

**SILVER SPRUCE RESOURCES INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
Unaudited - see Notice of No Auditor Review

**April 30, 2007**

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**SILVER SPRUCE RESOURCES INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

Unaudited

**FOR THE THREE AND SIX MONTHS ENDED APRIL 30, 2007 AND 2006**

**NOTICE OF NO AUDITOR REVIEW OF**

**INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim consolidated financial statements, they must be accompanied by a notice indicating that the consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditor.

Halifax, Nova Scotia.  
June 28, 2007

SILVER SPRUCE RESOURCES INC.  
**CONSOLIDATED BALANCE SHEETS**

**ASSETS**

|  | April 30, 2007<br>\$<br>(Unaudited) | Oct 31, 2006<br>\$<br>(Audited) |
|--|-------------------------------------|---------------------------------|
| <b>CURRENT</b>   |                                     |                                 |
| Cash   | 5,795,326                           | 3,564,064                       |
| Due from joint venture partner                             | 339,418                             | 337,193                         |
| HST and other receivables                                  | 241,291                             | 239,074                         |
| Prepaid expenses   | 4,723                               | 400                             |
|  | <hr/> 6,380,758                     | <hr/> 4,140,731                 |
| <b>STAKING DEPOSITS ON MINERAL PROPERTIES</b>              | 95,775                              | 261,875                         |
| <b>INVESTMENTS</b> (At lower of cost or fair market value) | 36,000                              | 36,000                          |
| <b>FUTURE INCOME TAX ASSET</b>                             | 1,082,600                           | 902,400                         |
| <b>INTEREST IN MINERAL PROPERTIES</b> (Note 4)             | 1,297,597                           | 958,427                         |
| <b>EQUIPMENT</b> (Note 5)                                  | 149,857                             | 89,356                          |
|  | <hr/> <hr/> 9,042,587               | <hr/> <hr/> 6,388,789           |

**LIABILITIES**

|  |               |               |
|--|---------------|---------------|
| <b>CURRENT</b>                             |               |               |
| Accounts payable and accrued liabilities   | 269,723       | 157,025       |
| Current portion of long term debt (Note 7) | 8,964         | 8,964         |
|  | <hr/> 278,687 | <hr/> 165,989 |
| <b>LONG TERM DEBT</b> (Note 7)             | <hr/> 28,387  | <hr/> 32,869  |

**SHAREHOLDERS' EQUITY**

|  |                       |                       |
|--|-----------------------|-----------------------|
| <b>CAPITAL STOCK</b> (Note 6 (a))        | 8,954,604             | 5,927,603             |
| <b>WARRANTS</b> (Note 6 (b))             | 1,469,666             | 1,786,976             |
| <b>CONTRIBUTED SURPLUS</b> (Note (6(d))) | 638,517               | 534,781               |
| <b>DEFICIT</b>                           | <hr/> (2,327,274)     | <hr/> (2,059,429)     |
|  | <hr/> 8,735,513       | <hr/> 6,189,931       |
|  | <hr/> <hr/> 9,042,587 | <hr/> <hr/> 6,388,789 |

APPROVED ON BEHALF OF THE BOARD

" \_\_\_\_\_, Director

" \_\_\_\_\_, Director

**CONSOLIDATED STATEMENTS OF LOSS AND DEFECIT**

|  | Three Months Ended<br>April 30 |            | Six Months Ended<br>April 30 |            |
|--|--------------------------------|------------|------------------------------|------------|
|  | 2007<br>\$                     | 2006<br>\$ | 2007<br>\$                   | 2006<br>\$ |
| <b>ADMINISTRATIVE EXPENSES</b>                       |                                |            |                              |            |
| Legal fees   | 129,183                        | 44,629     | 147,953                      | 103,619    |
| Stock based compensation                             | 42,350                         | 51,614     | 183,324                      | 316,022    |
| Management fees                                      | 21,858                         | 41,001     | 46,758                       | 51,501     |
| Consulting fees                                      | 13,463                         | 107,600    | 23,963                       | 185,350    |
| Accounting and auditing                              | 5,760                          | (3,750)    | 7,760                        | 5,070      |
| Shareholders' expense                                | 29,052                         | 41,336     | 38,843                       | 48,335     |
| Loss in market value of investment                   | -                              | 59,500     | -                            | 59,500     |
| Stock exchange fees                                  | 9,384                          | 8,527      | 12,782                       | 15,518     |
| Telephone  | 776                            | 3,199      | 2,126                        | 6,474      |
| Office and general                                   | 25,207                         | 14,944     | 46,037                       | 24,207     |
| Occupancy costs                                      | 1,400                          | 1,900      | 8,624                        | 3,700      |
| Travel   | 34,737                         | 5,086      | 47,902                       | 9,429      |
| Wages and benefits                                   | 13,579                         | -          | 17,842                       | -          |
| Bank Charges   | 414                            | 104        | 673                          | 195        |
| Depreciation   | 11,472                         | 498        | 16,268                       | 792        |
| Loss before the undernoted                           | 338,635                        | 376,188    | 600,855                      | 829,12     |
| Management fees                                      | 57,729                         | 15,067     | 90,322                       | 15,037     |
| Interest income                                      | 26,612                         | -          | 62,488                       | -          |
| Loss before income taxes                             | 84,341                         | 361,121    | 152,810                      | 814,645    |
| Income taxes   | -                              | -          | (180,200)                    | -          |
| <b>NET LOSS FOR THE PERIOD</b>                       | 254,294                        | 361,121    | 267,845                      | 814,645    |
| <b>DEFICIT</b> , beginning of period                 | 2,072,980                      | 2,104,588  | 2,059,429                    | 1,651,064  |
| <b>DEFICIT</b> , end of period                       | 2,327,274                      | 2,465,709  | 2,327,274                    | 2,465,709  |
| <b>NET LOSS PER SHARE</b> - Basic and diluted        | 0.010                          | 0.026      | 0.011                        | 0.067      |
| <b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b> | 25,959,506                     | 13,878,342 | 24,667,833                   | 12,206,173 |

See accompanying notes to the financial statements

Unaudited

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

APRIL 30, 2007

|   | Three Months Ended<br>April 30 |                  | Six Months Ended<br>April 30 |                  |
|---|--------------------------------|------------------|------------------------------|------------------|
|   | 2007<br>\$                     | 2006<br>\$       | 2007<br>\$                   | 2006<br>\$       |
| <b>CASH FLOWS (USED IN) OPERATING ACTIVITIES</b>                      |                                |                  |                              |                  |
| Net loss  | (254,294)                      | (361,121)        | (267,845)                    | (814,645)        |
| Items not involving cash :  |                                |                  |                              |                  |
| Stock based compensation  | 42,350                         | 51,614           | 183,324                      | 316,022          |
| Future income tax   | -                              | -                | (180,200)                    | -                |
| Depreciation  | 11,472                         | 498              | 16,268                       | 792              |
| Loss in market value of investment                                    | -                              | 59,500           | -                            | 59,500           |
|   | <u>(200,472)</u>               | <u>(249,509)</u> | <u>(248,453)</u>             | <u>(438,331)</u> |
| Decrease (increase) in deposits and prepaids                          | 241,900                        | (18,941)         | 161,777                      | (189,317)        |
| (Increase) decrease in accounts receivable                            | (162,754)                      | (28,358)         | (2,217)                      | (90,256)         |
| Decrease (increase) in due from joint venture partner                 | 1,011                          | -                | (2,225)                      | -                |
| Increase (decrease) in prepaid exploration expense                    | -                              | 96,598           | -                            | 96,598           |
| Increase (decrease) in accounts payable and liabilities               | 78,481                         | (11,257)         | 112,698                      | (63,833)         |
|   | <u>158,638</u>                 | <u>38,042</u>    | <u>270,033</u>               | <u>(246,808)</u> |
| Cash flows (used in) provided by operating activities                 | <u>(41,834)</u>                | <u>(211,467)</u> | <u>21,580</u>                | <u>(685,139)</u> |
| <b>CASH FLOWS FINANCING ACTIVITIES</b>                                |                                |                  |                              |                  |
| Exercise of warrants  | 1,614,770                      | -                | 1,691,644                    | -                |
| Exercise of options   | 461,089                        | -                | 461,089                      | -                |
| Issuance of shares for cash   | -                              | 79,500           | 500,500                      | 893,025          |
| Decrease in long term debt  | (2,241)                        | -                | (4,482)                      | -                |
| Share issue costs   | (6,250)                        | -                | (23,130)                     | (98,850)         |
| Issuance of shares for debt   | -                              | 196,500          | -                            | 196,500          |
| Issuance of warrants for cash   | -                              | -                | -                            | 344,475          |
| Cash flows from financing activities                                  | <u>2,067,368</u>               | <u>276,000</u>   | <u>2,625,621</u>             | <u>1,335,150</u> |
| <b>CASH FLOWS (USED IN) INVESTING ACTIVITIES</b>                      |                                |                  |                              |                  |
| Expenditures on mining interests and equipment<br>(net of recoveries) | (289,222)                      | (252,632)        | (339,170)                    | (321,082)        |
| Expenditures on equipment   | (2,700)                        | (22,940)         | (76,769)                     | (23,290)         |
| Cash flows (used in) investing activities                             | <u>(291,922)</u>               | <u>(275,572)</u> | <u>(415,939)</u>             | <u>(344,372)</u> |
| Increase (decrease) in cash   | 1,733,612                      | (211,039)        | 2,231,262                    | 305,639          |
| Cash, beginning of period   | <u>4,061,714</u>               | <u>562,113</u>   | <u>3,564,064</u>             | <u>45,435</u>    |
| Cash, end of period   | <u>5,795,326</u>               | <u>351,074</u>   | <u>5,795,326</u>             | <u>351,074</u>   |

**1. NATURE OF OPERATIONS AND GOING CONCERN**

Silver Spruce Resources (the "Company") was incorporated in Alberta on May 8, 1996 under the name First Labrador Acquisitions Inc. The Company changed its name to Silver Spruce Resources on October 22,

Continued...

Unaudited

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

JANUARY 31, 2006

2003. The Company's business is exploration for precious and base minerals.

There has been no determination whether the Company's interest in mineral properties held for exploration contain reserves which are economically recoverable. To date, the Company has earned no revenues and is considered to be an exploration stage company.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

The Company has a need for equity capital and financing for working capital requirements. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations.

The accompanying financial statements do not include any adjustments relating to the recoverability and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The accompanying financial statements have been solely prepared by management and have not been discussed or reviewed with the auditors regarding any matters whatsoever.

**2. SUMMARY OF ACCOUNTING POLICIES**

The interim consolidated financial statements of Silver Spruce Resources Inc. have been prepared in accordance with the accounting principles and methods of application disclosed in the consolidated financial statements for the year ended October 31, 2006, except as disclosed in Note 3.

These consolidated financial statements include all adjustments that are, in the opinion of management, necessary for fair presentation. These consolidated financial statements do not include all the disclosures required by Canadian generally accepted accounting principles for annual financial statements, and accordingly the financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto for the year ended October 31, 2006.

**Principles of Consolidation:**

These consolidated financial statements include the accounts of the Company and its 100% owned subsidiary, First Labrador Resources Ltd. First Labrador Resources Ltd. is inactive and has no assets or liabilities.

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Unaudited

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

APRIL 30, 2007

**2. SUMMARY OF ACCOUNTING POLICIES (Continued)****Mineral Exploration and Development Properties and Deferred Exploration Expenditures:**

Exploration and development expenses relating to properties in which the Company has an interest are deferred until the properties are brought into production, at which time they are amortized on a unit of production basis. Other general exploration expenses are charged to operations as incurred. The cost of properties abandoned or sold and their related deferred exploration costs are expensed to operations in the year of abandonment or sale.

Costs include the cash consideration and the fair market value of the shares issued for the acquisition of properties. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Company are recorded in the accounts at the time of payment.

**Equipment and Amortization:**

Equipment is stated at acquisition cost. Amortization is provided on the diminishing-balance basis at the following annual rates:

|            |      |
|------------|------|
| Equipment  | 20 % |
| Computer   | 30 % |
| Automotive | 30 % |

**Income Taxes:**

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and the income tax bases of assets and liabilities, and are measured using the substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

**Loss Per Share:**

Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.

