 2013 (October 31, 2012 - \$177,085 inflow).

### **Investing Activities**

The Company had a net inflow of \$70,039 from investing activities for the year ended October 31, 2013 (October 31, 2012 - \$473,561 net outflow). Of this amount in the current year \$63,403 was invested in mineral property exploration activities (October 31, 2012 - \$660,371).

### **Liquidity**

The Company had cash and cash equivalents of \$32,723 as at October 31, 2013 (October 31, 2012 - \$129,774). In 2013 the Company received \$17,105 in mineral claim deposits and a Junior Exploration Assistance Program (JEAP) grant of \$86,915 for the Big Easy exploration costs that were incurred in 2012, from the NL government. The change in non-cash operating working capital as at October 31, 2013 was a cash inflow of \$92,725 (October 31, 2012 - \$162,419). Exploration will continue, primarily in compilation and report writing in 2014 as finances permit. The company will be seeking additional funding to allow significantly increased activity especially planned diamond drilling on the Big Easy property.

### **Capital Resources**

The Company's authorized capital consists of an unlimited number of common and preference shares without par value. At October 31, 2013, the Company had 111,957,805 issued and outstanding common shares (October 31, 2012 - 111,607,805).

## **RELATED PARTY TRANSACTIONS**

Included in accounts payable and accrued liabilities as at October 31, 2013 are \$140,212 (October 31, 2012 - \$69,575) owing to directors of the Company for consulting related services rendered and \$56,103, (October 31, 2012 - \$31,000) owing to directors for their annual stipend. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

During the quarter ended April 30, 2013, the Company received a loan of \$30,000 from a director of the Company. The loan is secured by the Big Easy Property. The loan is due April 28, 2014, and is non-interest bearing.

During the three months ended October 31, 2013, no stock options were granted to directors, officers and employees of the Company (October 31, 2012 - Nil).

Rent and certain building materials required by the Company for its operations are purchased from a hardware store controlled by an officer and director of the Company. During periods of exploration, management and employees of the Company stay at a hotel controlled by an officer and director of the Company. During the three months ended October 31, 2013, \$Nil (October 31, 2012 - \$Nil) was paid to the hardware store and \$NIL (October 31, 2012 - \$Nil) was paid to the hotel and are included in mineral properties on the statement of financial position.

These transactions are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

## **COMMITMENTS**

The Company has acquired various properties from third party license holders. The terms of these agreements provide for cash payments and the issuance of shares in the Company through an option term. The agreements also provide for the payment of a NSR to the third parties in the event that a property reaches the commercial production stage and in some cases, such as the Big Easy, ongoing advance royalty payments subject to repayment if production is reached and the NSR is payable.

The additional cash and shares to be issued by the Company, assuming that an interest in all of the properties is to be maintained, is Nil.

During the quarter ended April 30, 2013, the Company acquired a 100% interest in the Licenses, and Property and Mineral License Rights of the Big Easy property. Consequently, on the fourth anniversary, April 2014, and yearly thereafter, the company is committed to make annual advance royal payments of \$20,000 payable each year until production is obtained. The advance royalty payments are deductible from future 3% Net Smelter Return royalty payments derived from commercial production from the property.

The Company's exploration and evaluation activities are subject to various law and regulations governing the protection of the environment. These law and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Pursuant to the issuance of 2,392,500 flow-through units on May 18, 2012, the Company renounced \$191,400 on qualified exploration expenditures. The effect of this renunciation was recorded as the expenditures were incurred. The Company has expended all the required renounced expenditures as of October 31, 2012.

The Company indemnifies the subscribers of flow-through shares from any tax consequences arising from the failure of the Company to meet its commitments under the flow-through subscription agreements.

## **FINANCIAL INSTRUMENTS**

### **Fair Value**

IFRS requires that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts for cash, amounts receivable, deposits, prepaid expenses, accounts payable and accrued liabilities on the balance sheets approximate fair value due to their short-term maturity. The fair value of long term debt approximates its carrying value based on current borrowing rates. The fair value of investments is based on quoted market prices.

## **RISKS AND UNCERTAINTIES**

The Company's financial success is dependent upon the extent to which it can discover mineralization or acquire mineral properties and the economic viability of developing its properties. The market price of minerals and/or metals is volatile and cannot be controlled. There is no assurance that the Company's mineral exploration and development activities will be successful. The development of mineral resources involves many risks in which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The Company has no source of financing other than those identified in the section on liquidity, financings and capital resources.

