

Consolidated Financial Statements

SILVER SPRUCE RESOURCES INC.

A Development Stage Company

October 31, 2008 and 2007

SILVER SPRUCE RESOURCES INC.

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Management's Report

To the shareholders
Silver Spruce Resources Inc.

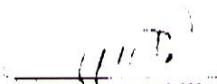
The accompanying financial statements are the responsibility of management. The financial statements have been prepared according to Canadian generally accepted accounting principals and include amounts based on management's best estimates and judgments.

Management has established and maintains accounting and internal control systems that are designed to provide reasonable assurance that our financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements, and that our assets are properly safeguarded.

The board of directors oversees management's responsibilities for financial reporting primarily through the audit committee. The financial statements have been reviewed and approved by the board of directors on the recommendation from the audit committee. The audit committee is also responsible for making recommendations with respect to the appointment of independent auditors and for approving their remuneration and terms of engagement. Other responsibilities of the audit committee include discussing periodically with the independent auditors and management to review accounting, auditing, internal controls, litigation, financial reporting and other matters. The shareholders external auditors have free access to the audit committee both with and without management present.

Our independent auditors, McGloren, Hurley, Cunningham have audited our financial statements. The accompanying auditors report outlines the scope of their examination and their opinion.


Lloyd Hillier
President and Chief Executive Officer


Gordon Barnhill
Chief Financial Officer



Auditors' Report

To the Shareholders of
Silver Spruce Resources Inc.

We have audited the consolidated balance sheets of Silver Spruce Resources Inc. as at October 31, 2008 and 2007 and the related consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

McGOVERN, HURLEY, CUNNINGHAM, LLP

A handwritten signature in black ink that reads "McGovern, Hurley, Cunningham, LLP".

Chartered Accountants
Licensed Public Accountants

Toronto, Canada
January 23, 2009

SILVER SPRUCE RESOURCES INC.

Consolidated Balance Sheets

As at October 31, 2008 and 2007

	2008 \$	2007 \$
ASSETS		
Current		
Cash and cash equivalents	1,806,046	3,454,080
Due from joint venture partner	-	1,479,362
HST and other receivables	149,953	899,532
Mexican VAT receivable	30,581	-
Refundable staking deposits	246,300	290,650
Refundable drilling deposits	256,350	-
Prepaid expenses	46,501	29,735
	2,535,731	6,153,359
Mineral properties (Notes 7 and 10)	13,394,486	5,503,068
Capital assets (Note 8)	178,436	179,071
Investments	12,500	155,250
	16,121,153	11,990,748
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 16)	565,288	841,792
Current portion of long-term debt (Note 9)	8,964	8,964
	574,252	850,756
Long-term debt (Note 9)	14,941	23,905
	589,193	874,661
SHAREHOLDERS' EQUITY		
Share capital (Note 12)	20,760,087	12,019,708
Warrants (Note 13)	1,644,501	1,551,799
Contributed surplus (Note 15)	4,125,531	2,858,556
Deficit	(10,998,159)	(5,313,976)
	15,531,960	11,116,087
	16,121,153	11,990,748

Nature of operations and going concern (Note 1)

Commitments and Contingencies (Notes 7, 10, 18)

APPROVED BY THE BOARD OF DIRECTORS

Signed  Director
 Signed  Director

See accompanying notes to the consolidated financial statements

SILVER SPRUCE RESOURCES INC.
Consolidated Statements of Operations, Comprehensive Loss and Deficit
Years ended October 31, 2008 and 2007

	2008	2007
	\$	\$
Revenue		
Management fees	72,450	258,613
Interest income	351,689	162,932
Rental income	-	51,750
	424,139	473,295
Expenses		
Impairment of mineral properties (Note 7)	3,033,154	-
Abandonment of mineral properties (Note 7)	1,891,304	227,014
Stock-based compensation	1,122,458	2,309,047
Office and general	343,060	124,163
Contract termination fee (Note 7(a))	280,827	-
Accounting and audit	226,730	72,863
Wages and benefits	222,977	84,216
Legal	179,130	271,461
Unrealized loss in market value of investments	142,750	21,750
Consulting fees	108,975	410,556
Corporate relations	94,949	205,477
Travel	55,621	128,126
Amortization	46,784	38,905
Listing and filing fees	27,033	47,429
Foreign exchange loss	11,539	-
	7,787,291	3,941,007
Loss before income taxes	(7,363,152)	(3,467,712)
Income taxes (recovery) (Note 11)	(1,678,969)	(213,165)
Net and comprehensive loss	(5,684,183)	(3,254,547)
Deficit, beginning of year	5,313,976	2,059,429
Deficit, end of year	10,998,159	5,313,976
Net loss per share - basic and diluted	(0.12)	(0.12)
Weighted average number of shares outstanding - basic and diluted	47,468,547	27,777,270

See accompanying notes to the consolidated financial statements

SILVER SPRUCE RESOURCES INC.
Consolidated Statements of Cash Flows
Years ended October 31, 2008 and 2007

	2008	2007
	\$	\$
OPERATING ACTIVITIES		
Net loss	(5,684,183)	(3,254,547)
Items not involving cash:		
Stock-based compensation	1,122,458	2,309,047
Shares issued for consulting fees	-	189,000
Options issued for investor relations fees	-	28,000
Amortization	46,784	38,905
Unrealized loss in market value of investments	142,750	21,750
Abandonment of mineral properties	1,891,304	227,014
Impairment of mineral properties	3,033,154	-
Recovery of future income taxes	(1,678,969)	(213,165)
Foreign exchange loss	11,539	-
	(1,115,163)	(653,996)
Changes in non-cash working capital		
(Increase) in prepaid expenses	(16,766)	(29,335)
(Increase) in refundable drilling deposits	(256,350)	-
Decrease (increase) in HST and other receivables	718,998	(660,458)
Decrease (increase) in due from joint venture partner	1,479,362	(1,142,169)
(Decrease) increase in accounts payable and accrued liabilities	(276,504)	222,593
Change in non-cash operating working capital	1,648,740	(1,609,369)
	533,577	(2,263,365)
FINANCING ACTIVITIES		
Proceeds from issuance of shares and warrants	6,325,000	2,288,500
Proceeds from exercise of warrants and options	4,585,116	3,988,032
Share issue costs	(421,451)	(61,810)
(Repayments of) proceeds from long-term debt	(8,964)	(8,964)
	10,479,701	6,205,758
INVESTING ACTIVITIES		
Mineral properties expenditures - net	(12,660,417)	(3,894,982)
Purchase of capital assets	(46,149)	(128,620)
Refund of refundable staking deposits	131,400	257,075
Purchase of refundable staking deposit	(87,050)	(285,850)
	(12,662,216)	(4,052,377)
Foreign exchange gain on cash held in foreign currency	904	-
Decrease in cash and equivalents	(1,648,034)	(109,984)
Cash and cash equivalents, beginning of year	3,454,080	3,564,064
Cash and cash equivalents, end of year	1,806,046	3,454,080

Supplemental cash flow information (See Note 17)

See accompanying notes to the consolidated financial statements

SILVER SPRUCE RESOURCES INC.