**Stock-based Compensation Plan:**

Effective November 1, 2002, the Company adopted the recommendations of CICA Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments. This Section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. These recommendations require that compensation for all awards made to non-employees and certain awards made to employees be measured and recorded in the financial statements at fair value. This Section also sets out a fair value based method of accounting for stock options issued to employees and applies to awards granted on or after November 1, 2002. These financial statements do not reflect the effect of stock options granted before November 1, 2002.

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Unaudited

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

APRIL 30, 2007

**2. SUMMARY OF ACCOUNTING POLICIES (Continued)**

Effective November 1, 2004, the Company adopted the revisions to CICA Handbook Section 3870, which require a fair value based method of accounting to be applied to all stock-based compensation arrangements. The fair value of each option is accounted for in operations, over the vesting period of the options, and the related credit is included in contributed surplus.

The Company's stock-based compensation plan is described in Note 6(c).

**Investments**

The Company accounts for investments at the lower of cost or fair market value.

**Asset Retirement Obligations**

The Company is required to record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its mineral exploration and development properties. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion amount on the discounted liability. An equivalent amount is recorded as an increase to mineral exploration and development properties and amortized over the useful life of the properties. The Company does not currently have any legal obligations relating to the reclamation of its mineral exploration and development properties.

**Use of Estimates:**

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the related reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

**3. CHANGE IN ACCOUNTING POLICIES**

Effective November 1, 2006, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"):

CICA Handbook Section 1530, *Comprehensive Income*, introduces a new financial statement which shows the change in equity of an enterprise from transaction and other events and circumstances from non-owner sources.

CICA Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, establishes standards for recognizing and measuring financial instruments, namely financial assets, financial liabilities and derivatives.

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It requires that:

- all financial assets classified as held for trading or available for sale be recorded at fair value;
- all financial assets classified as held to maturity or loans and receivables be recorded at amortized cost;
- all financial liabilities classified as held for trading be recorded at fair value;
- all financial liabilities classified as other be recorded at amortized cost; and
- all derivative financial instruments to be recorded at fair value.

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Unaudited

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

APRIL 30, 2007

**3. CHANGE IN ACCOUNTING POLICIES (Continued)**

The handbook section also specifies the presentation of gains or losses in the financial statements resulting from recording financial instruments at fair value.

These new standards have to be applied without restatement of prior period amounts. Upon initial application, all adjustments to the carrying amount of the financial assets and liabilities shall be recognized as an adjustment to the opening balance of retained earnings or accumulated other comprehensive income, depending on the classification of existing assets and liabilities. The adoption of these standards had no impact on the consolidated financial statements of the Company.

**4. INTEREST IN MINERAL PROPERTIES****Newfoundland and Labrador**

|                           |                    |
|---------------------------|--------------------|
| Balance, October 31, 2006 | \$ 958,427         |
| Additions                 | 489,170            |
| Recoveries                | <u>(150,000)</u>   |
| Balance, April 30, 2007   | <u>\$1,297,597</u> |

The Company has an agreement in place with Universal Uranium Ltd., whereby 5,563 claims in Seal Lake and Central Mineral Belt properties have been staked. The Company also has a 100 % interest in 2,988 claims of which 200 claims are located in Makkovich River, 758 are located in the Double Mer Property, 1,048 claims in the Mount Benedict Property and 896 claims in the Straits Property. The Company has an agreement in place whereby it can earn a 100% interest in approximately 138 claims called the Motherlode Gold Property located in the Province of Newfoundland, subject to a net smelter royalty of 2.0%. The Company has another agreement in place whereby it can earn a 100% interest in 86 claims in Snegamook Lake, located in the Province of Newfoundland, subject to a net smelter royalty of 2.0%.

**5. EQUIPMENT**

|            | Cost           | Accumulated<br>Amortization | Net<br>2007    | Net<br>2006   |
|------------|----------------|-----------------------------|----------------|---------------|
|            | \$             | \$                          | \$             | \$            |
| Equipment  | 111,511        | (35,199)                    | 76,312         | 33,638        |
| Computer   | 13,363         | (7,193)                     | 6,170          | 7,259         |
| Automotive | 85,319         | (17,944)                    | 67,375         | 48,459        |
|            | <u>210,193</u> | <u>(60,336)</u>             | <u>149,857</u> | <u>89,356</u> |

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Unaudited

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

APRIL 30, 2007

**6. CAPITAL STOCK**

(a) The capital stock is as follows:

Authorized

Unlimited number of non-voting preference shares

Unlimited number of common shares

Issued

28,511,254 Common shares

\$8,594,604

The following is a summary of capital stock outstanding at April 30, 2007:

|                           | Number of Shares  | Amount           |
|---------------------------|-------------------|------------------|
|                           | #                 | \$               |
| Balance, October 31, 2005 | 7,559,564         | 1,902,237        |
| Private placement         | 14,492,250        | 4,290,135        |
| Acquisition of property   | 325,000           | 199,800          |
| Warrants exercised        | 552,499           | 166,749          |
| Options exercised         | 120,000           | 51,000           |
| Share issue costs         | -                 | (682,318)        |
| Balance, October 31, 2006 | <u>23,049,313</u> | <u>5,927,603</u> |
| Private Placement         | 770,000           | 40,400           |
| Warrants exercised        | 3,954,882         | 2,077,926        |
| Options exercised         | 737,059           | 571,805          |
| Share issue fees          | -                 | (23,130)         |
| Balance, April 30, 2007   | <u>28,511,254</u> | <u>8,594,604</u> |

During the six months ended April 30, 2007, the Company issued 770,000 units at \$0.65 per unit. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of \$1.00 until June 20, 2008.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

APRIL 30, 2007

**6. CAPITAL STOCK (Continued)****(b) WARRANTS**

The following is a summary of warrants outstanding at April 30, 2007

|                           | Number of<br>Warrants<br># | Average<br>Price<br>\$ |
|---------------------------|----------------------------|------------------------|
| Balance, October 31, 2005 | 1,584,000                  | 0.31                   |
| Warrants granted          | 14,492,250                 | 0.51                   |
| Warrants exercised        | <u>(552,499)</u>           | <u>(0.24)</u>          |
| Balance, October 31, 2006 | 15,523,751                 | 0.50                   |
| Warrants granted          | 385,000                    | 1.00                   |
| Warrants exercised        | (3,954,882)                | (0.25)                 |
| Warrants expired          | <u>(450,000)</u>           | <u>(0.43)</u>          |
| Balance, April 30, 2007   | <u>11,503,869</u>          | <u>0.46</u>            |

Summary of warrants outstanding at April 30, 2007 :

| Number of<br>Warrants<br># | Exercise<br>Price<br>\$ | Fair Value of<br>Warrants<br>\$ | Expiry Date       |
|----------------------------|-------------------------|---------------------------------|-------------------|
| 490,000                    | 0.30                    | 29,400                          | November 14, 2007 |
| 3,020,813                  | 0.30                    | 181,249                         | December 10, 2007 |
| 7,993,056                  | 0.65                    | 1,259,017                       | November 18, 2007 |
|                            |                         | <u>1,469,666</u>                |                   |

The grant date fair value of the warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate at 4%, expected life of 1.5 years, dividend rate at 0% and volatility of 100%.

**(c) Stock Options**

The Board of Directors of the Company has adopted a stock option plan for the Company. Pursuant to the plan, the board of directors of the Company may allocate common shares to its directors, officers and certain consultants. The aggregate number of stock options to be granted under the plan should not exceed 20% of the issued and outstanding capital of the Company and the aggregate number of shares reserved for issuance to anyone person shall not exceed 5% of the issued and outstanding common shares. The options are non-transferable and non-assignable and may be granted for a term not exceeding five years. The exercise price of the options is fixed by the board of directors of the Company at the time of grant at the market price of the common shares, subject to all applicable regulatory requirements. All options are exercisable upon issuance.

Continued...

Unaudited

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

APRIL 30, 2007

**6. CAPITAL STOCK (Continued)****(c) Stock Options (Continued)**

Stock option activity for the period ended April 30, 2007 and October 31, 2006 is summarized as follows :

|                           | Options<br># | Weighted Average<br>Exercise Price<br>\$ |
|---------------------------|--------------|--|
| Balance, October 31, 2005 | 600,000      | 0.30                                     |
| Granted                   | 1,812,800    | 0.65                                     |
| Cancelled                 | (244,000)    | 0.52                                     |
| Exercised                 | (120,000)    | 0.30                                     |
| Balance, October 31, 2006 | 2,048,800    | 0.58                                     |
| Granted                   | 845,000      | 0.73                                     |
| Exercised                 | (737,059)    | (0.63)                                   |
| Balance, April 30, 2007   | 2,156,741    | 0.63                                     |

**(d) Contributed Surplus**

The following is a summary of contributed surplus activity:

|                                     |            |
|-------------------------------------|------------|
| Balance, October 31, 2005           | \$ 74,948  |
| Employee stock - based compensation | 368,741    |
| Exercise of options                 | (15,000)   |
| Brokered stock options              | 106,092    |
| Balance, October 31, 2006           | 534,781    |
| Employee stock - based compensation | 183,324    |
| Warrants expired                    | 42,000     |
| Exercise of options                 | (121,588)  |
| Balance, April 30, 2007             | \$ 638,517 |

**7. LONG TERM DEBT**

|                       | <u>2007</u>      | <u>2006</u>      |
|-----------------------|------------------|------------------|
| Chattel Loan Payable  | \$ 37,351        | \$ 41,833        |
| Less due in 12 months | <u>8,964</u>     | <u>8,964</u>     |
| Long term portion     | <u>\$ 28,387</u> | <u>\$ 32,869</u> |

Repayable at \$ 747 monthly, principle plus 0% interest, in 60 equal installments secured by 2006 GMC vehicle.

**8. RELATED PARTY TRANSACTIONS**

Included in accounts payable and accrued liabilities as at April 30, 2007 is \$4,002 (2006 - \$15,632) owing to directors of the Company. Related parties were also reimbursed for out of pocket expenses.

All of the above transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration agreed to by the related parties.

Continued...

Unaudited

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

APRIL 30, 2007

**9. FINANCIAL INSTRUMENTS**

## Fair Value:

Canadian generally accepted accounting principles require 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 and prepaid expenses, loan receivable, accounts payable and accrued liabilities, and long-term debt on the balance sheets approximate fair value because of the limited term of these instruments.

**10. COMMITMENTS**

On January 13, 2006 the Company entered into an agreement to purchase 138 gold claims on approximately 4,200 hectares of land called the Motherlode Gold property located in the province of Newfoundland, for \$55,000.00 cash and 200,000 shares, payment as follows: year one \$25,000 cash and 150,000 shares with a value of \$0.76 each totaling \$114,000 (already paid), year two cash payment of \$15,000 and delivery of 25,000 shares and year three cash payment of \$15,000 and delivery of 25,000 shares. The Company has a work commitment in place whereby it must spend \$800,000 on exploration over three years to earn a 100% interest subject to a 2% Net Smelter Royalty ("NSR"). If either party terminates the agreement, then any unpaid amounts and undelivered shares is forfeited.

During the year ended October 31, 2006, the Board of Directors agreed to pay a finders fee of 265,000 shares at a value of \$0.50 per share to an agent of the Company upon a successful consummation of a contract to joint venture its uranium exploration and development within the regions of Central Mineral Belt and Seal Lake with Universal Uranium Ltd. On January 17, 2006 a contract was executed and signed by both parties. Upon the Company receiving a deposit from Universal Uranium Ltd., it agreed to release 165,000 shares leaving a balance of 100,000 shares to be paid at a later date. If either party terminates the agreement then any and all undelivered shares will be forfeited.

On February 28, 2006 the Company entered into an option and royalty agreement on The Double Mer Property which allows the Company to own the 758 claims in six licenses outright. Terms of the agreement are that Silver Spruce Resources paid \$12,000 on execution of the agreement and pays \$12,000 on each of February 28, 2007 and 2008. In addition a 1% NSR is payable derived from commercial production from the property. At any time during the agreement if the Company terminates the agreement by abandoning the property the other party has the option to relicense the claims, at his cost, in his own name. Any unpaid monies will be forfeited.

