

This document provides management's discussion and analysis (MD&A) for our financial condition as at April 30, 2013, and results of operations for the quarter ended April 30, 2012. This MD&A should be read in conjunction with the Company's consolidated financial statements and notes for the year ended October 31, 2012. This MD&A has been prepared as of June 26, 2013 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 or through the SEDAR website at 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 has since diversified into our main project, Big Easy, a precious metal project on the island of Newfoundland and rare earth element (REE) projects in Labrador. Emphasis in 2012/2013 has been placed on the Company's gold/silver project in eastern Newfoundland, Big Easy. 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. The gold/silver, Big Easy property is road accessible and is close to infrastructure greatly reducing any future development costs.

The Company's uranium exploration was curtailed due to the Nunatsiavut moratorium and uranium prices in 2008, 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 Crosshair Energy, in which SSE holds a 2% production Net Smelter Return, and its 100% owned properties – Fishhawk Lake, Snegamook, Mount Benedict, and Double Mer. The Fishhawk 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 U₃O₈ inferred, discovered by SSE, the first discovery in the CMB of Labrador since the 1980's. Drill-ready opportunities exist on the Fishhawk 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 since the Japanese tsunami disaster and its impact on prices. Limited continued exploration and development in the CMB by companies such as Aurora Energy (Paladin) and Crosshair 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 2013. The only exploration carried out in 2012 was a 2nd Phase; follow up drill program, limited ground work and an airborne survey on the Big Easy property. As of April 30, 2013, cash reserves, totaled approximately \$11,760. A flow through financing in early 2012 raised \$191,400 which was utilized for the Big Easy drilling and airborne survey programs. In addition, in May 2013 the Company received \$95,185 in mineral claim deposits and a Junior Exploration Assistance Program (JEAP) grant for the Big Easy exploration costs that were incurred in 2012, from the NL government. A proposed financing planned for the fall of 2012 did not materialize since the company's stock was under intense selling pressure during the time that the offering was available and the company was unwilling to reduce the price of the offering. The company continues to evaluate its options for 2013 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, makes Silver Spruce a leading junior explorer.

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 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.

	April 30, 2013	January 31, 2013	October 31, 2012	July 31, 2012
	\$	\$	\$	\$
Income	4,245	450	7,542	35,476
Net (loss)	(210,606)	(108,941)	754,864	(2,476,802)
Net (loss) per share -basic and diluted	(0.00)	(0.00)	(0.01)	(0.02)
	April 30, 2012	January 31, 2012	October 31, 2011	July 31, 2011
	\$	\$	\$	\$
Income	18,723	-	3,767	107,411
Net (loss)	(129,968)	(188,542)	872,602	(188,840)
Net (loss) per share -basic and diluted	(0.00)	(0.00)	(0.01)	(0.00)

For the three months ended April 30, 2013, the Company earned income, of \$4,245 compared to \$18,723 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 gain.

For the three months ended April 30, 2013 the Company had a net loss of \$210,606 (April 30, 2012 - \$129,968) and a loss per share of 0.00 (April 30, 2012 - 0.00). This quarter the Company had total expenses of \$211,506, (April 30, 2012 - \$142,006). For the three months ended April 30, 2013, there were no abandonments of mineral properties and \$121,326 impairments of mineral properties, (April 30, 2012, \$Nil abandonments, \$Nil impairments).

Wages decreased to (\$1,108) this quarter (April 30, 2012 - \$827) due to a refund from Workplace Health, Safety and Compensation Commission for overpayment of insurance from 2010 to 2012. Consulting fees decreased to \$21,927 this quarter (April 30, 2012 - \$23,727) due to a decrease in management and consulting services.

Accounting and audit fees decreased to \$15,406 (April 30, 2012 - \$31,401) due a decrease in IFRS conversion services.

Office and general increased to \$34,131 this quarter (April 30, 2012 – \$31,420) due to increased fees associated with the annual general meeting.