Notes to the Consolidated Financial Statements

October 31, 2008 and 2007

1. NATURE OF OPERATIONS AND GOING CONCERN

Silver Spruce Resources Inc. (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 Inc. on October 22, 2004. 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 contains reserves which are economically recoverable. To date, the Company has earned no revenues and is considered to be a development stage entity as defined by the Canadian Institute of Chartered Accountants (the “CICA”) Accounting Guideline 11.

The Company has a mining asset located outside of Canada and is subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts and currency exchange fluctuations and restrictions.

While the financial statements have been prepared on the basis of accounting principles applicable to a going concern, adverse conditions such as ongoing operational losses cast doubt on the validity of this assumption. Management has estimated that the Company will have adequate funds from the existing working capital to meet its corporate, administrative and property obligations for the coming year.

The recoverability of the amounts shown for mineral properties and related deferred costs is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production. The amounts shown as mineral properties represent net costs to date and do not necessarily represent present or future values.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements or transfers, First Nations Claims, non-compliance with regulatory requirements and may be affected by undetected defects.

2. SUMMARY OF ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian generally accepted principles and reflect the following significant accounting principles.

Principles of consolidation

These consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, First Labrador Resources Ltd, Silver Spruce Resources (Nova Scotia) Inc. and Silver Spruce Resources Mexico S.A. de C.V. and joint venture with Crosshair Exploration Mining, and Universal Uranium Ltd., which is accounted for using the proportionate consolidation method. Both First Labrador Resources Ltd. and Silver Spruce Resources (Nova Scotia) Inc. are inactive and have no assets or liabilities.

Silver Spruce Resources Mexico S.A de C.V holds mining assets in Mexico and is in the business of exploration for precious and base minerals.

SILVER SPRUCE RESOURCES INC.
Notes to the Consolidated Financial Statements
October 31, 2008 and 2007

2. SUMMARY OF ACCOUNTING POLICIES (continued)

Refundable staking deposits

The Company makes staking deposits on its various exploration claims which are refundable when and if the Company incurs sufficient exploration expenditures within a specified time frame and files a related exploration report with the appropriate government authorities. Should the Company not incur the applicable exploration expenditures or post a bond in lieu thereof or fail to submit the related exploration report within the applicable timeframe, the staking fee becomes non-refundable and is added to mineral properties.

Mineral properties

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.

The Company reviews capitalized costs on its properties on a periodic basis and will recognize impairment in value based upon current exploration or production results, if any, and upon management's assessment of the future probability of profitable revenues from the properties or from sale of the properties. Management's assessment of the properties' estimated current value is also based upon a review of other property transactions that have occurred in the same geographic area as that of the properties under review.

Capital assets

Capital assets are stated at acquisition cost. Amortization is provided on the declining balance basis at the following annual rates:

Equipment	20%
Computer	30%
Vehicles	30%

Flow-through shares

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related expenditures are renounced to holders of the flow-through shares. To recognize the forgone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to holders of the flow-through shares.

SILVER SPRUCE RESOURCES INC.
Notes to the Consolidated Financial Statements
October 31, 2008 and 2007

2. SUMMARY OF ACCOUNTING POLICIES (continued)

Stock-based compensation

The Company uses the fair value method to measure compensation expense at the date of grant of stock options to employees. The fair value of options is determined using the Black-Scholes pricing model and is charged to earnings over the vesting period with an offset to contributed surplus. When options are exercised, the corresponding contributed surplus and the proceeds received by the Company are credited to capital stock.

Income taxes

The Company follows the liability method of accounting for income taxes. Future income tax assets and liabilities arise from temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax basis. They are measured using the enacted and substantively enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. Valuation allowances are established, when necessary, to reduce future income tax assets to the amount that is more likely than not to be realized.

Revenue recognition

The Company was the operator of the CMB/Seal Lake joint venture, management fee revenue was charged to Universal Uranium Ltd. based on 8% of Universal Uranium Ltd's portion of the exploration and development expenditures. Management fee revenue was recognized once the related expenditures have been incurred and collection is reasonably assured.

Interest income is recognized when earned and collection is reasonably assured.

Loss per share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of shares outstanding during the year. Diluted loss per share is equivalent to basic loss per share as the inclusion of outstanding options and warrants is anti-dilutive.

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.

SILVER SPRUCE RESOURCES INC.
Notes to the Consolidated Financial Statements
October 31, 2008 and 2007

2. SUMMARY OF ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to valuation of mineral properties and related impairment charges, the determination of environmental obligations, rates for depletion and amortization, recoverability of accounts receivable and refundable deposits and valuation of options and warrants. Actual results could differ from those estimates.

Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant balances and transactions affected by management estimates include mineral properties, future income tax and stock based compensation. Actual results could differ from those estimates.

The recoverability of mineral property expenditures are dependent upon a number of factors disclosed under "mineral properties" in Note 2, which are based on management estimates. The value used to estimate fair values of stock options granted are based on estimate of future volatility of the Company's share price, expected lives of options and other relevant assumptions. By their nature these estimates are subject to measurement uncertainty and the effects of changes in such estimates on the consolidated financial statements could be significant.

Financial instruments

Effective November 1, 2006, the Company adopted the recommendations of the following sections of the Canadian Institute of Chartered Accountants Handbook ("CICA Handbook"): Section 1530, Comprehensive Income, Section 3251, Equity, Section 3855, Financial Instruments - Recognition and Measurement, and Section 3861, Financial Instruments - Disclosure and Presentation. These new sections provide statements for classification and measurement of financial assets, financial liabilities and derivatives.

All financial instruments are classified into one of the following five categories: held-for-trading assets or liabilities, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in accumulated other comprehensive income until the instruments are derecognized or impaired. Loans and receivables, investments held-to-maturity and other financial liabilities are measured at amortized cost using the effective interest method.

SILVER SPRUCE RESOURCES INC.
Notes to the Consolidated Financial Statements
October 31, 2008 and 2007

2. SUMMARY OF ACCOUNTING POLICIES (continued)

The Company has made the following classifications:

Cash and cash equivalents	Held-for-trading
Short-term investments	Held-for-trading
Due from joint venture partner	Loans and receivables
HST and other receivables	Loans and receivables
Refundable security deposits	Loans and receivables
Investments	Held-for-trading
Accounts payable and accrued liabilities	Other financial liabilities
Long-term debt	Other financial liabilities

Transaction costs are expensed as incurred for financial instruments classified as held-for-trading. For other financial instruments, transaction costs are netted against the carrying value and are then recognized over the expected life using the effective interest method.

The Company adopted the new standards retrospectively without restatement. There was no material effect as a result of this change in policy.

3. BUSINESS ACQUISITIONS

Effective March 22, 2007, the Company acquired all but one of the 59,000 outstanding common shares of Silver Spruce Mexico S.A. de C.V for 49,999 pesos or \$5,255CDN. Silver Spruce Resources Mexico S.A. de C.V had no assets or liabilities at the time of acquisition.

Effective February 6, 2007, the Company acquired 100% of Silver Spruce Resources (Nova Scotia) Inc which consists of 1 common share acquired for consideration of \$1. The Company is not operating and was incorporated solely to facilitate the incorporation of Silver Spruce Resources Mexico S.A. de C.V which required two shareholders.