On March 15, 2006 the Company entered into an option and royalty agreement on The Straits Property which allows the Company to own the 800 claims in four licenses outright. Terms of the agreement are that the Company pay \$12,000 on execution of the agreement and pays \$12,000 on each of March 15, 2007 and 2008. In addition a 1% NSR is payable derived from commercial production from the property. At any time during the agreement if the Company terminates the agreement by abandoning the property the other party has the option to relicense the claims, at his cost, in his own name. Any unpaid monies will be forfeited.

Unaudited

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**10. COMMITMENTS (Continued)**

On June 27, 2006 the Company entered into an option and royalty agreement on The Snegamook Property which allows the Company to own the 86 claims in four licenses outright. Terms of the agreement is that Silver Spruce Resources Inc. paid \$8,000 and 10,000 common shares of the Company on execution of the agreement and pays \$8,000 and 10,000 common shares on each of June 27, 2007 and 2008. In addition a 2% NSR is payable derived from commercial production from the property. At any time during the agreement if the Company terminates the agreement by abandoning the property the other party has the option to re license the claims, at his cost, in his own name. Any unpaid monies will be forfeited.

On January 29, 2007, the Company executed a letter of offer for an option on the Centauro property in Mexico. The Letter of Offer, provides the Company an option for a three year term to earn a 100% interest in the Property subject to a 3% NSR, with a 2% buyback for US\$2,000,000. The payment for the 100% interest in the Property by the Company is US\$375,000 and 1,325,000 common shares of the Company payable over four years as follows and a further payment starting in Year 6 (5<sup>th</sup> anniversary) of US\$50,000 per year as an advance against NSR payable:

|                                      |                                       |
|--------------------------------------|---------------------------------------|
| Year 1 (on signing)                  | US\$50,000 and 125,000 common shares  |
| Year 2 (1 <sup>st</sup> anniversary) | US\$75,000 and 200,000 common shares  |
| Year 3 (2 <sup>nd</sup> anniversary) | US\$100,000 and 400,000 common shares |
| Year 4 (3 <sup>rd</sup> anniversary) | US\$150,000 and 600,000 common shares |

The Company shall pay a staged finder's fee of cash and common shares of the Company based on a common share price of \$0.47 per common share (CDN\$87,372) and the Company's continued involvement with the Property as follows:

|                                      |                      |
|--------------------------------------|----------------------|
| Year 1 (on signing)                  | CDN\$9,600           |
| Year 2 (1 <sup>st</sup> anniversary) | 31,595 common shares |
| Year 3 (2 <sup>nd</sup> anniversary) | 52,044 common shares |
| Year 4 (3 <sup>rd</sup> anniversary) | 81,831 common shares |

On February 26, 2007, the Company announced the retention of Longview Capital Partners Incorporated ("Longview") to provide the Company with investor relations services. The agreement with Longview shall have a term ending on February 28, 2008, renewable at the option of the parties. As consideration, Longview will receive \$7,500 per month and be granted options to purchase 200,000 common shares of the capital stock of the Company at a price of \$0.65 per share for a period of five years with vesting in equal amounts on a quarterly basis over the first year of the option term.

On April 2, 2007, the Company signed a binding letter of intent regarding the Hudson Bay uranium property. The Company can acquire from Azimut Exploration Inc. ("Azimut") a 50% interest in the project over a five year period together with an additional 15% interest in upon delivery of a bankable feasibility study. The Company can acquire a 50% interest in the project under the following conditions:

- Cash payments of \$50,000 on the later of signing and regulatory approval and \$50,000 on the four subsequent anniversaries for a total of \$250,000. The Company will also issue 200,000 common shares, and an additional 100,000 shares on the first anniversary; the Company may elect to substitute cash payments for up to 50% of the value of the shares to be issued.
- Minimum work expenditures of \$300,000 during the first year (firm commitment) and \$400,000, \$600,000, \$600,000 and \$700,000 during subsequent years for an aggregate total of \$2,600,000.

Unaudited

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

APRIL 30, 2007

**10. COMMITMENTS (Continued)**

Upon the Company acquiring a 50% interest, Azimut will retain a 2% Yellow Cake Royalty. The Company will have the option of earning an additional 15% interest by delivering a bankable feasibility study under the following conditions:

- the issue of 100,000 common shares in a one-time grant and cash payments of \$30,000 per year for five years for a total of \$150,000; and
- minimum work expenditures of \$200,000 per year during the five year earn-in period.

If the Company decides not to exercise this additional option, the Company will provide Azimut with \$100,000 in cash as final payment. Silver Spruce will be the Operator.

**11. SUBSEQUENT EVENTS**

On June 15, 2007 the Company announced that it has signed a binding letter of intent (the "Agreement") to consolidate all Canadian uranium properties pursuant to a plan of arrangement. Pursuant to the Agreement, Universal Uranium Ltd. with its Canadian uranium assets, will become a wholly owned subsidiary of the Company. The resulting entity will continue under the name "Silver Spruce Resources Inc." and its shares will continue to be listed and posted for trading on the TSX Venture Exchange as "SSE". Universal Uranium Ltd.'s US assets will be spun out to shareholders as a new company. The Company will also spin off its non-uranium properties and related assets to its shareholders in the form of a new company. In accordance with the Agreement, Universal Uranium Ltd. shareholders will receive one Silver Spruce Resource Inc. common share for every Universal Uranium Ltd. common share held, equal to 50% of Silver Spruce Resource Inc. on a fully diluted basis. Closing is expected by October 31, 2007, subject to extension.

On June 22, 2007, the Company announced that it is arranging a non-brokered private placement for \$1,788,000. The offering will consist of the issuance of 1,490,000 units of Silver Spruce Resources Inc. Each Unit will be offered at a price of \$1.20 and will consist of one common share and one-half of one common share purchase warrant, with each whole warrant exercisable at a price of \$1.75 per common share for a period of 24 months following the closing of the offering. A finder's fee will be paid on 50% of the offering. The offering is subject to TSX Venture Exchange approval and all other required approvals.

On June 22, 2007, the Company also announced options to be issued to directors and officers of the Company pursuant to its stock option plan for 1,650,000 common shares for three years at an exercise price of \$1.40 per common share.



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**NEWFOUNDLAND AND LABRADOR**

The Company has acquired 10,892 claims with uranium potential in the Central Mineral Belt (CMB), Seal Lake, Double Mer, Mount Benedict, Snegamook, Makkovik River and the Straits areas of Newfoundland and Labrador up to June 15, 2007. Silver Spruce's joint venture partner Universal Uranium has earned a 60% interest in the CMB and Seal Lake licenses (6,582 claims) by having spent in excess of \$2 million on the project over the last two years.

On June 15, 2007 the Company announced that it has signed a binding letter of intent (the "Agreement") to consolidate all Canadian uranium properties pursuant to a plan of arrangement. Pursuant to the Agreement, Universal Uranium Ltd. with its Canadian uranium assets, will become a wholly owned subsidiary of the Company. The resulting entity will continue under the name "Silver Spruce Resources Inc." and its shares will continue to be listed and posted for trading on the TSX Venture Exchange as "SSE". Universal Uranium Ltd.'s US assets will be spun out to shareholders as a new company. The Company will also spin off its non-uranium properties and related assets to its shareholders in the form of a new company. In accordance with the Agreement, Universal Uranium Ltd. shareholders will receive one Silver Spruce Resource Inc. common share for every Universal Uranium Ltd. common share held, equal to 50% of Silver Spruce Resource Inc. on a fully diluted basis. Closing is expected by October 31, 2007, subject to extension.

In each of past nine quarters, the Company incurred the following expenditures on exploration of properties:

| Expressed in \$      | Jan 07<br>Quarter | Oct 06<br>Quarter | July 06<br>Quarter | April 06<br>Quarter | Jan.06<br>Quarter | Oct. 05<br>Quarter | July 05<br>Quarter | April 05<br>Quarter |
|----------------------|-------------------|-------------------|--------------------|---------------------|-------------------|--------------------|--------------------|---------------------|
| Seal Lake            | 50                | Nil               | Nil                | 763                 | 24,878            | 25,206             | Nil                | Nil                 |
| Central Mineral Belt | 208,080           | 3,000             | Nil                | 1,094               | 8,891             | 21,999             | Nil                | Nil                 |
| Double Mer           | 35,087            | 71,228            | 34,188             | 50,268              | 7,755             | Nil                | Nil                | Nil                 |
| Mount Benedict       | 9,709             | 185,470           | 23,448             | 26,992              | 4,920             | Nil                | Nil                | Nil                 |
| Straits              | 43,534            | 39,711            | 35,787             | 52,080              | 8,000             | Nil                | Nil                | Nil                 |
| Snegamook            | 2,912             | 2,164             | 14,825             | Nil                 | Nil               | Nil                | Nil                | Nil                 |
| Makkovik River       | Nil               | 2,000             | Nil                | Nil                 | Nil               | Nil                | Nil                | Nil                 |
| Reid Lot 50          | Nil               | Nil               | Nil                | (6,500)             | 3,031             | (25,092)           | Nil                | 5,582               |
| Motherlode           | 6,599             | 39,709            | 103,522            | 127,683             | 10,525            | 18,288             | Nil                | Nil                 |
| Genex                | 68                | 4,310             | 3,280              | 701                 | Nil               | Nil                | Nil                | Nil                 |
| CEN                  | 47,568            | Nil               | Nil                | Nil                 | Nil               | Nil                | Nil                | Nil                 |
| CNL                  | 31,768            | Nil               | Nil                | Nil                 | Nil               | Nil                | Nil                | Nil                 |
| Hudson Bay           | 53,847            | Nil               | Nil                | Nil                 | Nil               | Nil                | Nil                | Nil                 |

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**PROPERTIES - URANIUM**

**Newfoundland and Labrador**

**General**

A fully winterized camp was permitted and built on a peninsula on the southern bank of the Kanairiktok River in October 2006. This camp will serve as the base for exploration in the western portion of the CMB and the Seal Lake area. A rented house in Postville, at the eastern end of the CMB, will serve as a base for exploration on the eastern CMB properties and the Mount Benedict properties.

The only drilling carried out to date has been on the CMBNW property on the Two Time zone, which was discovered in the follow up of the airborne survey in late August 2006. A first phase diamond drilling program (DDH's CMB-06-1 to 5), was carried out from early to mid December 2006. The second phase drill program (CMB-07-6 to 12) began in early February, 2007 and was completed by late March 2007. The third phase drill program, still in progress, began in early May.

All core samples are shipped to the Activation Laboratories prep laboratory in Happy Valley - Goose Bay with the pulps sent for analysis to their Ancaster ON laboratory, for analysis for U by delayed neutron counting (DNC) and ICP for 31 elements. The DNC technique gives accurate results for U values up to 1 % U<sub>3</sub>O<sub>8</sub>.

**Central Mineral Belt (CMB) / Seal Lake (SL) Properties**

**Central Mineral Belt**

**General**

The Central Mineral Belt properties, acquired by staking and now part of the Silver Spruce/Universal Uranium Joint Venture, are located inland from the Postville-Makkovik area of Labrador, approximately 150 kilometers north and northeast of Happy Valley-Goose Bay. The properties consist of 4113 claims of 25 hectares each 102,825 ha (approximately 1028 km<sup>2</sup>) in 10 separate blocks and 43 licences.

The claims cover uranium in lake sediment anomalies located by the Newfoundland and Labrador government with anomalous values ranging from 8 to 98 ppm, with many in the 20 to 70 ppm range, against a background of <5 ppm hosted in felsic 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 the Olympic Dam, shear hosted style uranium deposits such as the Michelin and granite hosted deposits such as the Rossing Mine in Namibia. The properties are proximal to the Michelin, Moran Lake and other uranium showings being explored by Aurora Energy, Crosshair Exploration and Mining, and Santoy / Monster Copper. The Michelin / Jacques Lake deposits host a resource of approximately 98 M lbs of U<sub>3</sub>O<sub>8</sub> (Aurora Energy press release – Feb. 13, 2007). The CMB is the most active uranium exploration play in Canada outside of the Athabasca basin.