Expenditures on Mineral Properties

During the quarter ended April 30, 2013, and the quarters ended January 31, 2013, October 31, 2012 and July 31, 2012 and the comparative periods, the Company incurred the following expenditures on exploration:

	April 30, 2013	January 31, 2013	October 31, 2012	July 31, 2012
	\$	\$	\$	\$
CMB	-	-	8,445	-
Double Mer	-	-	2,089	-
Straits	-	-	2,531	5,305
Mount Benedict	-	-	7,611	-
Snegamook	-	-	473	263
MRT Property	-	-	600	7,054
Rambler South	-	-	-	-
Big Easy	34,660	14,623	61,950	206,987
Pope's Hill	715	1,103	14,795	504
Red Wine Mountains	-	-	-	1,227
Pope's Hill JV	-	-	56,000	75,000
Fish Hawk Lake	-	75	84,583	-

	April 30, 2012	January 31, 2012	October 31, 2011	July 31, 2011
	\$	\$	\$	\$
CMB	1,188	-	-	-
Double Mer	-	-	4,563	-
Straits	-	41,604	13,007	800
Mount Benedict	502	251	7,563	-
Snegamook	-	251	1,792	-
MRT Property	44,002	27,151	58,325	46,493
Rambler South	-	-	(3,983)	142,097
Big Easy	(21,084)	9,065	(3,219)	60,159
Pope's Hill	17,503	62,438	349,536	242,183
Red Wine Mountains	-	2,460	10,017	(238)
Pope's Hill JV	22	15,309	903	65,190

During the quarter ended April 20, 2013, the Company recorded a 20% impairment of the remaining costs for the Pope's Hill Property of \$121,326.

The credit balances represent reallocations of expenses between the properties in the quarters reporting period. During the three months ended April 30, 2012, the Company had a net refund of expenditures for the Big Easy property of \$21,084, as a result of expenditures during the period of \$78,916 and a refund of expenditures of \$100,000 under the Junior Exploration Assistance Program which is administered by the Department of Natural Resources for Newfoundland and Labrador.

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 the MRT and RWM properties and these properties will be either abandoned or the option terminated, 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

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

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. Analyses for rocks and streams were done 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 with check analysis 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 silverspruceresources.com

BIG EASY (BE) - OPTION TO EARN 100 %

Property Description

The 294 claim (74 km²) property, now reduced to 186 claims (4650 ha), 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, is: \$20,000 plus 350,000 shares on signing (paid); 1st anniversary – \$30,000 plus 400,000 shares (paid); 2nd anniversary - \$30,000 plus 500,000 shares (paid); 3rd anniversary - \$30,000 plus 350,000 shares (paid). A yearly, advance royalty payment, deducted from future NSR payments, of \$20,000 per year, is also payable from the 4th 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 govt 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. Rock samples taken by Turpin, mostly from angular boulders or rubbly outcrop, are intensely silicified, and argillicly altered and carry finely disseminated sulphides (mainly pyrite). The silicified sedimentary units carry banded cherty to chalcedonic quartz. Values up to 997 ppb (1 g/t Au) and 115 g/t Ag, located by the vendors in banded quartz veins in the northeast corner of Grassy Pond, led to the SSE option in 2010.

SSE Exploration

SSE's exploration has included prospecting/geological mapping, 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 zone. Prospecting located banded silica sinter, characteristic of hot spring deposits, in trench 6, the southernmost trench.

The Big Easy zone occurs in 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 sinter-like banded silica, which parallels bedding, occurs exclusively in the southern portion of the zone possibly indicating the paleo surface was at the southern end of the zone. Quartz breccias are also noted in the southernmost portion of the zone. Boiling textures are noted in subcrop and drilling in the southern portion of the zone.

Exploration along the southern extension of the Big Easy trend has resulted in the discovery of similar mineralization, the ET zone, 3.5 km to the south of the Big Easy. It consists of alteration/mineralization, mainly 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 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, most 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 is being incorporated in the database to help plan 2013 exploration.

Two diamond drilling phases (12 holes) have 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 noted. 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, tested the mineralization over a 200m strike length in the vicinity of the strong 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 silver 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. This 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, but 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.