4. CHANGE IN ACCOUNTING POLICY

On December 1, 2006, the CICA issued three new accounting standards: Capital Disclosures (Handbook Section 1535), Financial Instruments – Disclosures (Handbook Section 3862), and Financial Instruments – Presentation (Handbook Section 3863). These new standards became effective for the Company on November 1, 2007.

Capital Disclosures

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such noncompliance. The Company has included disclosures recommended by the new Handbook section in Note 5 to these consolidated financial statements.

Financial Instruments

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in Note 6 to these consolidated financial statements.

SILVER SPRUCE RESOURCES INC.
Notes to the Consolidated Financial Statements
October 31, 2008 and 2007

4. CHANGE IN ACCOUNTING POLICY (continued)

Foreign currency translation

Integrated foreign operations and accounts denominated in foreign currency

Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historic rates. Revenues and expenses are translated at average rates for the year except for amortization, which is translated at historic rates. Translation gains or losses are included in earnings.

5. CAPITAL MANAGEMENT

The capital structure of the Company currently consists of common shares, flow through common shares and warrants. The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition, exploration and development of mineral properties. The Company manages its capital structure in a manner that provides sufficient funding for operational activities.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurances that the Company will be able to continue raising equity capital in this manner. The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term guaranteed deposits, all held with major Canadian financial institutions.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

6. FINANCIAL RISK FACTORS

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

(a) Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents, short-term investments, HST and other receivables. The Company's cash and cash equivalents are held with highly rated financial institutions. Short-term investments consist of short-term guaranteed investments, which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote.

Financial instruments included in HST and other receivables consist of harmonized sales tax due from the Federal Government of Canada.

SILVER SPRUCE RESOURCES INC.
Notes to the Consolidated Financial Statements
October 31, 2008 and 2007

6. FINANCIAL RISK FACTORS (continued)

(b) Market risk

Interest rate risk

The Company had approximately \$1,070,556 in cash and cash equivalents and \$735,490 in short-term investments at the end of October, 2008 (October 31, 2007 - \$3,454,080 and nil) and does not have any interest-bearing debt. The Company invests cash surplus to its operational needs in investment-grade short-term deposit certificates issued by highly rated Canadian banks. At October 31, 2008 \$735,490 guaranteed investment certificates carried interest rates of 3.45% - 4.2% (October 31, 2007 – nil). The Company periodically assesses the quality of its investments and is satisfied with the credit rating of the bank and the investment grade of its short-term deposit certificates.

Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations, exploration and administrative expenses in Mexico on a cash call basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

c) Fair Value

The carrying amounts for cash and cash equivalents, Mexican VAT receivable, HST and other receivables, refundable staking deposits, refundable drilling deposits, prepaid expenses, and accounts payable and accrued liabilities on the balance sheets approximate fair value due to their short-term maturity. The fair value of long-term debt approximates its carrying value. The fair value of investments in entities listed on the TSX Venture Exchange (Bayswater Uranium Corporation and Forest Gate Resources Inc.) is based on quoted market prices.

d) Sensitivity analysis

The majority of the Company's cash and cash equivalents and short term investments are at fixed interest rates within the next three to twelve months. Sensitivity to a plus or minus 1% change in rates would not have a significant effect on the Company's net loss.

The Company is exposed to foreign exchange fluctuations as a result of transactions with its subsidiary, Silver Spruce Resources Mexico S.A. de C.V. The Company does not use derivatives to mitigate its foreign currency risk.

The balance sheet includes the following amounts expressed in Canadian dollars with respect to financial assets and liabilities for which cash flows are denominated in the following currencies:

SILVER SPRUCE RESOURCES INC.
Notes to the Consolidated Financial Statements
October 31, 2008 and 2007

6. FINANCIAL RISK FACTORS (continued)

	2008	2007
	\$	\$
Mexican pesos:		
Cash and cash equivalents	71,520	-
VAT receivable	30,581	-
Mineral properties	221,246	-
Accounts payable	4,938	-

A plus or minus 10% change in the market price of the Bayswater and Forest Gate shares would affect the Company's net loss by \$1,250.

7. MINERAL PROPERTIES

	October 31, 2008				
	Opening	Additions	Option payments received	Write-offs	Closing
	\$	\$	\$	\$	\$
Uranium					
Central Mineral Belt	1,607,761	750,018	-	-	2,357,779
Seal Lake	57,188	3,236	-	(60,424)	-
Double Mer	229,287	724,277	(50,000)	-	903,564
Straits	415,352	866,224	-	(448,552)	833,024
Snegamook	466,980	4,368,918	-	(1,114,465)	3,721,433
Mount Benedict	1,186,789	3,013,631	-	(1,470,137)	2,730,283
Makkovik	90,928	149,961	-	(240,889)	-
Tukialuk	-	53,091	-	-	53,091
Hudson Bay	621,271	518,067	-	(1,139,338)	-
Hopedale	-	21,142	-	(21,142)	-
Napes Ashini	-	134,542			134,542
Lake Michael	-	28,197			28,197
Jeanette Bay	-	36,890			36,890
Churchill River	-	5,043		(5,043)	-
Gold and Base Metals					
Mother Lode	302,745	1,299	-	(304,044)	-
Central Newfoundland	58,442	538,717	-	-	597,159
Centauro	455,029	1,543,495	-	-	1,998,524
General Exploration	11,296	109,128	-	(120,424)	-
	5,503,068	12,865,876	(50,000)	(4,924,458)	13,394,486

SILVER SPRUCE RESOURCES INC.
Notes to the Consolidated Financial Statements
October 31, 2008 and 2007

7. MINERAL PROPERTIES (continued)

	October 31, 2007	Option	payments		
	Opening	Additions	received	Write-offs	Closing
Uranium					
Central Mineral Belt	34,984	1,713,777	(141,000)	-	1,607,761
Seal Lake	50,847	6,341	-	-	57,188
Double Mer	164,463	64,824	-	-	229,287
Straits	135,578	279,774	-	-	415,352
Snegamook	13,689	453,291	-	-	466,980
Mount Benedict	245,830	940,959	-	-	1,186,789
Makkovik	2,000	88,928	-	-	90,928
Hudson Bay	-	621,271	-	-	621,271
Gold and Base Metals					
Mother Lode	302,745	213,514	-	(213,514)	302,745
Central Newfoundland	-	58,442	-	-	58,442
Centauro	-	455,029	-	-	455,029
General Exploration	8,291	3,005	-	-	11,296
	958,427	4,899,155	(141,000)	(213,514)	5,503,068

Uranium

a) Central Mineral Belt (“CMB”)/ Seal Lake Properties

The Company has certain claims that are located in the CMB and Seal Lake areas of Labrador. The Company’s joint venture partner, Universal Uranium Ltd. (“UUL”), earned a 60 percent interest in the CMB/Seal Lake Joint Venture (“CMB/SLJV”) in March 2007 by spending \$2 million under an option agreement signed in the spring of 2006. UUL signed an agreement with Crosshair Exploration and Mining Corp. (“Crosshair”) in May 2008, whereby Crosshair purchased UUL’s interest in the CMB/SL JV for 10 million shares of Crosshair plus \$500,000 with UUL retaining a 2% NSR on the 60% that they owned. This agreement was consummated on July 29, 2008 and Crosshair has taken over the operatorship of the joint venture. The Company agreed to pay UUL \$250,000 to settle any existing or future claims and forgive the net balance of \$30,827 due from UUL. Management assessed the estimated current value of properties based upon current exploration and other transactions in the same general area. As a result of the assessment management decided to abandon the Seal Lake property and \$60,424 was written off as of October 31, 2008.