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### **Geological Setting / Deposit Types / Mineralization**

The Central Mineral Belt (CMB), part of the north eastern Laurentian Shield, is an area of Archean to Mesoproterozoic crustal units, located in eastern Labrador. It contains part of the Nain, Makkovik, and Churchill tectonic provinces and is overprinted in the south by the exterior thrust belt of the Grenville province. It is comprised of six proterozoic supracrustal sequences, intrusive suites of various ages and adjacent Archean units. Deformation from the Makkovikian, Labradorian and Grenvillian orogenies has affected the CMB. The two main units of interest for uranium exploration, to this point, within the CMB are the Aillik and Post Hill Groups, within the Aillik domain, where the Michelin deposit (Aurora), the Kitts deposit (on the LIL EML) and the Moran Lake deposits (Crosshair) are located. The Aillik Group consists of approximately 5 km of metasedimentary units, bimodal metavolcanic units (primarily felsic), sub volcanic intrusive and diabase dikes, with a lower mainly metasedimentary section and an upper mainly fragmental, felsic volcanic section. The Post Hill Group consists of approximately 2.7 km of metamorphosed siliceous and carbonaceous clastic sedimentary and mafic metavolcanic units in contact with Archean gneiss. It is generally highly strained and occurs in thrust sheets near Kaipokok Bay. The uranium mineralization, in the Post Hill and Aillik Groups, along with associated deformation, amphibolites facies regional metamorphism and metasomatism is thought to be associated with the Makkovikian orogeny from 1.9 to 1.7 Ga. The new discovery at the Two Time zone is hosted in felsic intrusives, monzonites to monzodiorites, of the Kanairiktok Intrusive suite (KIS). The uranium mineralization is associated with hematite rich micro breccias and alteration consisting of chlorite, albite and carbonate.

### **Previous Work**

**Brinex** carried out exploration over their mineral concession in the area in the 1950's and 60's, with the first discovery of uranium made in 1956 and the Kitts Deposit explored by drilling and underground development in 1957. A mining plan for the Kitts and Michelin deposits was completed in the mid 1970's but the drop in uranium prices around this time led to the abandonment of uranium exploration in Labrador by Brinex and the surrendering of its concessions in 1983 and 1985. The majority of airborne radiometric, magnetic and electromagnetic surveys in the Michelin and Kitts region of the CMB were completed by Brinex during their exploration, however, the coverage is not complete or consistent. In many cases, the original data from these surveys is not available.

A joint venture between Brinex and **Urangesellschaft Canada Ltd.** and a related airborne gamma-ray spectrometer survey by Barringer Research in 1967 resulted in the discovery of the Michelin in 1968 and later the Gear, Inda and Nash prospects in 1968 and 69 during a ground follow-up of the airborne anomalies. The data is old, and was flown mainly at wide flight line spacing.

The **Altius / Fronteer** joint-venture (now **Aurora Energy**) was formed in 2003 to evaluate the IOCG potential of the area. In the course of this work, shear zone hosted uranium potential was noted and the widespread hematite / chlorite / epidote / actinolite alteration associated with uranium mineralization, in the Aillik and Post Hill groups resulted in blanket staking of the portions of these groups covering the known showings. Airborne spectrometer surveys in 2004 and 2005 resulted in the definition of the known showings plus new targets in the Michelin, Otter Lake and Jacques's Lake areas, which are in the process of being explored. Uranium mineralization in the CMB is associated with hydrothermal breccias with well oxidized wall rocks and dark, hornblende rich, fracture fillings. Known showings include: Gear, Inda and Nash in the Post Hill Group and the McLean (Jacques's Lake), Emben (Otter Lake), Melody Hill, White Bear Lake, Melody Hill, Michelin, Michelin East and Rainbow in the Aillik Group. The Michelin and Jacques Lake deposits host resources of approximately 98 M lbs of U<sub>3</sub>O<sub>8</sub> (Aurora press release – Feb 13, 2007) and are the most advanced of the projects. They are localized in high strain structural zones that parallels east-northeast trending and south dipping stratigraphic zones, and are hosted in sheared

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(foliated and deformed), metamorphosed felsic volcanic and volcanoclastic units in which the quartzo-feldspathic groundmass is recrystallized. The Michelin deposit has been traced to 700 m vertical depth and over a strike length of 1200 m and remains open on strike and down dip. Grades average 0.12 %  $U_3O_8$  range with thicknesses of up to 30 m, averaging > 10 m, as high grade shoots within a 50 m + deformed / altered zone. Hematite alteration is ubiquitous in the mineralized zone. High grade values are found in the Otter Lake showing (0.5 m of 1 %  $U_3O_8$ ) and boulders averaging 8.4 to 11 %  $U_3O_8$  are found in the Melody Hill area (Aurora prospectus) indicating that high grade potential does exist in the CMB.

**Crosshair Exploration and Mining** optioned the Moran Lake property in the winter of 2005 and flew an airborne survey that summer. They are exploring for unconformity style uranium mineralization in the northern portion of their claims, iron oxide copper gold (IOCG) mineralization in the central area and shear zone hosted uranium in the southern portion of their property. Their main target is the copper / uranium / magnetite / hematite mineralized zones of the Moran Lake A, B and C deposits, discovered and drilled by Shell Canada in the 1970's, which are peripheral to large gravity anomaly possibly representative of a Olympic Dam type target. Drilling has been carried out in 2006 and is ongoing in 2007 with two drills. Some of the better intersections include: DDH ML-21 - 0.135 %  $U_3O_8$  over 30.3 m and DDH MLBZ-1 - 0.269 %  $U_3O_8$  over 7.6 m from the Moran C zone. Other significant values have been intersected in the Area 1, Moran Heights and Dominion zone areas.

**Santoy Exploration / Monster Copper** have been carrying out exploration in the CMB also since 2005. Airborne surveys followed by ground follow up has resulted in a number of showings being located. Drilling in 2006 and 2007 on old Brinex / Canico showings gave significant results in the Anomaly 7 area - DDH A7-05-01 2.7 m at 0.278 %; and the Mustang / Fishhook Lake area which gave values up to 0.12 %  $U_3O_8$  over 9.11 m (DDH SP-06-10). On the Fish Hawk Lake South zone, diamond drilling in 2007, intersected U mineralization in 10 of 13 drill holes, tracing it over a minimum strike length of 250 m. The zone dips steeply to the north, and remains open to the east and at depth. Highlights of results include 0.181 per cent  $U_3O_8$  over 4.50 metres and 0.106 per cent  $U_3O_8$  over 9.92 metres, both within a thicker zone of 0.063 per cent  $U_3O_8$  over 27.88 metres in FHLS-07-03; 0.419 per cent  $U_3O_8$  over 3.28 metres, including 1.153 per cent  $U_3O_8$ , 0.790 ounce per ton silver and 0.5 per cent copper over 0.94 metre in FHLS-07-09; and 0.065 per cent  $U_3O_8$  over 17.46 metres, including 0.100 per cent  $U_3O_8$  over 5.23 metres in FHCS-07-13 (Santoy news release June 5, 2007). They are continuing to explore their properties in 2007 and further drilling is planned.

#### **2006 / 2007 Exploration**

All of the Labrador uranium properties were covered by an airborne radiometric / magnetic survey carried out under contract by Fugro Airborne Surveys, in the summer of 2006. Line spacing was 100 m with a total of 8059 line km flown. The CMB area gave a of 17 high priority targets which were selected for priority follow up. These included 4 on the Jacques Lake property, 2 on the CMB NW property, 4 on the CMB SE property, 1 on the CMB E property and 6 on the CMB NE property, however many other lower priority targets are also shown. The targets were selected on the basis of U/Th ratios, using the 95th percentile; total uranium, total field magnetics and geology. Limited ground follow up, consisting of prospecting using hand-held scintillometers, using a helicopter supported, five man crew, was carried out from late August to late September.

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**Prospecting** – Prospecting was carried out in conjunction with stream sediment sampling utilizing helicopter support in the early fall of 2006. U and ICP analyses showed no significant values from the areas that were covered except on the CMBNW block where the Two Time showing was located in follow up of the CMBNW # 2 anomaly and uranium bearing pegmatite mineralization was found in the area of the CMBNW # 1 anomaly. Limited prospecting in the late fall, just before snow fall located the Near Miss and HF occurrences 4 km to the southwest and 2 km to the northeast respectively.

**Geochemistry (Stream sediments)** - Samples were taken on the CMBNW block in conjunction with prospecting, on streams draining into the Kanairiktok River and Snegamook Lake. Forty six (46) samples were acquired. A total of 13 were considered to be anomalous (> 20 ppm U) with sample values varying from 1.4 to 117 ppm U. The two most anomalous streams were the two streams draining the ponds which lie to the south and southwest of the Two Time showing, where an anomalous lake bottom value is found. The highest value (117 ppm U) was found in the vicinity of the soil anomalies on the southern part of the Two Time grid. Other weaker anomalous values were noted in streams to the east along the Kanairiktok River and in the streams draining into Snegamook Lake from the north. ICP results gave no significant values.

**Lake Sediment Geochemistry** - The CMBNW and Jacques Lake properties were covered by a detailed lake bottom survey in the late winter / early spring of 2007. The surveys were carried out utilizing helicopter support and augering through the ice to acquire the samples from the lake bottoms. Most accessible lakes were sampled. Results were reported in late June.

### **Two Time Showing**

The only significant showing located in the airborne follow up on the CMB properties was coincident with the CMBNW 2 anomaly, located on the Kanairiktok River, just to the east of Snegamook Lake. The “Two Time” showing, uranium mineralization in an altered / brecciated felsic intrusive, a monzonite to monzodiorite, was located just to the south of the Kanairiktok River, on the valley edge, where it outcropped. The zone was traced over an area of 300 m by 50 by prospecting, gridding, ground scintillometer surveys and hand trenching.

**Gridding** - A baseline was cut for control extending from 2+25 S at a small pond, to 5 N, for a total length of 725 m. Lines were flagged to the east and west of the baseline for approximately 200 m, for control of soil geochemistry and scintillometer surveys.

**Soil Geochemistry** - B horizon soil samples were taken on the grid at 25 m intervals on lines 25 m apart. In the northern portion of the grid, a total of 28 samples gave anomalous values (> 2 ppm) ranging from 2.1 to 5220 ppm, with 6 samples giving values greater than 50 ppm U. The only anomalous values found coincident with the trenched mineralization were on Lines 2+75 and 3 N just east of the baseline, where values from 4.9 to 700 ppm U were found. The three strongest values, all over 500 ppm U, were located on Lines 3, 3+25 and 3+50 N at 0+50 E, giving results of 700, 5220 and 674 ppm, and lying on strike and down slope from the Cliff showing. The anomalous zone is traced from 2+75 to 4+50 N, at approximately 0+50 E, a distance of 175 m. In the southern portion of the grid, values up to 532 ppm U (0+25 S, 1 W), with 20 anomalous samples (> 2 ppm) were located. Background is < 2 ppm. Two trends were noted – the strongest extending from Line 0+25 S, 1-1+50 W with values of 532, 197 and 38.1 ppm across Line 0+50 S, 1+25-1+50 W, 134 and 53.2 ppm, across Line 0+75 S, 1+50-1+75 W, 74.3 and 4.5 ppm, to Line 1+00 S, 1+75 W, 47 ppm. The second trend lies along a possible southern extension of the mineralization tested by the trenching, extending from 1+00 S, 1 W - 21.6 ppm, across Line 1+25 S, 0+50-1+00 W - 9.1, 46.1 and 59.9 ppm, across Line 1+50 S, 0+75-1+00 W - 2.1 and 3.5 ppm,

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to Line 1+75 S, 1+00 W - 6.4 ppm U. The southernmost trench (# 6) was flanked to the east by two weakly anomalous samples of 3.4 and 3 ppm at 0+25 and 0+50 W and to the west, the most anomalous sample located, 532 ppm at 1+00 W, 25 m downhill from trench 6. The high values on the western trend to the west and south of Trench 6 may be related to downhill movement of soils (creep) or groundwater leaching from the mineralized zone tested by trench 6, however the values further south are unlikely to have been derived from the known mineralization as they lie to the west of the brook coming out of the small pond. This pond gives a lake bottom anomaly of 46 ppm U and this might be explained by U mineralization extending along the more eastern trend into the pond.