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

Diamond Drill Hole Check Analyses

Results for the area of questionable results in gold only, noted in the first check sample analyses received (NR Oct. 18/12) were received in late December 2012 (NR January 3, 2013). This “gold anomalous” area had been flagged in the original results as an outlier as it gave only low Ag values in comparison to most of the other significant gold/silver zones which were duplicated, although with “nugget type” effects in the check sampling. Two check samples from section 101-112.25 m in DDH BE-12-10 gave values of 28 and 64 ppb Au, with the two original samples giving values >1 g/T and the overall section from 101 to 112.25 m (11.3 m) giving 0.8 g/T Au and 3.8 g/T Ag. Subsequently the rest of the reject samples from this section were re-analyzed as check samples at the second laboratory with similar results and the pulps from these re-analyses re-assayed at the original laboratory where they found results indicating background gold values through the section. None of the gold values were duplicated and all are near background values (<70 ppb Au), although the background is elevated, indicating a problem in the gold analysis at the original laboratory. Interestingly the highest check sample gold value was a 150 ppb Au from 111.5-112.25 m which gave 2279 ppb in the original analyses. The Ag values were 7.4 and 8 ppm respectively in this sample interval, the highest Ag values in this section and generally

reflective of Au/Ag association throughout the Big Easy core. The originating laboratory is still trying to determine how the spurious results occurred however to date no explanation has been brought forward.

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 to date. 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 (Ag₂S) 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 (FeS₂), while the native silver, electrum and acanthite are found as discrete polyminerallic 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-replaced 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 boiling textures (bladed features – quartz after calcite) as shown in a sample from DDH BE-12-10.

Interpretation of Results

Adularia (potassium feldspar), sinter (hot spring silica deposits) and boiling textures are noted in the drill core, indicating that the mineralized zones lie near the paleosurface of a large epithermal system. The presence of sinter in the southern part of the alteration zone 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 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.

Planned Exploration – Winter/Spring 2013

A Phase three, follow-up, drill program is planned for 2013 subject to financing or a JV on the property, based on continued detailed structural interpretation of the mineralized zones and research studies of the extensive epithermal system. Regional exploration along the trend will also be carried out if financing permits.

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 which was targeted for completion by April 1, 2011, 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 intention of proceeding to production after more definition drilling to increase the resource, is a significant positive sign for the area.

Continued 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 main projects have been consolidated and can be maintained for a few 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 the Actlabs 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 were encountered, follow-up analysis by delayed neutron counting (DNC) was 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_3O_8) per year. The deposits have measured and indicated resources of 35,000 tonnes of U_3O_8 , 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.

Crosshair Energy (CXX) acquired the Moran Lake property - copper/uranium/magnetite/hematite /vanadium mineralized zones, were discovered and drilled by Shell Canada in the 1970's. 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_3O_8 was announced in August 2008. In 2008, CXX 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 (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 Fishawk Lake property, which lie immediately to the south along the TT trend. CXX's drilling on the Two Time deposit in 2011/12 was less than one hundred metres to the north of the Snegamook boundary and U mineralization was encountered in all holes.

SILVER SPRUCE WHOLLY OWNED PROPERTIES (100%)

Silver Spruce owns a 100% interest in 571 claims (143 km²) in 5 uranium properties in Labrador. They include - Snegamook (86), Fishhawk Lake (164), Double Mer (74), Straits (73) 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 - 2013

No uranium exploration was carried out in 2011 or 2012 and no exploration is planned at this time for 2013 until a rise in uranium prices allows financing for uranium exploration. The properties have been downsized to those areas of highest potential by reductions allowing the assessment credits to carry forward for a number of years. Some of the properties may be joint venture possibilities.

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 km²), and is surrounded by the CMBNW JV property to the north, west and east and the "Fishhawk 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/alterred 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%) U₃O₈. The widest section in SN-08-8 averages 206 ppm U₃O₈ (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%) U₃O₈ with the widest intersection averaging 213 ppm U₃O₈ (0.021%, 0.43 lb/ton) over 16 m, including 1 m at 0.21% (4.23 lb/ton) U₃O₈. Crosshair's drilling on the TT is less than 100m 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 2012. It is an obvious joint venture possibility.