SILVER SPRUCE RESOURCES INC.
Notes to the Consolidated Financial Statements
October 31, 2008 and 2007

7. MINERAL PROPERTIES (continued)

b) Double Mer Property

On February 28, 2006, the Company entered into an option and royalty agreement on the Double Mer Property in the province of Newfoundland and Labrador. Terms of the agreement are as follows: \$12,000 upon execution of the agreement (paid) and \$12,000 on each of February 28, 2007 (paid) and February 28, 2008 (paid). In addition, a 1% Net Smelter Royalty ("NSR") is payable derived from commercial production from the property. The property was subject to an earn-in agreement with High Tide Resources. The agreement was terminated on July 29, 2008 with the Company agreeing to pay \$130,000 to High Tide Resources for the deposits with the Government of Newfoundland and Labrador in respect of the mineral license rights.

c) Straits Property

On March 15, 2006, the Company entered into an option and royalty agreement on the Straits Property in the province of Newfoundland and Labrador. Terms of the agreement are as follows: \$12,000 upon execution of the agreement (paid) and \$12,000 on each of March 15, 2007 (paid) and March 15, 2008 (paid). 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, the claims described will be transferred back to the optionee at no cost to the Company. Any unpaid monies will be forfeited.

d) Snegamook Property

On June 27, 2006, the Company optioned the property from a Newfoundland prospecting group for payments totaling \$24,000 and 30,000 shares over a three-year period (all payments have been made and 30,000 shares have been issued) and a retention of 2% NSR.

e) Mount Benedict Property

The Company owns certain claims in this area of the province of Newfoundland and Labrador. The claims are subject to a 1% NSR payable on any production on 532 of the claims.

f) Makkovik River Property

The Company owns certain claims in this area of the province of Newfoundland and Labrador. Management assessed the estimated current value of properties based upon current exploration and other transactions in the same general area. As a result of the assessment, management decided to abandon the property and \$240,889 was written off as of October 31, 2008.

g) Tukialuk Bay Property

The Company owns certain claims in this area of the province of Newfoundland and Labrador.

h) Hudson Bay Property

On April 2, 2007, the Company signed a binding letter of intent regarding the Hudson Bay property in the province of Quebec. 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 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 (paid) and \$50,000 on the four subsequent anniversaries for a total of \$250,000. The first anniversary payment of \$50,000 was paid on May 6, 2008. The Company also issued 200,000 common shares, and issued an additional 100,000 common shares on the first anniversary.
- 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. The Company will be the operator.

SILVER SPRUCE RESOURCES INC.
Notes to the Consolidated Financial Statements
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7. MINERAL PROPERTIES (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 under the following conditions:

- The delivery of a bankable feasibility study; and
- 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. Management assessed the estimated current value of properties based upon current exploration and other transactions in the same general area. As a result of the assessment management decided to abandon the property and \$1,139,338 was written off as of October 31, 2008.

Management assessed the estimated current value of properties based upon current exploration and other transactions in the same general area. As a result of the assessment management decided to abandon the Hopedale and Churchill River properties and the expenditures spent on general exploration were written off, resulting in \$146,609 being written off as of October 31, 2008.

The Company wrote down its Uranium mineral properties by \$3,033,154 to reflect the results of its impairment analysis. The Company reviewed the capitalized costs on its properties and recognized impairment in value based upon current exploration results and significant adverse changes in the business climate and a significant decrease in the company's market capitalization compared to the carrying value of its resource properties that indicated that an impairment may exist. Management's assessment of the properties' estimated current value is also based upon a review of other property transactions that have occurred in the same geographic area as that of the properties under review.

Gold and Base Metals

a) **Mother Lode Property**

On January 13, 2006, the Company entered into an agreement to purchase certain gold claims on land called the Mother Lode Gold property located in the province of Newfoundland and Labrador, for \$55,000 cash and 200,000 common shares, as follows: year one \$25,000 cash (paid) and 150,000 common shares (issued), year two cash payment of \$15,000 and delivery of 25,000 common shares (issued) and year three cash payment of \$15,000 and delivery of 25,000 common shares. The Company has determined that further exploration is not warranted. The project has been abandoned and related expenditures of \$227,014 were written off as of October 31, 2007 based on an estimate of the best available information as at October 31, 2007. In January 2008, management decided to terminate the agreement and did not make the final payment of \$15,000 and 25,000 common shares. Management assesses the estimated current value of properties based upon current exploration and other transactions in the same general area. As a result, of the assessment, an additional \$304,044 was written off as of October 31, 2008.

SILVER SPRUCE RESOURCES INC.
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7. MINERAL PROPERTIES (continued)

b) Central Newfoundland Property

On May 31, 2007, the Company entered into an agreement with ASK Prospecting and Guiding to acquire certain claims in central Newfoundland to cover areas with potential for base and precious metals. In accordance with the agreement, the Company issued 100,000 common shares in May 2008. Under the agreement, ASK Prospecting and Guiding retains a 2% NSR with a 1% buyback by the Company for \$1,000,000. The property option can be terminated at any time at no cost to the Company.

c) Centauro Property

On June 5, 2007, Silver Spruce Resources Mexico S.A de C.V finalized an agreement for an option on the Centauro property in Mexico. The agreement 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 (5th anniversary) of US\$50,000 per year as an advance against the NSR payable:

Year 1 (on signing - paid)	US\$50,000 and 125,000 common shares
Year 2 (paid May 22, 2008)	US\$75,000 and 200,000 common shares
Year 3 (2nd anniversary)	US\$100,000 and 400,000 common shares
Year 4 (3rd 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 the Company's continued involvement with the Property as follows:

Year 1 (on signing – paid)	CDN \$9,600
Year 2 (1st anniversary – issued)	31,595 common shares
Year 3 (2nd anniversary)	52,044 common shares
Year 4 (3rd anniversary)	81,831 common shares

SILVER SPRUCE RESOURCES INC.
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8. CAPITAL ASSETS

	2008		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Equipment	139,672	61,313	78,359
Computer	60,702	17,531	43,171
Vehicles	107,819	50,913	56,906
	308,193	129,757	178,436

	2007		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Equipment	139,672	43,802	95,870
Computer	14,553	8,460	6,093
Vehicles	107,819	30,711	77,108
	262,044	82,973	179,071

9. LONG-TERM DEBT

	2008	2007
	\$	\$
Chattel loan payments	23,905	32,869
Less: due in 12 months	8,964	8,964
Long-term portion	14,941	23,905

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

Principal payments required in each of the next three years are as follows:

	\$
2009	8,964
2010	8,964
2011	<u>5,977</u>
	<u>23,905</u>

SILVER SPRUCE RESOURCES INC.
Notes to the Consolidated Financial Statements
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10. MINERAL PROPERTY AGREEMENTS

On July 20, 2007, the Company jointly with Universal Uranium Ltd. (on July 29, 2008, Universal Uranium Ltd. Assigned its rights to Crosshair Explorations and Mining Corp.) signed an earn-in agreement (“the Agreement”) with Bayswater Uranium Corporation (“Bayswater”), whereby Bayswater has been granted an option to acquire a 50% interest in 34 mineral claims located in the Central Mineral Belt region of Labrador, which is currently held 40% by the Company and 60% by Crosshair Explorations and Mining Corp. Pursuant to the Agreement, Bayswater issued to the Company and Universal Uranium an aggregate of 200,000 common shares (of which 100,000 shares were issued to the Company and 100,000 shares were issued to Universal Uranium).