**Prospecting** - Twenty two (22) rock samples, which gave significant scintillometer values > 10,000 cps were taken over an area of approximately 300 m by 50 m, along the trend of the radiometric anomaly. Values ranged from 2783 to 18 ppm U<sub>3</sub>O<sub>8</sub>. Eight samples gave individual values > 0.1 % U<sub>3</sub>O<sub>8</sub> with 12 samples averaging > 0.05 % U<sub>3</sub>O<sub>8</sub>. Re-analysis using pulps and rejects gave comparable values. The host felsic intrusive is brecciated and fractured with red earthy hematite, chlorite, carbonate and albite .

**Trenching** - Six trenches were dug across the mineralized, radioactive zone, over a strike length of approximately 300 m and across a width of 30-50 m. The zone extends, in an approximate north-south direction, from the "Cliff zone", the northernmost mineralization, at approximately 2+75 N to Trench 6, the southernmost trench, at approximately 0+25 S. Channel samples at 1 m intervals were taken using a chisel to remove the rock between the parallel saw cuts. The cliff face was chip sampled. A description of the trenches and scintillometer results follows:

Trench 1 – 0+87.5 N; Samples 4126-34 (9); 200 to > 10 K, generally 500 to 2 K cps.

Trench 2 – 1+25 N; Samples 4135-42 (8); 200 – 4200, generally > 1K cps

Trench 3 – 1+65 N; Samples 4205-11 (7); 200 to 3900, generally 1-3 K cps

Trench 4 – 2+05 N; Samples 4170-98 (29); 200 to 3600, generally 500-1500 cps.

Trench 5 – 2+45 N, Samples 4143-50 (8); 800-9700, generally 1-2 K cps

Trench 6 – 0+75 S, Samples 4199-4204 (6); no cps readings taken

Cliff face – 2+75 N, Samples 4151-69 (19), no cps readings taken due to the mass effect of the cliff face.

The highest grades were located in Trench 5 which gave 324 ppm U<sub>3</sub>O<sub>8</sub> over 5 m. Two other trenches gave values over 300 ppm including Trench 2 – 304 ppm over 4 m and the Cliff showing at 315 ppm over 6 m. The other trenches gave U<sub>3</sub>O<sub>8</sub> values as follows: Trench 1 – 214 ppm over 3 m, Trench 3 – 223 ppm over 3 m, and Trench 4 – 217 ppm over 3 m. The two highest values were 807 and 506 ppm U<sub>3</sub>O<sub>8</sub> over 1 m each in the Cliff and Trench 5 respectively.

**Petrology** - Four polished thin sections were prepared from uranium enriched surface rocks. They were submitted to Caracle Creek International Consulting, for petrology using transmitted and reflected light followed by scanning electron microscope (SEM) work to identify the minerals, especially the U minerals. The rocks consist dominantly of sodic (Na rich) plagioclase, with minor K-spar and quartz, which are strongly brecciated and altered (abundant carbonate, chlorite and hematite). The uranium minerals are uraninite and brannerite (U / Ti oxide), and hydrated equivalents. Some of the uraninites contain Ce (cerium). The U mineralization is associated with carbonate–chlorite alteration in strongly altered breccias – a fractured / brecciated, mainly sodium feldspar rich rock unit, an altered monzonite or monzodiorite. Iron and Ti oxides are also abundant. The opaque minerals are spatially associated with the chlorite in veins but also occur disseminated in the breccia matrix.

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**Diamond Drilling**

**General** - Three diamond drilling programs have tested the Two Time zone. A total of 812 m in five drill holes (CMB-06-1 to 5) tested the Two Time showing in December 2006 defining a wide zone of uranium mineralization. The second phase program, 7 holes totalling 2442 m (CMB-07-6 to 12), carried out from January to March 2007, further defined the mineralization and located significant widths of higher grade values in the 0.1 % range and wide zones, up to 147 m, of lower grade values. Uranium mineralization has been intersected in 11 of 12 drill holes in the two programs. A third phase drill program, with a contract of 8000 m of drilling, started in late April 2007 and continues to date. This program is aimed at defining the mineralized zone along strike and to depth with the intent of defining a 43-101 compliant resource by late summer or early fall.

**Summary** - The Phase 1, December 2006, drilling defined a wide zone of low grade uranium mineralization in three of five holes. The best mineralization was located in DDH CMB-06-3, which gave 82.4 m of 0.021 % uranium oxide ( $U_3O_8$ ), or approximately 0.5 lbs / ton, from 83.5 to 165.9 m, including two higher grade zones of 0.13 %  $U_3O_8$  over 1.6 m from 100.8 to 102.4 m and 0.13 %  $U_3O_8$  over 1.4 m from 106.1 to 107.5 m. Four of the five holes give narrow zones grading over 0.1% uranium oxide ( $U_3O_8$ ) within wider zones of lower grade mineralization. Hole #4 which tested the high soil values to the north of the cliff zone, gave only low scintillometer values in interfingering felsic and mafic intrusives, and was not sampled.

The second phase drilling was carried out between late January and March 16, 2007, with a total of 2442 m completed. Total for phases 1 and 2 (Dec, 2006 and Feb/Mar 2007) is 3254 m. Wide zones of uranium mineralization were intersected in DDH CMB-07-6, which was drilled under DDH CMB-06-5 at a 50 degree dip, intersecting the zone between 150 m and 200 m deep. This hole gave 107m of 0.052% uranium oxide ( $U_3O_8$ ) from 172m to 279m, including higher grade zones: 0.11%  $U_3O_8$  over 30m from 172m to 302m including 0.312%  $U_3O_8$  over 3.0m from 172m to 175m and CMB-07-12, drilled under CMB-07-6, which gave 147 m of 0.041% (0.82 lbs/ton)  $U_3O_8$  including higher grade intersections of 11 m at 0.11 % (2.2 lbs/ton) and 6 m – 0.13 % (2.6 lbs/ton)  $U_3O_8$ .

Modelling of the drill-hole data with Surpac Xplorpac, after the second phase drilling, shows the zone has excellent strike and depth continuity and is open along strike and to depth. It also indicates a number of dextral, normal faults that have offset the zone along strike, including to the south where DDH CMB-07-7 did not intersect the mineralized zone although it did encounter uranium values (5 m of 0.061 %  $U_3O_8$ ) in a fault / shear structure. The mineralization appears to be stronger to the south, but possibly offset to the west, where anomalous soil geochemistry indicates the zone may continue under a small pond, and at depth.

The third phase of drilling began in early May, carried on through breakup and continues to date. The 8000 m contract is targeted at defining the mineralized zone to allow a 43-101 compliant resource to be calculated by late summer or early fall. The zone has been traced over a 300 m plus strike length from 1+25 N where near surface drilling in CMB-06-2 gave 71.5 m of 0.015 %  $U_3O_8$  to 0+50 S, where CMB-06-5 gave 59.2m of 0.024 %  $U_3O_8$ . It appears to narrow to the north, where CMB-06-1 gave 15.8m of 0.033 %  $U_3O_8$ . Two holes in the second phase drilling, CMB-07-10, located 100 m to the north of CMB-07-06 and 12, intersected 35 m of 0.026 %  $U_3O_8$  including a 4 m section of 0.104 %  $U_3O_8$ . DDH CMB-07-11 which targeted the zone 50 m below CMB-07-10, intersected a 35 m zone giving 0.034 %  $U_3O_8$ , but was terminated at 297.8 m just prior to intersecting the main target zone, due to bad ground conditions. Mineralization is hosted in an altered, brecciated and fractured, felsic intrusive, of monzonitic to monzodioritic composition, which carries extensive hematite, chlorite, albite and carbonate.

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The zone appears similar to large uranium mineralized, hematite breccia deposits such as Olympic Dam, which are being mined in Australia for copper and uranium. The mineralized zone appears to be near vertical to steeply dipping, indicating that drill intersections are probably one half to two thirds true width.

Selected analytical values for the sections sampled are shown in Table 1. A plan map of the drilling, plus sections 0+00 and 0+50 S through DDH's 3, 5 and 6, and 13 / 14 respectively are shown on Silver Spruce's website.

ICP analyses showed no significant values in other elements. Highest anomalous values were 1.6 ppm Ag (background < 0.2 ppm) and 130 ppm Pb (background 30 ppm) in sample 10562 which gave also 2400 ppm U, and 101 and 173 ppm Cu (10558, 10559) in the mafic intrusive in CMB-06-1, which had significant disseminated pyrite. Elevated Ba to 1160 ppm (background < 100), and La to 48 ppm (background < 10 ppm) were also noted. The ICP values for U are consistent with the DNC values although generally 10-20 % lower – for example 10562 gave 1950 U in ICP and 2400 ppm in DNC and 10567 gave 157 U in ICP and 173 ppm in DNC.



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TABLE 1  
ANALYTICAL RESULTS  
Diamond Drilling – CMBNW Property – Two Time Showing

| DDH #        | From  | To      | Length<br>m | % U <sub>3</sub> O <sub>8</sub> | lbs / ton<br>U <sub>3</sub> O <sub>8</sub> |
|--------------|-------|---------|-------------|---------------------------------|--|
| CMB-06-1     | 41.7  | 57.5    | 15.8        | 0.0326                          | 0.65                                       |
| incl.        | 41.7  | 44.8    | 3.1         | 0.0494                          | 0.99                                       |
| incl.        | 42.9  | 43.6    | 0.7         | 0.14                            | 2.8  |
| incl.        | 42.9  | 43.1    | 0.2         | 0.28                            | 5.66                                       |
| incl.        | 51.3  | 53.3    | 2.0         | 0.0546                          | 1.09                                       |
| CMB-06-2     | 90.0  | 161.5   | 71.5        | 0.0148                          | 0.30                                       |
| “            | 126.2 | 126.6   | 0.4         | 0.104                           | 2.08                                       |
| “            | 136.1 | 139.9   | 3.8         | 0.0394                          | 0.79                                       |
| CMB-06-3     | 83.5  | 165.9   | 82.4        | 0.0211                          | 0.42                                       |
| “ incl.      | 83.5  | 107.5   | 24.0        | 0.0404                          | 0.81                                       |
| “ incl.      | 86.8  | 93.7    | 6.9         | 0.0561                          | 1.12                                       |
| “            | 100.8 | 102.4   | 1.6         | 0.13                            | 2.6  |
| “            | 106.1 | 107.5   | 1.4         | 0.13                            | 2.6  |
| “            | 159.8 | 161.9   | 2.1         | 0.0766                          | 1.53                                       |
| CMB-06-4     | No    | Samples | Taken       |                                 |  |
| CMB-06-5     | 44.0  | 103.2   | 59.2        | 0.0238                          | 0.48                                       |
|              | 46.0  | 56.0    | 10.0        | 0.0417                          | 0.83                                       |
|              | 97.2  | 97.5    | 0.3         | 0.1639                          | 3.28                                       |
| CMB-06-5 ext | 169.9 | 172.0   | 2.1         | 0.021                           | 0.42                                       |
|              | 180.8 | 184.2   | 3.4         | 0.088                           | 1.76                                       |
|              | 189.6 | 195.2   | 5.6         | 0.031                           | 0.62                                       |
| CMB-07-6     | 172.0 | 279.0   | 107.0       | 0.052                           | 1.04                                       |
| incl.        | 172.0 | 202.0   | 30.0        | 0.11                            | 2.2  |
| incl.        | 172.0 | 175.0   | 3.0         | 0.312                           | 6.24                                       |
| incl.        | 177.3 | 173.7   | 0.4         | 1.19                            | 23.8                                       |
| and          | 179.0 | 187.0   | 8.0         | 0.137                           | 2.74                                       |
| and          | 192.0 | 198.0   | 6.0         | 0.143                           | 2.86                                       |
|              | 303.0 | 307.0   | 4.0         | 0.05                            | 1.0  |
| CMB-07-7     | 207.0 | 212.0   | 5.0         | 0.061                           | 1.22                                       |
| incl.        | 208.0 | 211.0   | 3.0         | 0.097                           | 1.94                                       |
| CMB-07-08A   | 281.0 | 300.0   | 19.0        | 0.021                           | 0.42                                       |
| CMB-07-9     | 123.0 | 132.0   | 9.0         | 0.021                           | 0.42                                       |
| CMB-07-10    | 163.0 | 198.0   | 35.0        | 0.026                           | 0.52                                       |
| incl.        | 192.0 | 196.0   | 4.0         | 0.104                           | 2.08                                       |
| CMB-07-11    | 231.0 | 266.0   | 35.0        | 0.034                           | 0.68                                       |
| incl.        | 242.0 | 257.0   | 15.0        | 0.044                           | 0.88                                       |
| CMB-07-12    | 232.0 | 379.0   | 147.0       | 0.04                            | 0.82                                       |
| incl.        | 232.0 | 320.0   | 88.0        | 0.05                            | 1.02                                       |
| incl.        | 262.0 | 305.0   | 43.0        | 0.07                            | 1.40                                       |
| incl.        | 266.0 | 277.0   | 11.0        | 0.11                            | 2.20                                       |
| incl.        | 299.0 | 306.0   | 7.0         | 0.12                            | 2.40                                       |

All core showing significant scintillometer values was cut and analyzed. Core samples were halved by sawing on site, with one half sent for analysis and the other half retained for further study.