Impairment

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

FISHHAWK 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 164 claims (41 km²) after reductions and consolidations carried out in Q4, 2012. 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 Fishhawk Lake North, Central and South (FHLN,C+S), Brook and Whiskey Jack showings/occurrences discovered by Santoy. Twenty Six (26) drill holes have been drilled since the late 70's: 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% U₃O₈ / 23.4 m, incl. 0.25% / 9.7 m
- FHLS - 0.063% U₃O₈ / 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% U₃O₈, 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 2014. No exploration is planned for 2013 dependent upon prices and availability of financing.

Impairment

No impairment is indicated at this time as the property has been acquired recently and costs have been minimum to date. Impairment issues will be evaluated quarterly.

DOUBLE MER (DM)

Property Description

The property consists of 74 claims (18.5 km²), 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%) U₃O₈ with forty-two (42) >1,000 ppm (0.1%), seven over the 95th percentile of 2,200 ppm (0.22%) and a high of 4,281 ppm (0.43%) U₃O₈. 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 2013 and further work is dependent upon U prices and financing availability.

Impairment

The remaining exploration expenditures of \$24,123 were written off in Q3 and Q4, 2012.

STRAITS (ST)

Property Description

The properties, located on the Straits of Belle Isle, in southern coastal Labrador, approximately 300 kilometers southeast of HVGB, consists of 64 claims (16 km²). The original claims were staked in an arm's length deal with a Newfoundland prospector who retains a 1% NSR. The property lies outside of the land claim areas of both the Inuit and Innu of Labrador, although it is subject to a land claim, not accepted by governments, by the Nunatukavut of southern Labrador. The area had not been explored prior to the SSE work.

Exploration Summary

Exploration included: an airborne radiometric/magnetic survey which gave 21 significant radiometric targets for uranium, compilation, remote sensing, prospecting, lake sediment, stream and soil geochemistry, and geological mapping. The property hosts a number of U and REE showings and prospects. The property has been consolidated with claims retained over the areas of highest potential..

Planned Exploration

No exploration is planned for 2013. The project is a potential JV property.

Impairment

The remaining exploration expenditures of \$98,982 were written off in Q3 and Q4 2012.

MOUNT BENEDICT (MB)

Property Description

The property, totalling 247 claims (62 km²), 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-649 - Five representative grab samples, averaging 0.497% U_3O_8 , define 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_3O_8 , 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. The zone varies from 4 to 16 m wide, giving U_3O_8 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.

T Super 7 - Located 4.8 km to the southwest of AT-649, it carries U mineralization in bedrock with values from 500 ppm (0.05%) to over 1% (20 lb/ton) U_3O_8 . 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_3O_8 and 22 m (44-66 m) at 278 ppm (0.028%) U_3O_8 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_3O_8 . 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 2013 dependent upon uranium prices and financing or JV opportunities.

Impairment

The remaining exploration expenditures of \$118,873 were written off in Q3 and Q4, 2012.

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

The CMBJV properties consist of 483 claims (121 km²) in the Central Mineral Belt (CMB) of Labrador. The properties are proximal to the Michelin, Moran Lake and other uranium showings under exploration/ development by Paladin Energy and CXX 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 CXX in May 2008, for 10 M CXX shares plus \$500,000, with UUL retaining a 2% NSR on the 60% purchased by CXX. Crosshair has taken over the operatorship of the JV. SSE retains 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, 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. CXX, 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% U₃O₈ 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% U₃O₈) and an additional inferred resource of 3.73 M lb. (3.16 MT at 0.053% U₃O₈). 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 100 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% U₃O₈, including 0.5 m of 0.519% U₃O₈ (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 Fishhawk 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% U₃O₈ 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 has been carried out in 2013.

Impairment Issues

Since SSE has no further participating interest in the CMBJV properties the remainder of the exploration costs were written off in Q3 and Q4, 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 1037 claims (259 km²) in Labrador including Pope's Hill (PH), Popes Hill JV, RWM and Straits. Three of the properties (except the 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 is in place on 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. The properties are described individually below.

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 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 U³O⁸ and Nb²O⁵ 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 included an airborne radiometric/high resolution magnetic and VLF-EM survey along the 100 km long PH trend (Popes Hill, Popes Hill JV 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 for the longer term.