Bayswater forfeited its option to acquire a 50% interest in the 34 mineral claims, and therefore the agreement was terminated.

11. INCOME TAXES

a) Provision for income taxes

Major items causing the Company’s income tax rate to differ from the Canadian combined federal and provincial statutory rate of approximately 33.5% (2007 – 36%) were as follows:

	2008	2007
	\$	\$
<u>Loss before income taxes</u>	7,363,152	3,467,712
Expected income tax (benefit) based on statutory rate	(2,466,656)	(1,248,376)
Adjustments to benefit resulting from:		
Expiring non-capital losses	36,531	20,200
Stock-based compensation	376,023	831,276
Share issue costs and other	(26,886)	(155,600)
Impact of change in substantively enacted tax rates	313,575	107,335
Change in valuation allowance	88,444	232,000
<u>Future income tax recovery</u>	(1,678,969)	(213,165)

SILVER SPRUCE RESOURCES INC.
Notes to the Consolidated Financial Statements
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11. INCOME TAXES (continued)

Future income tax balances

The tax effects of temporary differences that give rise to future income tax assets and liabilities at October 31, 2008 and 2007 are as follows:

	2008	2007
	\$	\$
Future income tax assets		
Plant and equipment	32,442	27,000
Non-capital losses	262,997	235,000
Investments	20,699	7,100
Share issue costs	258,806	201,900
	574,944	471,000
Future income tax liabilities		
Resource properties	(254,329)	(239,000)
Valuation allowance	(320,615)	(232,000)
Net future income tax asset (liability)	-	-

b) Tax loss carry-forwards

The Company has non-capital loss amounting to \$906,884 which are available to reduce future taxable income. These non-capital losses expire as follows:

	\$
2009	53,204
2010	90,804
2011	163,192
2015	45,562
2027	255,040
2028	299,082
	906,884

The Company has approximately \$12,296,235 of unclaimed Canadian resource and other deductions and \$221,246 of Mexican unclaimed resource deductions as at October 31, 2008 (2007 - \$5,050,615) which under certain circumstances may be utilized to reduce the taxable income of future years.

The Company has share issue costs of approximately \$851,557 (2007 - \$615,000) which have not been claimed for income tax purposes.

SILVER SPRUCE RESOURCES INC.
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12. SHARE CAPITAL

The share capital is as follows:

Authorized	\$	\$
An unlimited number of non-voting preference shares		
An unlimited number of common shares		
Issued and outstanding:		
48,328,963 common shares	20,760,087	12,019,708

The following is a summary of share capital outstanding at October 31, 2008 and 2007:

	2008		2007	
	Number	\$	Number	\$
Opening balance	34,291,971	12,019,708	23,049,313	5,927,603
Issued during the year:				
Private placement	5,620,000	5,314,000	2,366,050	1,785,520
Acquisition of property	431,595	167,902	360,000	555,500
Investor relations fees	-	-	100,000	189,000
Warrants exercised	7,785,175	5,501,022	7,612,648	4,279,426
Options exercised	200,222	158,175	803,960	641,897
Share issue costs	-	(566,470)	-	(243,673)
Tax amount of renounced expenditures	-	(1,834,250)	-	(1,115,565)
Closing balance	48,328,963	20,760,087	34,291,971	12,019,708

- (a) During the year ended October 31, 2008, the Company issued 431,595 shares for the acquisition of property, 100,000 shares at \$0.31, 100,000 shares at \$0.35 and 231,595 shares at \$0.44 based on the quoted market value of the shares on the date of issue.
- (b) On November 14, 2007, the Company closed a brokered private placement of 5,620,000 flow - through units (including 120,000 commission units) at a price of \$1.15 unit consisting of one common share and one half of one common share purchase warrant entitling the holder to purchase common shares at a price of \$1.75 for 18 months following the closing. A commission of 60,000 warrants and 385,000 options was also paid having the same terms as the warrants described above. Of the \$6,325,000 proceeds, \$1,125,000 was allocated to warrants. A director and officer of the Company subscribed for 43,500 units for gross proceeds of \$50,025.

SILVER SPRUCE RESOURCES INC.
Notes to the Consolidated Financial Statements
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12. SHARE CAPITAL (continued)

- (c) On July 6, 2007, the Company closed a non-brokered private placement of 1,542,150 units (including 52,150 units as finder's fees) at a price of \$1.20 per unit consisting of one common share on one half common share purchase warrant entitling the holder to purchase common shares at a price of \$1.75 for 24 months following the closing. A finder's fee of \$17,880 was also paid. Of the \$1,788,000 proceeds, \$476,800 was allocated to warrants.
- (d) On December 28, 2006, the Company completed a non-brokered private placement of 823,900 units (including 53,900 units as finders fees) at a price of \$0.65 per unit consisting of one flow-through common share and one half common share purchase warrant entitling the holder to purchase common shares at a price of \$1.00 for 18 months following to closing. A finder's fee of 69,300 warrants was also paid with the warrants having the same terms as the warrants described above. Of the \$500,500 proceeds, \$100,100 was allocated to warrants.
- (e) During the year ended October 31, 2007, the Company issued 360,000 shares for the acquisition of property, 200,000 shares at \$1.80, 125,000 shares at \$1.32, 25,000 shares at \$0.54 and 10,000 shares at \$1.70 based on the quoted market value of the shares on the date of issue.

13. WARRANTS

The following is a summary of warrants activity for the years ended October 31, 2008 and 2007:

	2008		2007	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		\$		\$
Balance, beginning of year	8,644,128	0.68	15,523,751	0.50
Granted in connection with private placements	2,810,000	1.75	1,183,025	1.49
Exercised during the year	(7,735,175)	(0.57)	(7,612,648)	0.46
Expired during the year	(137,878)	(0.37)	(450,000)	0.46
Balance, end of year	3,581,075	1.75	8,644,128	0.68

SILVER SPRUCE RESOURCES INC.
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13. WARRANTS (continued)

Summary of warrants outstanding at October 31, 2008:

Number of Warrants	Exercise price	Fair value of warrants	Expiry date
	\$	\$	
771,075	1.75	494,956	July 9, 2009
2,810,000	1.75	1,149,545	May 14, 2009
3,581,075		1,644,501	

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 3.7% (2007 – 4% – 4.6%), expected life of 1.5 years (2007 – 1.5 to 2 years), expected dividend rate at 0% (2007 – 0%) and expected volatility of 125% (2007 – 150% - 160%). The weighted average fair value of warrants granted was \$0.41 (2007 - \$0.49).