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**Planned Work**

Compilation and report writing was carried out on the CMB properties over the winter and spring. Summer field work on all properties in the CMB JV is scheduled to start on July 1 and will include prospecting, geological mapping, geochemical and possible geophysical surveys on all the claim blocks. More detailed work on the CMBNW property will include line cutting, detailed prospecting, geological mapping, geochemical and geophysical surveys. The western portion of the CMBNW block will be covered by an airborne magnetic / radiometric survey.

**Seal Lake**

**General**

The Seal Lake (SL) properties, included in the Universal Uranium JV, consist of 2,469 map-staked claims of 25 hectares each (617.25 km<sup>2</sup>) in three separate blocks and 38 licenses, located in the Naskaupi River area to the west of Postville-Makkovik, approximately 150 kilometers to the northwest of Happy Valley-Goose Bay. The claims cover extensive copper mineralization in mafic volcanic units and uranium in lake sediment anomalies located by the Newfoundland and Labrador government with anomalous values ranging from 10 to 213 ppm against a background of <5 ppm. No significant uranium exploration has covered this area.

**Previous Work**

Occurrences of copper, silver, uranium, rare earth elements (REE's), nickel, platinum group elements, cobalt and titanium-vanadium are noted in the Seal Lake area. Copper occurrences are similar to the White Pine, Calumet-Hecla and Kearsarga deposits in Michigan with the majority of the occurrences located to the south of Seal Lake, extending from the east end of Whisky Lake to the western end of Adeline Lake, and from Seal Lake south to Salmon Lake, a distance of approximately 50 km.

Detailed uranium exploration, similar to that done in the CMB to the east, has not been carried out in the Seal Lake area prior to the Silver Spruce work, with only limited work carried out by Brinex in the 1960's and 70's. In 2005, Silver Spruce exploration, limited prospecting and stream sediment sampling, gave insignificant results.

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**2006 Exploration**

**Airborne Radiometrics / Magnetics** - The properties were covered by an airborne radiometric / magnetic survey carried out under contract by Fugro Airborne Surveys, in the summer of 2006. Line spacing was 200 m with a total of 3435 line km flown. Targets were selected by consultant, Ted Urquhart, on the basis of U/Th ratios, using the 95th percentile; total uranium, total field magnetics and geology. No significant high priority targets were selected on the Seal Lake properties although a number of lower priority were selected for ground checking.

**Prospecting** - The properties were prospected on a first pass basis utilizing helicopter support. No significant radioactive zones were located with most targeted anomalies related to outcrop or boulder exposures in areas otherwise tree or overburden covered. The Bessie Lake area, on Lic.11524M, has a 30-40 m wide area of granite outcrop which gives 200 cps with values up to 500 cps.

**Geology** - A half day evaluation of the Seal Lake area was carried out by helicopter. The Adelin Island chalcocite showing and the North Salmon Pond native copper showing were visited. The Adelin Island showing, located on Adelin Island in Adelin Lake, which was extensively explored (including significant drilling) by Brinex in the 1960's and 70's is hosted by a sheared chlorite schist, up to 3-4 m wide, carrying chalcocite, malachite and azurite as massive to semi-massive boudins up to 10 cm across. Analysis of a selected grab sample gave 17.6 % Cu and 195.2 g/t Ag, with 27 ppb Au and 175 ppm Zn. Brinex work indicates that the mineralized zone is in a synclinal structure and has limited tonnage potential. The North Salmon Pond native copper showing consists of a 10-15 cm wide native copper / quartz-carbonate vein located on the north shore of the pond. The showing appears to have limited potential but is typical of the most of the known native copper veins in the Seal Lake belt.

**Planned Work**

The Seal Lake properties are not considered high priority at this time. Some areas will be selected for further follow up work, dependent upon compilation and evaluation over the summer.

**Snegamook Property**

**General**

The Snegamook property consists of 86 claims in one block and four licences. The property was optioned from Alex Turpin and Paul Crocker in June of 2006. Exploration in 2006, included 100 m spacing, airborne magnetic / radiometric survey as part of the survey which covered the CMB properties. No targets were picked as high priority targets however limited prospecting carried out in conjunction with stream sediment sampling located a significant radioactive zone in the northwestern portion of the property, the Near Miss showing, which is described below. The property also hosts copper mineralized zones consisting of chalcocite and malachite in an inter bedded red argillite / limestone sequence thought to be related to the Seal Lake Group units.

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**2006 Exploration**

**Airborne Radiometric / Magnetic Survey** - An airborne magnetic / radiometric survey at 100 m spacing, as part of the survey which covered the CMB propertie was completed in the late summer of 2006. No targets were picked as high priority targets.

**Prospecting** - Limited prospecting carried out in conjunction with stream sediment sampling, located a significant radioactive zone in the northwestern portion of the property, the Near Miss showing, which is described below.  
**Near Miss Showing** - The "Near Miss" showing, which gives total count scintillometer values to 10,000 cps, is located approximately 4 km from the CMBNW2 (TwoTime) showing. The mineralization occurs in sub angular boulders and outcrop, over an area of approximately 100 m in diameter. Rocks are similar to those at the Two Time showing, consisting of sheared / fractured felsic units carrying hematite and black fracture fillings. Yellow staining, thought to be uranophane was also noted. A total of 12 grab samples were taken with five samples giving values greater than 0.1 %  $U_3O_8$  and four other samples giving values greater than 200 ppm  $U_3O_8$ , ranging from 7 to 1439 ppm  $U_3O_8$ . No follow up has been carried out.

**Stream Sediment Geochemistry** - Stream sediment sampling was carried out in conjunction with the prospecting. No significant anomalous areas were located on the property.

**Lake Sediment Geochemistry** - The property was covered by a detailed lake bottom survey in the late winter / early spring of 2007. The survey was carried out utilizing helicopter support and augering through the ice to acquire the samples from the lake bottoms. Most accessible lakes were sampled. Results were reported in late June.

**Planned Work - 2007**

Summer field work, starting July 1, will include line cutting, prospecting, geological mapping, geochemical and geophysical surveys.

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**Makkovik River Property**

**General**

Two hundred (200) claims, totalling 5000 ha or 50 km<sup>2</sup> were staked in one block and one licence, to the north east of the CMB NE block, outside of the area of influence of the CMB / Seal Lake JV option, along the Post Hill Group which hosts the Kitts deposit a little further to the northeast. These properties came open as part of the Nunatsiavut government's opening up of the LIL lands. The area around these claims was subsequently acquired by other parties.

**Previous Work**

Brinex and partners evaluated the area in a general fashion during their regional work for uranium in the 1970's. No significant showings are known from the area.

**2006 / 2007 Exploration**

Data compilation is ongoing. No field work has been carried out on these claims.

**Planned Work**

Airborne surveys, consisting of radiometrics and magnetics will be carried out over the property in the summer of 2007. Further work is dependent upon results.

**Double Mer**

**General**

The Double Mer property consists of 760 claims (19,000 ha or 190 km<sup>2</sup>), in seven licenses, in one contiguous block, located in the Double Mer-Lake Melville area of Labrador, approximately 110 km east of Happy Valley-Goose Bay. The original claims were staked by Silver Spruce, after being identified with the assistance of Alex Turpin, a local prospector. Pursuant to an agreement dated February 28, 2006 between Mr. Turpin and Silver Spruce, he will be paid \$12,000 per year for three years (first two years paid), if the property is retained by Silver Spruce, for researching and outlining the staking and will also retain a one percent net smelter return (NSR) for any production from the claims.

The properties cover strong uranium in lake sediment anomalies located by the Newfoundland and Labrador government with anomalous values ranging from 10 to 470 ppm against a background of approximately 5 ppm hosted in leucogranites of Helikian age. Four values >100 ppm uranium, with two over 400 ppm, are noted in this survey, all of which are covered by the staked properties.

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**Previous Work**

In 1978, exploration by the provincial government, which included an airborne radiometric survey and ground follow up, located uranium mineralization in float / outcrop with three values over 0.1 % U<sub>3</sub>O<sub>8</sub>, including a value of 0.29% U<sub>3</sub>O<sub>8</sub>, from eight samples. Work by Northgate / Whim Creek Consolidated in 1979-1980, which included ground scintillometer surveys, trenching and diamond drilling, located a number of uranium showings with bulk assays in four trenches ranging from 0.44 to 2.09 lbs uranium per short ton.

**2006 Exploration**

**Compilation** - Compilation of previous work was done in the spring of 2006.

**Airborne** - The property was covered by an airborne radiometric / magnetic survey, at 100 m line spacing, under contract by Fugro Airborne Surveys, in the summer of 2006. Total line kilometres were 2113. Targets were selected by consultant Ted Urquhart. A number of priority 1 targets were noted along a stratigraphic or structural horizon, with marginal magnetic coincidence, extending through the claim group. A number of weaker priority 2 /3 targets were also picked.

**Prospecting** - A total of 20 rock samples (DM-01 to 11 and 4026 to 4034) were taken. All units noted are granitic with anomalous total count readings to > 5000 cps in some areas where samples were acquired. Ten samples gave values > 100 ppm U, with three giving values > 500 ppm, with a high of 2640 ppm (4033). The other two values > 500 ppm U were 4030 at 635 ppm U and DM-06 at 644 ppm U. The anomalous samples occur in the area of the known, old mineralized trenches.

**Geochemistry (soils)** – Ninety two (92) B horizon and H (humus) samples were taken on paced and flagged lines across the anomalous zones. Results show some anomalous values in the 50 ppm range. No follow up has been carried out.

**Planned Work**

Ground follow up will take place on the picked airborne anomalies and the anomalous soil and rock sample areas in the summer of 2007.

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**Straits**

**General**

The Straits property originally consisted of 896 claims (224 km<sup>2</sup>) in one contiguous block, located in the Barge Bay-Henley Harbour area, on the Straits of Belle Isle, approximately 300 km southeast of Happy Valley-Goose Bay. The claims cover uranium in lake sediment anomalies located by the Geological Survey of Canada in the 1980's with anomalous values ranging from 10 to 239 ppm against a background of approximately 5 ppm (97% percentile - 28 ppm) associated with copper values over 75 ppm (99% percentile) against a background of <20 ppm, associated with a north-northwest trending and other fault structures. Further staking in May 2007, based on compilation and remote sensing work, increased the property position to 2216 claims (554 km<sup>2</sup>, 55,400 ha).

The original claims were staked by Silver Spruce, after being identified with the assistance of Alex Turpin, a local prospector. Pursuant to an agreement dated March 15, 2006 between Mr. Turpin and Silver Spruce, he will be paid \$12,000 per year for three years (first two years paid), if the property is retained by Silver Spruce, for researching and outlining the staking and will also retain a one percent net smelter return (NSR) for any production from the claims.

**Previous Work**

There is little documented exploration work for the area. No follow up of the anomalous uranium in lake sediments has taken place as the targets were generated after the 1960's and 70's uranium boom. The Newfoundland and Labrador government carried out limited follow up on the anomalous lake bottoms and sees IOCG potential for the area based on coincident anomalous copper / molybdenum / uranium / gold values in the lake sediments, associated with supracrustal units (Proterozoic felsic volcanics) localized in later faults or unconformities. Mineral occurrences of pyrite, malachite and molybdenite are known. The lake sediment anomalies are unexplained.