Planned Exploration

No exploration is planned for these projects in 2013 due to the inability to raise money for REE exploration. The properties have been reduced / consolidated to allow the main prospects to be retained for the longer term.

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 km²) after regional properties, with limited potential, were dropped. The claims cover REE 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 by then President of Silver Spruce, Lloyd Hillier, 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 one day prospecting and sampling program using scintillometers to locate radioactive mineralization was carried out by a four man SSE crew in the fall of 2010 with a total of 31 samples taken from bedrock and locally derived, angular float boulders. The samples were selected using high radioactivity with scintillometer readings from 1,000 to 7,500 cps associated with thorium rich phases. Thirty-one samples gave anomalous total rare earth element plus yttrium (TREE) values with 16 > 5%, and 5 > 10% with a high value of 24.1% (News release Oct. 28, 2010). TREE values varied from a low of 0.07% to a high of 24.07% averaging 5.73% for the 31 samples, 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. Other significant values in Nb, Zr, Th and U were 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.

None of the high grade segregations noted in float and bedrock in the pit and along the highway was intersected. 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 syenitic units carry disseminated brown crystals (titanite?) which are variably radioactive. Fe₂O₃ values ranging from 11.6% to 18.9% and P₂O₅ values from 0.44% to 1.77% were also located. Nb and Th values are variably anomalous with values up to 816 ppm Nb and 764 ppm Th, with higher values in these elements associated with the higher TREE values although Nb values may be subdued due to phosphate interference in the analysis.

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 by Alex Chafe, a Master's student 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 were evaluated by thin section to ensure that they were representative of the mineralization and scanning electron microscopy - mineral liberation analysis (SEM-MLA) was then used to determine the grain size, distribution, modal abundances and elemental distribution of each REE-rich mineral phase in the representative thin section. Electron probe microanalysis (EPMA) was used to determine the average Rare Earth Element Oxide (REO) composition for each individual mineral present in the samples. The data from both techniques were then used to calculate each mineral's contribution to the average whole-rock REO composition. The 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 P₂O₅ 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 P₂O₅ 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 25m. Mineralization in the trench 15 area is related to pegmatite veins carrying REE minerals such as allanite, similar to the MRT REE mineralization located 60 km to the east. 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%.

Regional Exploration

Airborne magnetic/radiometric/VLF-EM surveys, stream sediment geochemical sampling and concurrent prospecting were completed on streams draining the 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 due to the lateness of the season.

Planned Exploration

No exploration is planned for 2013, due to lack of funding for REE projects.

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) has been written off in this quarter for an impairment of \$121,326. No impairment of the expenditures on the original claims is indicated at this time as the properties remain in good standing with significant REE mineralization noted. Impairment issues will be evaluated quarterly and write-downs will be taken if required.

POPES HILL JV – 50 % INTEREST

Property Description

A total of 759 claims (approx. 190 km²) are 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. The claims cover 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 completed in 2011. A number of anomalous areas were defined by the stream geochemical survey. No follow up was carried out in 2012.

Planned Exploration

No further exploration is planned at this time pending an increase in REE prices. The properties will be reduced / consolidated to allow them to be retained for a number of years.

Impairment

No impairment is indicated at this time and the properties remain in good standing. We are awaiting GWMG’s plans for the area. Impairment issues will be evaluated quarterly and further write-downs or write-offs will be taken if required.

MRT PROPERTY – OPTION TO EARN 100 %

Property Description

The MRT property, located along the Trans Labrador Highway (TLH) approximately 35 km from HVGB, consists of 178 claims (44.5 km²) and was optioned from two Innu Prospectors, Jean Pierre (Napes) Ashini and Raphael Dominic Riche in February, 2011 (NR Feb. 17, 2011). The option was terminated in late February 2013.

Impairment

The property expenditures were written off in Q4, 2012.