Properties on the island of Newfoundland - the Big Easy Au/Ag property and in Labrador - Popes Hill REE properties, are road accessible thereby keeping exploration costs relatively low. Plans are to continue to move



forward on these projects using “flow through” (FT) funds and matching government funding where available. A phase 3 diamond drill program planned for the Big Easy property in 2013 was not carried out due to unavailability of Flow Through financing. Joint venture opportunities are still being explored. No exploration is planned at this time unless financing is available.

## **CURRENT MARKET CONDITIONS**

The fundamentals for gold/silver remain strong, although the prices have been volatile recently and have dropped significantly in 2013, and the Company is emphasizing the Big Easy project for this reason in 2014. The fundamentals for uranium are strong in the longer term although short term interest is not there yet and financing for these projects is therefore not available. The Company’s gold/silver project is road accessible and is cheap to explore. No emphasis is being placed on U, REE or base metal exploration at this time.

The Company’s main focus until late 2008 was uranium. Demand for uranium is forecast to outstrip supply over the next 10 years or so, growing at an annual rate of approximately 2% per year. Much of this demand will come from expanding nuclear power requirements of developing economies with 130 new reactors expected to be constructed over the next 15 years (IAEA report), representing a 30 percent global increase in reactors. China has announced plans to build 27 new nuclear reactors by 2020, and India has announced plans to build 17 new nuclear reactors. This rate of expansion compares with the USA, which built over 100 nuclear power plants in 15 years between 1965 and 1980 (IAEA). Uranium supply is constrained by a lack of new mine production and declining world inventories. World requirement of uranium oxide (U<sub>3</sub>O<sub>8</sub>) is about 77 kilotons per annum (ktpa), while current mine production accounts for 48 ktpa. The balance, 29 ktpa, comes from inventory - primarily the down-blending of weapons grade uranium which has greatly diminished over the past years and which has now ended. Mine output is expected to increase to 54 ktpa over the next three to five years, leaving a significant supply gap to be filled by new production (IAEA). While the short term outlook for uranium and the spot price has been impacted by the problems at the nuclear plant in Japan related to the earthquake and tsunami damage, the long term outlook remains positive with prices expected to rise in 2014. The Japanese have announced that some of their reactors will be restarting in the next few months which should help the price firm up somewhat. Uranium is currently trading at around US\$50/lb on the term market with spot prices above \$30/lb. Market pressures remain strong for the long term and it is expected that the long term uranium price should increase.

The main properties with uranium potential in the CMB and at Double Mer, can be maintained for the next few years without requiring significant exploration expenditures. SSE will benefit from maintaining a strong land position in uranium in Labrador with Paladin planning to develop the “world class” Michelin and Jacques Lake deposits which host approximately 135 M lbs of uranium and Crosshair having a significant global resource in the CMB. This will bring renewed attention and investor interest to the area and any Company with assets in this area.

The impairment of exploration assets in Labrador has been considered and it is felt that there is a continued impairment of the 100 % owned properties in the CMB since financing is difficult to impossible to obtain. The most significant properties can be maintained until prices, and the global economic climate, returns to normal. As properties are abandoned, they are written off and those projects showing impairment were written down or off in from 2008 to 2012.

The market cap of the Company has dropped significantly in the past few years due to continued weakness in the overall junior sector. Our emphasis on the Big Easy gold/silver property allowed us to obtain a small flow through financing in early 2012 and hopefully more flow through funding as prices return to more normal values in 2014. The global economic situation remains confused, and the share prices in junior explorers, such as ourselves, are being impacted although the underlying assets remain. Impairment issues related to Market Capitalization will continue to be evaluated quarterly and further write downs or write offs will be taken if required.

## **OUTLOOK**

The Flow Through financing in April 2012, the return of staking deposits, and JEAP payments allowed the Company to carry out a small diamond drilling program and an airborne survey at Big Easy, costing approximately \$240,000, in 2012, down from \$1.8M exploration expenditures in 2011. This work better defined the epithermal gold/silver mineralization and gave valuable regional geophysical information. In 2013 exploration, limited by financial constraints, consisted of geological evaluations by an expert in LS systems (Dr. Jeffrey Hedenquist),

company, MUN, DNR, SSE and other company geologists and a compilation of geophysical work. Continued financing or a Joint Venture with another company will be required for further exploration on the Big Easy property.