14. 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, subject to all applicable regulatory requirements. The vesting period for options is set by the Company at the time the options are granted.

Stock option activity for the years ended October 31, 2008 and 2007 are summarized as follows:

	2008		2007	
	Weighted average		Weighted average	
	Number	exercise price	Number	exercise price
		\$		\$
Balance, beginning of year	3,736,290	1.81	2,048,800	0.58
Granted	3,576,000	0.52	2,776,450	1.56
Forfeited	-	-	(285,000)	(0.08)
Expired	(568,918)	0.72	-	-
Exercised	(200,222)	(0.65)	(803,960)	(0.25)
Balance, end of year	6,543,150	0.77	3,736,290	1.81

SILVER SPRUCE RESOURCES INC.
Notes to the Consolidated Financial Statements
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14. STOCK OPTIONS (continued)

At October 31, 2008, outstanding options to acquire common shares of the Company were as follows:

Exercise Price \$	Number of Outstanding Options	Contractual Life of Outstanding Options (years)	Weighted Average Remaining Contractual Life of Outstanding Options	Grant date Weighted Average Fair Value per Option \$	Number of Exercisable Options
0.30	370,000		1.92	0.16	370,000
0.35	2,920,000		4.50	0.32	2,920,000
0.50	400,000		3.08	0.48	400,000
0.61	181,000		1.16	0.57	181,000
0.61	70,000		1.16	0.36	70,000
0.65	60,000		3.16	0.53	60,000
0.65	125,000		3.33	0.53	125,000
0.65	50,000		3.33	0.56	50,000
0.83	20,000		4.33	0.67	10,000
1.08	160,000		3.45	1.06	160,000
1.40	1,650,000		1.91	1.09	1,650,000
1.75	52,150		0.66	1.27	52,150
1.75	385,000		0.54	0.42	385,000
1.78	100,000		3.75	1.75	100,000
	6,543,150		3.14	0.59	6,533,150

The weighted average fair value per option of options outstanding as at October 31, 2008 is \$0.59 (October 31, 2007 - \$0.77).

The fair value of options that were granted was estimated on the dates of the grants using the Black Scholes option-pricing model and the follow assumptions:

	October 31 2008	October 31 2007
Risk-free interest rate	2.86% - 3.76%	3.83% - 4.63%
Expected life	1.5 - 5 years	3 - 5 years
Expected volatility	121% - 180%	150% - 215%
Expected dividend yield	nil	nil

SILVER SPRUCE RESOURCES INC.
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15. CONTRIBUTED SURPLUS

The following is a summary of contributed surplus activity:

	2008	2007
	\$	\$
Balance, beginning of year	2,858,556	534,781
Employee stock - based compensation	1,122,458	2,309,047
Exercise of options	(28,031)	(139,520)
Expiry of warrants	10,848	42,000
Options issued as finders fee	161,700	112,248
 Balance, end of year	4,125,531	2,858,556

16. RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities as at October 31, 2008 is \$47,270 (2007 - \$93,248) owing to directors of the Company for consulting related services rendered.

During the year ended October 31, 2008, 2,920,000 (2007 - 2,125,000) stock options were granted to directors and officers of the Company.

See Note 12 (b)

Related parties were also reimbursed for out of pocket expenses.

Certain building materials required by the Company for its operations are purchased from a hardware store controlled by an officer and director of the Company. Management and employees of the Company stay at a hotel controlled by an officer and director of the Company. \$591,761 (2007 - \$453,348) was paid to the hardware store and \$317,770 (2007 - \$238,396) was paid to the hotel and capitalized to mineral properties.

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

SILVER SPRUCE RESOURCES INC.
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17. SUPPLEMENTAL CASH FLOW INFORMATION

	2008	2007
	\$	\$
Cash and cash equivalents		
Cash	\$ 1,070,556	\$ 3,454,080
Temporary investments	735,490	-
	1,806,046	3,454,080
Interest paid in the year	-	-
Income taxes paid in the year	-	-
Non-cash investing and financing activities:		
Acquisition of mineral properties for share consideration	167,902	555,500
Receipt of shares as consideration for deferred option payment	-	141,000
Value of share, warrants and options included in share issue costs	300,300	181,864
Effect of future income taxes on share capital upon renunciation of expenditures	1,834,250	1,115,565
Fair value of warrants exercised	1,046,050	793,772
Fair value of options exercised	28,031	139,520

18. COMMITMENTS AND CONTINGENCIES

The Company has acquired various properties from third party license holders. The terms of these agreements provide for initial cash payments by the Company and the initial issuance of shares in the Company. To retain the interest in these properties the Company is obligated to make additional cash payments and to issue additional shares. The agreements also provide for the payment of a NSR to the third parties in the event that a property reaches the commercial production stage.

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

	Cash (CAD)	Cash (USD)	Shares
2009	16,000	100,000	580,000
2010	34,000	150,000	860,000
2011	65,000	-	-
2012	40,000	25,000	150,000

The Company leases its head office as well as a building in Goose Bay, Newfoundland under operating leases. Future lease payments aggregate \$322,474 and include the following amounts payable over the next five years:

	\$
2009	117,972
2010	117,972
2011	73,478
2012	11,187
2013	1,865
	322,474

SILVER SPRUCE RESOURCES INC.
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19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

20. SUBSEQUENT EVENTS

On November 15, 2008, the Company entered into an agreement for an option on the Twentieth Brook Property in the western part of the Province of Newfoundland and Labrador. The agreement provides the Company an option to earn a 100% interest in the property subject to a 2.5% NSR, with a 1.5% buy back by the Company for \$1,500,000. The payment for the 100% interest in the property by the Company is \$85,000 and 435,000 common shares of the Company payable over four years as follows and a further payment starting in year 6 (5th anniversary) of \$18,000 per year for ten years as an advance against the NSR payable:

Year 1 (on signing - paid November 2008)	\$4,500 and 45,000 common shares
Year 2 (1st anniversary)	\$12,000 and 90,000 common shares
Year 3 (2nd anniversary)	\$24,000 and 150,000 common shares
Year 4 (3rd anniversary)	\$45,000 and 150,000 common shares and a work commitment of \$300,000

On January 31, 2009, the Company entered into an option on the Calvin's Landing Property located in the Northwest Arm area in the eastern part of the Province of Newfoundland and Labrador. The agreement provides the Company an option to earn a 100% interest in the property and all associated mineral license rights subject to a 2% NSR with a 1% buy back by the Company for \$1,000,000. The payment for the 100% interest in the property by the Company is \$74,000 and 350,000 common shares of the Company payable over four years as follows and a further payment starting on the fifth anniversary date of the agreement of \$15,000 per year for ten years as an advance against the NSR payable:

Year 1 (on signing)	\$4,000 and 40,000 common shares
Year 2 (1st anniversary)	\$10,000 and 60,000 common shares
Year 3 (2nd anniversary)	\$20,000 and 100,000 common shares
Year 4 (3rd anniversary)	\$40,000 and 150,000 common shares and a work commitment of \$300,000

The Management's Discussion and Analysis ("MD&A") should be read in conjunction with the Company's audited consolidated financial statements and notes for the three months and year ended October 31, 2008 and 2007. This MD&A has been prepared as of March 2, 2009.