**2006 Exploration**

Compilation of work was carried out in the spring of 2006. The property was covered by an airborne radiometric / magnetic survey, at 100 m line spacing, under contract to Fugro Airborne Surveys, in the late summer of 2006. Total line kilometres was 2251. A total of 26 high priority (priorities 1 to 3) were selected for ground follow up by consultant Ted Urquhart, with four considered # 1 priority. No follow up was carried out in 2006.

**2007 Exploration**

**General** - Field work began on June 1, utilizing an 8-10 person field party based in Mary's Harbour utilizing a helicopter for access. Work includes prospecting, detailed lake sediment sampling, soil sampling, geological mapping and rock sampling. This first pass work is expected to clew up by late June.

**Compilation / Remote Sensing** - A remote sensing analysis utilizing satellite imagery was carried out in the early spring of 2007. Preliminary results are inconclusive however significant structures are noted. Final results remain pending. The compilation work in conjunction with the remote sensing imagery carried out over the winter of 2007 has indicated significant structural complexity and as a result it was decided to acquire more ground to the south to protect this potential (see below).

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**Staking** - 1,320 claim units (33,000 ha or 330 km<sup>2</sup>) were acquired contiguous to the south, east and northeast of the existing claims. The claims were staked for “protection” after compilation and satellite remote sensing work indicated good potential for uranium mineralization, especially along the northeast trending unconformity contact in the southern part of the group.

**Prospecting / Geological Mapping** - Prospecting and geological mapping shows that the area is underlain by granitoids with some sedimentary / metasedimentary units. A number of pegmatitic units have been noted. Results for all rock samples remain pending.

**Lake Sediment Geochemistry** - A total of 219 lake sediment samples were taken in early June utilizing a float equipped helicopter. Samples are being dried in Mary’s Harbour and will be delivered to the ActLabs prep lab facility in Goose Bay at the end of June. Results are pending.

**Planned Work - 2007**

Further work is dependent upon results.

**Mount Benedict**

**General**

The Mount Benedict property consists of 1,048 claims (262 km<sup>2</sup>) in five separate blocks and 23 licences, located in the Benedict Mountains area, approximately 180 km northeast of Happy Valley-Goose Bay. Five hundred fifty six (556) of the claims are subject to an option agreement with Paul MacNeill, an independent geological consultant, which provides for a single cash payment of \$15,000 (made) plus a 1 % NSR.

The original properties were staked to cover uranium in lake sediment anomalies located by the Newfoundland government with anomalous values ranging from 10 to 87 ppm against a background of < 5 ppm hosted in felsic plutonic rocks of the Benedict Mountains Suite and felsic supracrustal units (Aillik Group metavolcanics) in the Burnt Island area. The new claims were acquired to cover Aillik Group stratigraphy, U/K anomalies coincident with VLF-EM anomalies located in Brinex / Placer surveys from the 1970’s, anomalous lake sediment geochemistry and the strike extensions of known anomalies or groups of anomalies.

**Previous Work**

Brinex carried out exploration over their mineral concession covering the area in the 1950’s and 60’s. In 1978, the area was part of a Placer Development-Brinex joint venture that included geological mapping and a combined radiometric-VLF-EM survey that located anomaly B-22 associated with Aillik Group metavolcanics in the Burnt Island area. Assays from the zone were generally weak with values to a maximum of 200 to 400 ppm uranium. Further prospecting and diamond drilling to test the anomaly at depth was recommended but not carried out. The anomalous uranium lake bottom anomalies have not been explained.



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**2006 Exploration**

Compilation of previous work was carried out in the spring and summer of 2006. The area was covered by an airborne radiometric / magnetic survey, at 100 m line spacing, under contract to Fugro Airborne Surveys, in the summer of 2006. All claims, including the newly acquired groups were covered for a total of 3012 line km.

The 56 claims optioned from Paul MacNeill plus the recently staked 500 claim extensions in the Mount Benedict area were flown by Fugro in early September, 2006, covering the entire 1048 claims. Consultant, Ted Urquhart has picked a number of targets, most of which are not considered high priority. No follow up has been completed.

**2007 Exploration**

Compilation and report writing was carried out over the winter and spring of 2007. The claims remain in good standing for 2007.

**Planned Work**

Ground follow up, consisting of prospecting, geological mapping, lake sediment and soil geochemistry and rock sampling, will begin in early July from our Postville base.

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## **Quebec Uranium Properties**

### **Hudson Bay Property**

#### **General**

The company has signed a letter of intent (LOI) with Azimut Exploration Inc. (“Azimut”) for the Hudson Bay uranium property whereby SSE can acquire a 50% interest over a 5-year period and may acquire an additional 15 % interest upon delivery of a bankable feasibility study. The Hudson Bay property is located near the Hudson Bay coast line in Northern Quebec, approximately 15 to 40 km from Umiujaq’s village and airport. It consists of three claim blocks totalling 529 claims (250 km<sup>2</sup>) including 174 recently staked claims, for which confirmation is pending by the Ministry of Natural Resources and Wildlife of Quebec.

Silver Spruce can acquire a 50% interest in the Hudson Bay property under the following conditions:

- Cash payments of \$50,000 on signing (paid) and \$50,000 on the four subsequent anniversaries for a total of \$250,000. Silver Spruce will also issue 200,000 common shares (paid), and an additional 100,000 shares on the first anniversary.
- Minimum work expenditures of \$300,000 the first year (firm commitment) and \$400,000, \$600,000, \$600,000 and \$700,000 the subsequent years for a total of \$6,600,000.

Upon Silver Spruce acquiring a 50% interest, Azimut will retain a 2% Yellow Cake Royalty. Silver Spruce will have the option of gaining an additional 15% interest by delivering a bankable feasibility study under the following conditions:

- The issue of 100,000 Silver Spruce shares in a one-time grant, and cash payments of \$30,000 per year for five years for a total of \$150,000.
- Minimum work expenditures of \$200,000 per year during the 5-year period.

If Silver Spruce decides not to exercise this additional option, Silver Spruce will provide Azimut with \$100,000 in cash as final payment. Silver Spruce will be the operator.

#### **Previous Work**

The property covers a strong regional scale lake-bottom sediment anomaly in uranium and other geochemical pathfinders, including a peak value of 750 ppm U, located in Quebec government surveys. The property is located along a major structural boundary delineating the transition zone between the Minto and the Bienville geological sub-provinces. The area is characterized by Archean intrusive rocks, as well as mafic and ultramafic rocks. Approximately 20 km south, in a comparable geological context, uranium values up to 1.31% U<sub>3</sub>O<sub>8</sub>, were reported by previous explorers in an area where exploration is now pre-empted (not allowed). The target is a large, open-pit, intrusion-related, uranium deposit.

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**2007 Exploration**

The only work carried out in 2007 to date has been compilation in preparation for the summer field work.

**Planned Work**

Contracts are being negotiated for airborne surveys, consisting of radiometrics, magnetics and EM and lake sediment surveys as a first pass exploration program. These will begin as soon as weather and ground conditions permit.

**PROPERTIES - GOLD**

**Centauro – Chihuahua, MX**

**General**

The Centauro (# 13042 of 400 ha) and Tauro claims (300 ha), located in the southern part of Chihuahua state, Mexico, was optioned in January 2007 from Jesus Ayax Alba Pascoe. The property shows good potential for epithermal gold / silver mineralization with extensive silicification and kaolinization of a conglomerate unit over a minimum area of 2 km by 1 km.

Terms of the agreement are:

A three year term to earn a 100% interest subject to a 3 % NSR, with a 2 % buyback for \$2.0 M.

|                                     |               |                |                         |
|-------------------------------------|---------------|----------------|-------------------------|
| Yr. 1 (on signing)                  | US \$ 50,000  | cash & 125,000 | shares of Silver Spruce |
| Yr. 2 (1 <sup>st</sup> anniversary) | US \$ 75,000  | cash & 200,000 | shares of Silver Spruce |
| Yr. 3 (2 <sup>nd</sup> anniversary) | US \$ 100,000 | cash & 400,000 | shares of Silver Spruce |
| Yr. 4 (3 <sup>rd</sup> anniversary) | US \$ 150,000 | cash & 600,000 | shares of Silver Spruce |

**Total US \$ 375,000 cash & 1,375,000 shares of Silver Spruce**

Yr 6 (5<sup>th</sup> anniversary) and on US \$ 50,000 per year advance royalties (against NSR payable)

A finder's fee is payable to Mineral Development and Logistics Inc. as follows:

|                                     |                                |
|-------------------------------------|--------------------------------|
| Yr. 1 (on signing)                  | Cdn \$9,600                    |
| Yr. 2 (1 <sup>st</sup> anniversary) | 31,595 shares of Silver Spruce |
| Yr. 3 (2 <sup>nd</sup> anniversary) | 52,044 shares                  |
| Yr. 4 (3 <sup>rd</sup> anniversary) | 81,831 shares                  |

**Total US \$ 9,600 cash & 165,470 shares of Silver Spruce**

The final agreement should be signed in late June, 2007.

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**Previous Work**

The most recent work was carried out by **Jaba Inc.** from 1995 to 1997. They compiled geochemical data using imagery and Interdex software for contouring / display and found realgar and orpiment in o/c in a silicified “feeder zone” on the northwest side. They also identified a N 10 / 35 W structural grain and N 20 / 50 E trends apparent in topographic breaks, streams and the compiled geochemical data (Au, Hg, Cu plots). They also noted “black Si showings”, to the north, which formed ribs extending into the mesa then splaying out to form the Silica cap. They proposed 8-10 vertical dd holes, at 200 m intervals, from the mesa top down through the Silica cap to test the fossil boiling zone where the gold / silver values may be located.

**Blue Ribbon Resources / Excellon Resources** drilled 6 RC holes (CN-1 to 6), on the east side, 5 near the south end and 1 near the north end of the silicified mesa top. The holes appear to have been collared and drilled too low in the section and at angles which didn't test under the Silica cap. One hole got anomalous values of “toxic metals” in the ppm range and gold (in the ppb range). 659 “chip” samples gave < 5 ppb Au, 86 gave values from 6-50 ppb and 14 gave values from 50 ppb to 500 ppb, with the best values in oxidized – argillitized rocks with jasperoid fragments. Strong Hg-As values, in the ppm range, were also intersected over 150 feet in hole 6. They postulated that this possibly was a feeder zone. They also noted N10 / 40 W trending “feeder zones” which were cut as narrow, barren, argillitized zones.

In 1993, **Jesus Ayax Alba Pascoe**, the owner of the property, carried out geological mapping / geochemistry / petrography, and 28 line km mag / VLF-EM (omni Plus).

**BHP took** “bulk” samples from outcrop in late 1993, however the results of this work are unknown. The vendor indicates that they intended to lease the property and drill but a “management change” cancelled their plans. **Can-Mex a Placer Dome subsidiary took** 85 outcrop samples in 1993. They were reported as “almost all anomalous in gold”.

**2007 Exploration**

Two field visits with geologists and geophysicists have taken place over the winter and spring. This work has led to agreement that the system holds great potential for a significant gold / silver deposit of the epithermal or bulk mineable type, due to the strong fluid flow, demonstrated by the intense silicification plus the toxic metal suite and anomalous gold values. Landsat imagery was received and has been utilized to plan the preliminary work consisting of line cutting and soil geochemistry.

Agreements for exploration on their properties plus water rights have been negotiated with the two ranch owners in the claim area.

**Planned work**

Exploration will begin once the final agreement has been signed. Environmental and work permit applications are underway and will be submitted in the near future. Line cutting and soil geochemistry in preparation for the drilling will begin immediately upon signing of the final agreement. A diamond drilling program consisting of 2000 to 2500 m in 5 to 7 holes will follow. The budget for 2007 is approximately US \$ 400, 000.