The company has a property portfolio with a new, low sulphidation, epithermal, gold/silver discovery (Big Easy) on the island of Newfoundland, a carried interest in a uranium deposit with defined resources (Two Time), and other significant uranium projects and REE properties with significant discoveries in Labrador, for the longer term. It is felt that uranium prices should increase over the next few years thereby allowing financing for our uranium projects. The company is poised for short term success in precious metals with continued drilling, pending financing or a Joint Venture, and longer term success in uranium exploration and development.

## **GOING CONCERN**

The company has enough capital to maintain itself as a going concern for the next few months, however the Company's ability to continue as a going concern for the rest of 2014 and beyond, is dependent on its ability to raise money in the form of a private or public placement, loans and/or a joint venture on our properties with a partner who would provide the financing for the exploration. This would enable the company to fund its exploration programs and its general and administrative expenses and maintain its mineral properties. There is no certainty the Company will be successful in accessing such funding.

## **FUTURE CHANGES IN ACCOUNTING POLICIES**

The International Accounting Standards Board ("IASB") has issued several new standards, pronouncements and interpretations that are not effective for the current year, and although early adoption is permitted, they have not been applied in preparing these condensed consolidated interim financial statements.

The Company is currently evaluating the impact, if any, the following new standards and amendments will have on its financial statements.

IFRS 9 *Classification and Measurement* ("IFRS 9") introduces new requirements for the classification, measurement and de-recognition of financial assets and financial liabilities. Specifically, IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. This amendment was released in connection with IFRS 7 *Financial Instruments: Disclosures - Transition Disclosures* ("IFRS 7") which outlines that, with the amendments to IFRS 9, entities applying IFRS 9 do not need to restate prior periods but are required to apply modified disclosures. The Company is currently assessing the impact of this new standard on the Company's financial assets and financial liabilities.

IFRS 10 *Consolidated Financial Statements* ("IFRS 10") replaces the consolidation guidance in IAS 27 *Consolidated and Separate Financial Statements* ("IAS 27") and SIC-12 *Consolidation — Special Purpose Entities* by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns. The Company intends to adopt this standard in its financial statements for the annual period beginning November 1, 2013. The Company is currently assessing the impact of this new standard on the Company's financial assets and financial liabilities.

IFRS 11 *Joint Arrangements* ("IFRS 11") introduces new accounting requirements for joint arrangements, replacing IAS 31 *Interests in Joint Ventures*. IFRS 11 removes the option to apply the proportional consolidation method when accounting for jointly controlled entities and eliminates the concept of jointly controlled assets. IFRS 11 now only differentiates between joint operations and joint ventures. A joint operation is a joint

arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets. The Company intends to adopt this standard in its financial statements for the annual period beginning November 1, 2013. The Company is currently assessing the impact of this new standard on the Company's financial assets and financial liabilities.

IFRS 12 *Disclosure of Interests in Other Entities* ("IFRS 12") requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to provide financial statement users with information to evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvement with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities. The Company intends to adopt this standard in its financial statements for the annual period beginning November 1, 2013. The Company is currently assessing the impact of this new standard on the Company's financial assets and financial liabilities.

The requirements relating to separate financial statements in IAS 27 are unchanged in the amended IAS 27. The other portions of IAS 27 are replaced by IFRS 10. IAS 28 *Investments in Associates and Joint Ventures* ("IAS 28") is amended to conform with changes in IFRS 10, IFRS 11 and IFRS 12.

IFRS 13 *Fair Value Measurement* ("IFRS 13") replaces existing IFRS guidance on fair value with a single standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 with early application permitted. The Company intends to adopt this standard in its financial statements for the annual period beginning November 1, 2013. The Company is currently assessing the impact of this new standard on the Company's financial assets and financial liabilities.

#### IAS 32 *Offsetting Financial Assets and Financial Liabilities* ("IAS 32")

Amendments have been made to IAS 32 which clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'. IAS 32 is effective for years beginning on or after January 1, 2014. The Company does not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Company's consolidated financial statements as the Company does not have any financial assets and financial liabilities that qualify for offset.

#### IFRIC Interpretation 21 - *Levies* ("IFRIC 21")

In May 2013, the IASB issued IFRIC 21, which is an interpretation of IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets*. IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for years beginning on or after January 1, 2014 and must be applied retrospectively. The Company is currently assessing the potential impact of this standard.