Management's discussion and analysis of financial condition and results of operations contains forward-looking statements. By their nature, these statements involve risk and uncertainties, many of which are beyond the Company's control, which could cause actual results to differ materially from those expressed in such forward-looking statements. Readers are cautioned not to place undue reliance on these statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Additional information regarding the Company, including copies of the Company's continuous disclosure materials is available on the Company's website at www.silverspruceresources.com or through the SEDAR website at www.sedar.com.

COMPANY OVERVIEW

Silver Spruce Resources Inc. is a junior exploration company headquartered in Bridgewater, Nova Scotia originally with a strategic focus on uranium, mainly in the Central Mineral Belt (CMB) of Labrador, Canada but recently diversifying into gold/silver projects in Mexico and precious and base metal projects in Newfoundland and Labrador. The company is consolidating its uranium projects in Labrador where it retains interests in more than 10,000 claims totaling more than 2,500 square kilometers, mainly in the CMB, making the company the second largest landholder in one of the world's premier emerging uranium districts. Projects include: the CMB joint venture with Crosshair Exploration and Mining, in which SSE retains a 40% participating interest, and its 100% owned properties - Snegamook, Mount Benedict, Makkovik River, Tukialuk Bay, Jeannette Bay, Lake Michael, Double Mer and Straits. Exploration on these projects has been curtailed due to the price of uranium, the Nunatsiavut government's moratorium on uranium development and the difficulty in financing uranium projects especially in Labrador. The company will retain and continue to consolidate these projects which include a resource on the Two Time zone, of 2.3 M lbs indicated and 3.7 M lbs U₃O₈ inferred, the first discovery in the CMB of Labrador since the 1970's, of which SSE retains 40% and other drill-ready opportunities.

The company also has gold/silver projects in Mexico (Centauro) and Newfoundland and Labrador (Calvin's Landing) and two base metal projects in central and western Newfoundland (CNL and 20th Brook). These projects are all road accessible thereby reducing exploration costs dramatically.

The company has established environmental and safety protocols which include written procedures and policies which are overseen by Board committees for environment and health and safety. The policies and procedures are posted on the company's website.

The company has sufficient funds to maintain operations and fund its exploration projects for the next year or so at a much reduced level from 2008 but still allowing projects to move forward. The company will in the near future most likely seek flow thru funding to carry on its exploration work in Newfoundland and Labrador to retain its hard dollars for working capital and for exploration on its Mexico gold / silver property. As at the end of October/08 cash reserves totalled \$1.8 M and currently are \$1.3 M at March 2, 2009.

Strong financial backing, a commitment to prudent budgeting, an excellent property portfolio with drill targets on both base metal and gold/silver projects, and a uranium discovery with resources defined; make Silver Spruce a leading junior explorer in Canada.

SELECTED ANNUAL INFORMATION

The table below outlines selected financial information related to the Company's years ended October 31, 2008, 2007 and 2006. The financial information is extracted from the Company's audited consolidated financial statements.

	2008	2007	2006
	\$	\$	\$
Income	424,139	473,295	153,195
Net Income (loss)	(5,684,183)	(3,254,547)	(408,365)
Net Income (loss) per share -basic and diluted	(.12)	(0.12)	(0.02)
Total Assets	16,121,153	11,990,748	6,388,789
Total long-term financial liabilities	14,941	23,905	32,869
Cash dividends	-	-	-

For the year ended October 31, 2008, the Company incurred a net loss of \$5,684,183 (loss per share 0.12) compared to a net loss of \$3,254,547 (loss per share 0.12) for the year ended October 31, 2007.

The Company recognized total income of \$424,139 for the year ended October 31, 2008 (2007 - \$473,295). Management fee income decreased from \$258,613 in 2007 to \$72,450 in the current year as a result of Crosshair taking over the project management role of the CMB joint venture which the Company had performed up until July 29, 2008. Interest income increased from \$162,932 in 2007 to \$351,689 as the Company's cash and cash equivalents balance was higher in the current year. A large portion of the last placement was invested with RBC Dominion Securities in short term bank note investments and then drawn on when needed and this accounted for the increase in interest earned. In 2007 the company earned rental income of \$51,750 relating to the rental of one of its camps to a third party, Santoy Resources. This was a one time event and there were no further camp rentals during the 2008 year.

Stock-based compensation expense decreased to \$1,122,458 in the current year (2007 - \$2,309,047). Options granted during the year ended 2007 were based on a higher market price of \$1.40 whereas in the current year options were granted in December to employees at \$0.61 and again to officers and directors in May at \$0.35.

Abandonment of mineral properties expense was \$1,891,304 in the current year as compared to \$227,014 in the prior year. The Company wrote-off the remaining capitalized expense related to the Mother Lode, Seal Lake JV, Makkovik River, Hudson Bay, Hopedale and Churchill River projects in the current year as it was decided further exploration was not warranted. The Company terminated the option agreements for the Mother Lode and Hudson Bay projects and did not make the remaining option payments.

The Company also recorded impairment of \$3,033,154 (2007: \$0) against its Straits, Snegamook and Mount Benedict properties as a result of managements impairment review, related to uranium prices and the Nunatsiavut uranium development moratorium which made financing these projects more difficult and results from 2008 exploration which allowed the properties to be reduced in size to those areas showing the most potential.

Amortization expense increased to \$46,784 (2007 - \$38,905) as a result of the timing of capital additions. Unrealized loss in market value of investments was \$142,750 (2007 - \$21,750) due to the decrease in market value of investments held by the Company.

Other general and administrative expense increased to \$1,550,841 in the current year (2007 - \$1,344,291). For the year ended October 31, 2008 as compared prior year, the Company increased its

exploration, administration and financing activities by hiring new consultants and contractors. Additional administration, legal and management time was required as the Company became more active. The \$153,867 increase in accounting and audit fees is largely due to a \$43,944 under accrual of the 2007 accounting and audit fees as well as additional tax and accounting work relating to the private placement, flow through issuance, contract termination and increased activity. 2008 expenses also included a Contract Termination fee of \$280,827 (2007: \$0). In May 2008 UUL notified the Company of its intention to sell its interest in the CMB J/V to Crosshair Exploration and Mining Corp. The Company agreed to pay UUL \$250,000.00 to settle any existing or future claims of UUL against Silver Spruce and Silver Spruce agreed also to forgive a net balance of \$30,827 due from UUL. Consulting Fees decreased to \$108,975.00 in 2008 from \$410,556 in 2007 mainly as a result of \$187,000 in shares issued for consulting fees related to the private placement. Wages and Benefits were also higher in 2008 compared to 2007 due to annual stipends for Directors being paid relating to the 2007 financial year.

For the year ended October 31, 2008, the Company spent \$12,815,876 (net of recoveries) on its exploration properties compared to \$4,759,155 in 2007. The past year was an extremely busy year for the Company as we were active on our numerous properties in Newfoundland and Labrador. Extensive and expensive drilling programs were carried out on the CMB, Snegamook and Mount Benedict properties as well as in Mexico.