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**Mother Lode – Burin Peninsula, NL**

**General**

The Mother Lode property consists of 138 claims (35 km<sup>2</sup>) in one contiguous block and six licences, located in the eastern part of the southern Burin Peninsula, Newfoundland, to the west of Placentia Bay, near the abandoned community of Corbin. The property was acquired by option from a local prospector in December, 2005. Terms of the option are: payment of \$ 55,000 and 200,000 shares and a work commitment of \$ 800,000 on exploration over three years to earn a 100 % interest subject to a 2 % NSR. The property was reduced from 168 claims to 138 claims in the summer of 2006 as the lake sediment survey carried out in the winter of 2006 did not show any significant values in the southern claim block of 30 claims. The second year payment of \$ 15,000 and 25,000 shares was made to Alex Turpin, the optionor in January 2007.

**Previous Work**

There is no recorded exploration work for gold in this part of the Burin Peninsula prior to the prospecting carried out by local prospectors over the past few years. As far as is known, this is the first discovery of gold in this part of the Burin Group although gold zones are known to the north in the Corbin and Burin (Kitchen showing) areas. Best reported values from the Kitchen showing, near Burin, include: grabs to 19.4 grams per tonne; channel samples to 4.85 grams per tonne over 4 meters and drill core samples to 3.85 grams per tonne over 3 meters. The mineralization on the Motherlode property, like the Kitchen prospect, is shear related, hosted in altered (sericitized, silicified, pyritic) mafic volcanics, intrusives and possible volcanoclastics which have been variably foliated over an area of 300 m along strike and 250 m across strike.

The foliation may control the mineralization as the sulphides occur as bands along the foliation, which are sometimes folded, and also as fracture fillings. The only sulphide noted is pyrite. The mineralization is poddy, probably related to boudinaging along the shear zones or folding. Assays show only weak arsenic (As) to 200 ppm indicating that arsenopyrite is probably not occurring, rather the arsenic may be associated with the pyrite as arsenious pyrite (similar to Carlin, NV). A number of parallel to sub parallel zones are noted, some in close proximity. Cross faults, obvious as linear structures extending from the coast may cut off and offset mineralized zones. The vendor / prospector reports values up to 10.1 grams per tonne over 1.5 m in chip samples in 2004 sampling. Grab sample assays up to 11.65 grams per tonne were located in 2004 during due diligence sampling by SSE from a new showing near the trail to Corbin. The highest chip sample assay (10.1 grams per tonne) was not duplicated (840 ppb) however, the due diligence samples were composite grabs which may not be as representative as channel samples.

Work in 2005 by the vendor / prospector, which included further prospecting and trenching using an excavator, resulted in the discovery of narrow (up to 25 cm) units of iron formation associated with shearing related to the main fault, which trends northeasterly through the group. Values up to 25 grams per tonne were located in limited sampling of the sulphidized iron formation.

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**2006 Exploration Work**

**General** - Work in 2006 consisted of lake bottom sampling, regional and detailed prospecting, gridding, soil geochemistry, geological mapping, followed by trenching, washing and channel / chip sampling.

**Line Cutting** - A grid totaling 15.6 kilometers with a baseline at 050 degrees and cross lines at 50 meter line spacing was cut extending to the north and south along trend over three kilometers at 200 meter line spacing.

**Lake Sediment Geochemistry** - Lake sediment samples (total 132) were taken to the north and south of the known mineralized area,. Thirteen anomalous gold values (> 2 ppb) were located, with three greater than 10 ppb and the highest at 29 ppb. These remain unexplained even with follow up prospecting and geological mapping.

**Soil Geochemistry** - Soil samples were taken at 25 meter intervals on all lines. A total of 465, mainly B horizon samples, were taken; 29 samples were found to be anomalous in gold (> 5 ppb) with values from 20 ppb (parts per billion) to 3,931 ppb. Eleven samples were strongly anomalous with values greater than 100 ppb gold. The two highest values were unexplained single-site samples with values of 1,062 ppb and 3,931 ppb located at the east end of the widely spaced lines.

**Geology / Prospecting** - A northeast trending series of foliated to variably sheared medium to dark green basalt, lighter green "andesitic" units and related pyroclastics and sedimentary units including some tuffaceous and agglomeratic subunits underlie the area. Other units noted include a talcose / serpentized ultramafic unit (part of the Burin Ultramafic Belt – BUB), possibly a sliver of pyroxenite, and recrystallized iron formation (oxide-chlorite) interpreted as interflow sediment. A dominant planar regional shear fabric trending 050° to 060° and dipping sub-vertically (80° to 90° N), the orientation of the Handiland Fault, deforms most of the units. Alteration is related to the shearing, which is progressive from quartz-chlorite, quartz-chlorite ± sericite to quartz - sericite schist. The planar fabric is overprinted by an extension lineation, varying from 35° to 45° southwest at azimuth 230°, observed in fold structures in the center of the main grid area.

Alteration is consistent with structurally-related mesothermal / epithermal styles of gold mineralization. Silicification is prevalent along regional structures where it is associated with disseminated sulphides and gold enrichment. Chloritization is common in the sheared volcanic rocks forming schists in zones of intense deformation associated with shear zones. Sericitization is restricted to discrete, intensely hydrothermally-altered, dilational zones and shear fabrics in high strain, highly altered areas. Disseminated sulphides, associated with higher gold values, occur along shear structures. Eight distinct, northeast trending, mineralized zones varying from 20 to 200 m in length and 2 to 10 m in width, with a consistent down-dip extension plunge of 40° / 230°, are noted. Sulphide mineralization is prevalent as typical mesothermal style, structurally-hosted, disseminated / fracture filling pyrite in quartz–chlorite ± sericite schist and quartz–sericite schist along shear structures. In the fold structures in Trench #5, and in Trenches 12 and 13 disseminated pyrite mineralization makes up 10 to 20 percent of the altered rock giving gold values of up to 10.1 g/t over 1.5 m. In Trench # 6 disseminated and fracture filling pyrite occurs in sulphidized magnetite–chlorite iron formation with grab sample values of up to 25 g/t. In Trenches #1 and #4 disseminated pyrite is pervasive throughout the fractured and intensely altered rock associated with brittle fault structures as fault splays off the Handiland Fault system where grab sample assays of up to 13 g/t have been located. Mineralized units in the main grid area are intensely deformed and hydrothermally altered, quartz-sericite schist. These units are only slightly enriched (< 300 ppb Au) in Trenches 12 and 13.

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**Trenching** - Trenching and channel sampling showed highly variable results ranging from barely anomalous (10's of ppb's) to values up to 6-7 g/t Au in the sulphidized iron formation. Much of the apparently, highly prospective, silicified, sericitized, sulphide rich schist gave low to insignificant gold values. Table 2 summarizes the trench results.

TABLE 2  
MOTHER LODE  
SIGNIFICANT CHANNEL SAMPLING RESULTS

| Trench # | Au g/t | Cu % | Length (m) | Notes  |
|----------|--------|------|------------|--|
| 1        | 2.11   |      | 1.0        | quartz sericite / chlorite schist – fault zone   |
|          | 1.96   |      | 1.8        |  |
|          | 1.85   |      | 2.7        |  |
| 4        | 0.72   | 0.14 | 0.7        | chlorite schist – fault zone                     |
|          | 0.27   | 0.23 | 1.2        |  |
| 5        | 10.0   |      | 1.5        | quartz ser. schist - chip sample taken by vendor |
| 6        | 6.39   |      | 2.4        | sulphidized iron formation – interflow sediment  |
|          | 5.27   |      | 1.3        |  |
| 8        | 0.77   |      | 2.0        | Wide zone of sulphide rich foliated schist       |
| 9        | 0.93   |      | 3.5        | chlorite / sericite schist                       |
| incl.    | 1.43   |      | 1.2        |  |
| 12/13    | 2.42   |      | 2.2        | chlorite / sericite schist w/ silicification     |
| incl.    | 3.54   |      | 1.0        |  |
|          | 1.59   |      | 1.7        |  |
| incl.    | 2.19   |      | 0.7        |  |
|          | 2.1    |      | 1.8        |  |
| 14       | 0.4    |      | 1.4        | chlorite schist w/ silicification                |
| 15/16    | nsv    |      |            | chlorite schist w/ silicification                |
| 17       | 0.47   |      | 0.7        | chlorite schist w/ silicification                |
| 18       | nsv    |      |            | chlorite schist                                  |
| 19       | nsv    |      |            | chlorite / sericite schist                       |

Note: nsv – no significant values

**2007 Exploration**

**General** - Exploration in 2007 has consisted of a small diamond drilling program carried out in the spring of 2007 testing the mineralized zones with variable gold values, to the southeast of the Corbin – Little St. Lawrence trail and more recent prospecting and soil geochemical surveys over the various structures noted in the area.

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**Diamond Drilling** - A small diamond drilling program was carried out on the property in the spring of 2007, starting in May and ending in early June. The program consisted of a number of holes which tested the mineralized zones with extensive alteration, and variable gold values, to the southeast of the Corbin – Little St. Lawrence trail, which had been generated by the prospecting, soil geochemistry and trenching programs. A total of 8 drill holes totalling 901.6 m were drilled. Results are pending.

**Prospecting / Soil Geochemistry** - Prospecting has been ongoing since early June in conjunction with soil geochemistry. Emphasis has been placed on areas with gold values outside of the main drilled area, to the north and south, along the trend of the Handiland fault. Results are pending.

**Planned Work - 2007**

Further work is dependent upon results of the drilling and the prospecting / soil geochemical surveys.

**PROPERTIES – GOLD / BASE METAL**

**Central Newfoundland**

**General**

A total of 511 claims were staked in early 2007, in central Newfoundland, to the south and west of Grand Falls-Windsor, on NTS areas 2 D/13 and 12 A/16, to cover areas with good potential for base and precious metals, based on geochemistry, geology and prospecting results. The claims were staked by Silver Spruce under the terms of an option agreement with ASK Prospecting and Guiding, which gives them a 2 % NSR, with a 1 % buyback for \$ 1 M, and a stock payment of 100,000 shares if the property is to be retained for the second year. ASK laid out the area to be staked using their information and data gained over 20 years of work in the area.

**Previous Work**

Extensive regional exploration has been carried out by Noranda and others through this area over the past 30 plus years. Numerous showings have been located carrying base metals, molybdenum and gold and unsourced massive sulphide floats have also been found in the area. Geological setting is felsic and mafic volcanics associated with deep water sedimentary units such as black shales and greywackes. A number of airborne surveys flown by Noranda, Fortune Bay Minerals and others are available and are being utilized to guide the work.

**2007 Exploration**

Exploration, consisting of basal till sampling, and some prospecting, utilizing skidoos for access, was carried out by Al Keats and assistants from ASK this past winter. Work began in early February and was completed in April. The till samples have been submitted to Overburden Drilling Management (ODM) in Nepean, ON. for sample preparation and then panning for Au using their proprietary techniques. A split of the sample has been acquired and sent to ActLabs in Ancaster, ON. for an ICP analysis which gives good results for base metals. Results are pending.

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**Planned Work - 2007**

Further work is dependent upon the results of the surveys carried out to date.

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**Missing some info – deleted – need to add updated info**

**Outlook**

The Company's objective is to work aggressively on the exploration of its mineral properties toward resource definition in the Provinces of Newfoundland and Labrador and Quebec, Canada, its gold and base metal properties in NL and its gold project in Mexico.

The company has a budget of approximately \$ 3.0 M for 2007. This work will consist of airborne surveys covering recently staked or acquired properties in Labrador and Quebec, totalling approximately \$0.7 M and follow up on the existing uranium properties in NL and QC consisting of prospecting, geological mapping, gridding, ground geophysical and geochemical surveys and trenching and sampling, of approximately \$1.5 M. In gold exploration the company will expend approximately \$US 0.4 M (\$C 0.5 M) on the Centauro project in Mexico consisting of preliminary exploration, permitting and diamond drilling. In NL the company will expend approximately \$0.3 M on the Mother Lode gold property and the central NL gold / base metal project.

The company is also looking actively for properties of merit that fit the company's criteria for exploration.

**Forward Looking Statements**

All statements in this report that do not directly and exclusively relate to historical facts constitute forward-looking statements. These statements represent the Company's intentions, plans, expectations and beliefs, and are subject to risks, uncertainties, and other factors of which many are beyond the control of the Company. These factors could cause actual results to differ materially from such forward-looking statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, as a result of new information, future events or otherwise.