RWM

Property Description

The property consists of 40 claims (10 km²) covering 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 was carried out over the property in July 2010. The survey 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. Two anomalous values were noted in Pr>200, high 449 ppm; and 1 anomalous value in Sm, 215 ppm against a background of 30 ppm, were also located. Rb and Y also gave elevated values >100, high 301 ppm Rb and 4 values >100 ppm Y, high 423 ppm. The highest/most coincident anomalous values were found in the mafic volcanic sample from the northeastern portion of the property. In 2011, one day of helicopter supported prospecting and geological mapping, was carried out in early September. The area is primarily boulder fields and eskers with no outcrop noted (NR Sept. 27/11). The eastern part has a wide variety of rock types with most of the larger boulders biotite rich granitic gneiss with some smaller syenitic boulders. Quartz veins with hornblende were noted in potassic granitic boulders and recrystallized granite boulders were also seen however no anomalous radioactivity was noted. In the western part, again a boulder field, background total count (TC) radioactivity was elevated in the 300-400 counts per second (cps) range, with more abundant biotite rich gneisses giving elevated TC values up to 8000 cps. Other anomalously radioactive boulders were also noted and boulders carrying radioactive biotite were found in areas where hand dug pits, up to 60 cm deep in possible regolithic material, gave anomalous TC readings up to 2000 cps. The western area shows anomalous radioactivity in all three elements (K, U, Th) on the 2010 airborne survey. Results indicate an average of 0.89% TREO with 7 samples giving TREO values >1%, with a high of 2.58%. The samples are predominantly LREO enriched. Generally, samples >1% TREO gave lower HREE percentages in the 5-15% range. Samples with lower TREO 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 2013 due to lack of funding for REE projects.

Impairment

The property expenditures were written off in Q4, 2012.

STRAITS (ST)

Property Description

The properties, located in the Straits of Belle Isle area of southern coastal Labrador, between Mary's Harbour and Red Bay, consist of 64 claims (18 km²) in a number of small claim groups. 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 property was originally 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, Alex Turpin, retains a 1 % NSR on the original staking plus and 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 (TREO) values > 0.1 % and 13 gave U₃O₈ 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 TREO >1% with a high of 4.76 %, including 3.42 % TREO with 58% heavy rare earth oxides (HREO) including 0.19 % dysprosium oxide (Dy₂O₃). The average HREO for the five samples was 23.4 %, with all having associated U₃O₈ values ranging from 400 to 1130 ppm, while Th₂O₃ 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 2013 due to lack of funding for REE projects. The properties will be reduced to allow maintenance for the longer term.

Impairment

The property expenditures were written off in Q4, 2012.

OTHER PROPERTIES/PROJECTS

The Company evaluates properties and opportunities under a “general exploration” budget. These projects/properties/opportunities include various commodities in various parts of the world, mainly Newfoundland and Labrador, generally where the Company already has assets. Other 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.

MANAGEMENT

Peter Dimmell, BSc, P.Geo. - 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, a past Chairman and past director of Mining Industry NL (formerly the Newfoundland and Labrador Chamber of Mineral Resources), a member and past councillor of the Geological Association of Canada, a life member of the Canadian Institute of Mining, Metallurgy and Petroleum, and an associate member of the Association of Applied Geochemists. 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 \$31,460 for the three months ended April 30, 2013 (April 30, 2012 - \$175,788 outflow).

Financing Activities

The Company received proceeds of \$30,000 from a loan from a director of the Company during the three months ended April 30, 2013 (April 30, 2013 - \$Nil financing activities). The loan was used to pay the final option payment for the Big Easy property, is payable by April 2014 and is secured by the property itself.

Investing Activities

The Company had a net outflow of \$14,138 from investing activities for the three months ended April 30, 2013 (April 30, 2012 - \$6,366 net inflow). Of this amount in the current period \$33,393 was invested in mineral property exploration activities (April 30, 2012 - \$6,366).

Liquidity

The Company had cash and cash equivalents of \$11,760 as at April 30, 2013 (October 31, 2012 - \$129,774). In May 2013, the Company received \$95,185 in mineral claim deposits and a Junior Exploration Assistance Program (JEAP) grant 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 April 30, 2013 was a cash inflow of \$51,666 (April 30, 2012 - \$36,151 outflow). Exploration will continue, primarily in compilation and report writing in 2013. Working capital is sufficient for this work however 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 April 30, 2013, the Company had 111,957,805 issued and outstanding common shares (April 30, 2012 - 107,215,305).

RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities as at April 30, 2013 are \$100,114 (October 31, 2012 - \$69,575) owing to directors of the Company for consulting related services rendered and \$41,603, (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, with 0% interest.

During the three months ended April 30, 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 April 30, 2013, \$Nil (April 30, 2012 - \$Nil) was paid to the hardware store and \$853 (April 30, 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 licence holders. The terms of these agreements provide for initial cash payments by the Company and the initial issuance of shares in the Company. To retain the interest in these properties the Company is obligated to make additional cash payments and to issue additional shares. 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.

A summary of the additional cash and additional shares to be issued by the Company, assuming that an interest in all of the properties is to be maintained, is as follows:

	Cash	Shares
2013	\$Nil	Nil

During the quarter ended April 30, 2013, the Company acquired a 100% interest in the Licenses, and Property and Mineral Licence 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.

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 is planned for the Big Easy property in 2013 pending availability of Flow Through financing or a joint venture with another company. No other exploration is planned at this time.

CURRENT MARKET CONDITIONS

The fundamentals for gold/silver are strong and the Company is emphasizing the Big Easy project for this reason in 2013. 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 therefore cheap to explore. No emphasis is being placed on REE or base metal exploration at this time.

The Company's main focus until recently 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 by 2012. 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 (U₃O₈) is about 77 kilotons per annum (ktpa), while current mine production accounts for 48ktpa. The balance, 29ktpa, comes from inventory - primarily the down-blending of weapons grade uranium which has greatly diminished over the past years. 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 starting in mid to late 2013. It is expected that the Japanese will announce restarting of some of their nuclear reactors in the next couple of 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 \$40/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 developing the "world class" Michelin and Jacques Lake deposits which host approximately 135 M lbs of uranium and CXX continuing to increase their 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 carefully 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 2013. 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 Company carried out a small exploration program costing approximately \$240,000 on the Big Easy property in 2012, down from \$1.8M exploration expenditures in 2011. 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 at the Big Easy which better defined the epithermal gold/silver mineralization. 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), a carried interest in a uranium deposit with defined resources (Two Time), and other significant uranium projects and REE properties with significant discoveries, 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 2013 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 *Financial Instruments* ("IFRS 9") introduces new requirements for the classification, measurement and derecognition 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. Also, the IASB has issued an amendment to IFRS 9, which changes the effective date of IFRS 9 (2009) and IFRS 9 (2010), so that IFRS 9 is required to be applied for annual periods beginning on or after January 1, 2015 with early application permitted. This amendment was released in connection with IFRS 7 *Financial Instruments: Disclosures – Transition Disclosures* 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.

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.

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.

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 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* (“IAS28”) is amended to conform with changes in IFRS 10, IFRS 11 and IFRS 12. Each of these five standards have an effective date for annual periods beginning on or after January 1, 2013, with earlier application permitted so long as each of the other standards noted above are also early applied. However, entities are permitted to incorporate any of the disclosure requirements in IFRS 12 into their financial statements without technically early applying the provisions of IFRS 12 (and thereby each of the other four standards).

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 is currently assessing the impact of this new standard on the Company's financial assets and financial liabilities.

Amendments were issued by the IASB to IAS 32 *Financial Instruments: Recognitions and Measurement* (“IAS32”), which address inconsistencies in current practice when applying the offsetting criteria. These amendments are part of the IASB's offsetting project. These amendments must be applied starting January 1, 2014 with early adoption permitted. The IASB also issued amendments to IFRS 7 *Financial Instruments Disclosures* as part of the offsetting project. This includes specific disclosures related to offsetting financial assets and liabilities that will enable users of entities financial statements to evaluate the effect of potential effect of netting arrangements, including rights of set-off associated with the entity's recognized financial assets and liabilities, on the entity's financial position. These amendments must be applied starting January 1, 2013 with early adoption permitted. The Company is currently assessing the impact of adopting the IAS 23 and IFRS 7 amendments on the consolidated financial statements.