SELECTED QUARTERLY INFORMATION

The table below outlines selected financial information related to the Company's most recent eight quarters. The financial information is extracted from the Company's interim unaudited consolidated financial statements.

	October 31, 2008	July 31, 2008	April 30, 2008	January 31, 2008
	\$	\$	\$	\$
Income	41,796	64,114	118,086	200,143
Net income (loss)	(3,767,844)	(1,014,821)	(493,718)	(407,800)
Net income (loss) per share -basic and diluted	(0.08)	(0.02)	(0.01)	(0.01)
	October 31, 2007	July 31, 2007	April 30, 2007	January 31, 2007
	\$	\$	\$	\$
Income	157,125	161,360	84,341	68,468
Net income (loss)	(1,019,406)	(1,967,296)	(254,294)	(13,551)
Net income (loss) per share -basic and diluted	(0.04)	(0.07)	(0.01)	-

For the three months ended October 31, 2008, the Company had a net loss of \$3,767,844 (loss per share – 0.08) compared to a net loss of (\$1,019,406) for the same period in the prior year. The net loss is comprised of income of \$41,796 (2007: \$159,126) which was significantly lower than the same quarter in the prior year due to the Company no longer earning management fees from management of the CMB Joint Venture. The large net loss for the three months ended October 31, 2008 can be attributed to recording abandonment and impairment of mineral properties of \$4,620,4147 (Q4 2007: 227,014). There is also a large decrease in General and Administrative charges for the three months ended October 31,

2008 when compared to the same period in the previous year as a result of a scale back in the Company's operations in response to the economic down turn.

During the 3 months ended October 31, 2008, the Company spent (net of recoveries) a total of \$2,933,464 (2007- \$1,613,706).

EXPENDITURES ON MINERAL PROPERTIES

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

	October 31, 2008	July 31, 2008	April 30, 2008	January 31,2008
CMB	133,164	8,673	33,265	574,916
Seal Lake	-	-	177	3,059
Double Mur	542,340	167,284	640	(35,987)
Straits	193,287	647,048	23,029	2,860
Mount Benedict	594,028	1,002,286	721,370	695,947
Snegamook	5,684	862,711	3,222,195	289,696
Makkovik River	118,075	4,397	27,489	-
Tukiialuk	48,184	2,019	1,888	1,000
Hudson Bay	71,795	376,569	44,914	24,789
Mother Lode	-	-	-	-
Centauro Mexico	904,024	252,025	348,311	39,131
Central NL	118,944	63,304	321,710	34,759
Genex	107,474	96,761	18,101	4,777

	October 31, 2007	July 31, 2007	April 30, 2007	January 31,2007
CMB	478,483	876,818	208,080	436
Seal Lake	5,783	120	256	388
Double Mur	6,442	21,731	35,087	1,564
Straits	14,355	221,121	43,534	763
Mount Benedict	583,130	339,679	9,709	6,700
Snegamook	379,138	57,136	2,913	403
Makkovik River	88,878	50	-	-
Tukiialuk	-	-	-	-
Hudson Bay	139,745	427,679	53,847	-
Mother Lode	-	187,854	6,600	18,955
Centauro Mexico	251,439	146,442	47,568	8,801
Central NL	5,110	31,768	20,738	825
Genex	20,035	1,048	68	6,831

PROJECTS – GOLD/BASE METAL

The company's property portfolio includes two precious metal and two base metal exploration projects. The precious metal properties include the Centauro property in Chihuahua State, northern Mexico and the Calvin's Landing property in east-central Newfoundland. Base metal properties include the CNL property in central Newfoundland, and the 20th Brook property in western Newfoundland. All of these projects are 100 % owned subject to options as described in the summaries following.

MEXICO

CENTAURO (100% SSE)

The Centauro Property is a contiguous block of six claims (1,420 hectares), located in the southern part of Chihuahua State, just to the north of Durango State, approximately 25 km to the west of Highway 45, the main north-south highway in Mexico. The property is subject to an option agreement with a Mexican geologist, Jesus Ayax Alba Pascoe, whereby Silver Spruce can earn a 100% interest in the property subject to a 3% NSR with a 2% buyback for US\$2 million. The property agreements have been registered with the General Bureau of Mining of the Exploration Agreement in Mexico and the option is subject to payment by Silver Spruce of US\$375,000 and 1,325,000 common shares of Silver Spruce over four years (first two years paid), subject to the NSR. Advance royalties of US\$50,000 per year, starting on the fifth anniversary, and a “finders fee” totaling C\$9,600 plus 165,470 shares or cash equivalent over four years are also payable by Silver Spruce to maintain the property in good standing.

The area was explored in the early to mid 1990's by Jaba Inc, Excellon Minerals, Blue Ribbon Resources and Cascabel Resources, who carried out rock chip sampling, structural studies and a six hole, reverse circulation (RC) drilling program which tested the silicified zone on the eastern side. Weakly anomalous Au and Ag values in the 100 ppb Au and 3 ppm Ag range, were located in a couple of the holes. No follow up was carried out and the property has remained unexplored since this time Exploration

The property shows good potential for epithermal gold/silver mineralization with extensive silicification and kaolinization of a limestone conglomerate unit over a minimum area of 2.5 kilometres by 1 kilometre.

Soil geochemistry carried out in 2007 and early 2008 defined significant anomalies in gold (to 164 ppb, background < 5 ppb), silver (to 5.7 ppm, background < 0.2 ppm), mercury (to 28,700 ppb, background < 100 ppb), barium (to 3100 ppm, background < 100 ppm), arsenic (to 4020 ppm, background < 50 ppm), and antimony (to 428 ppm, background < 20 ppm) associated with the silicified mesa “cap” over the 2.2 km strike length of the zone. Outcrops containing realgar, orpiment and stibnite, in a black silicified conglomerate, are located in the northern part of the zone, where some of the highest values were located. Base metal values are low to non-anomalous throughout, generally < 50 ppm.

The highly anomalous Hg values, coupled with the anomalous Au, Ag, As and Sb and the low base metal values indicate that the system should be above the “boiling zone” and therefore the zone of deposition for epithermal “bonanza gold” veins, the target for exploration on this project.

Soil and rock samples were transported to the Activation Laboratories Ltd. (Actlabs) preparation laboratory in Hermosillo, MX then sent to the Activation Laboratories (Actlabs) facility in Ancaster Ontario. Soil and rock were analyzed for gold by fire assay (1A2), and 37 elements by Aqua Regia ICP (1E3) techniques while some samples tested for Mercury using cold vapour FIMS (1G).

A first phase diamond drilling program, totalling 3960 m in 14 holes (CEN-08-1 to 14), was carried out by Major Drilling, from April, to October 2008. The drilling tested the Centauro alteration zone over a 2.3 kilometre strike length and 1 kilometre across the zone. Drill sites were prepared by bulldozer over the silicified/ altered area, including the top of the mesa which was otherwise unapproachable and thereby untested by drilling. The drilling was slowed by personnel and equipment issues, water and weather problems and bad ground containing many faults and shears. Core logging and sampling was also slow due to a shortage of manpower and due diligence issues. Core samples were cut by SSE personnel in Jiminez and sent to Minerales Laboratories SA de CV in Mazatlan, MX for sample preparation with the pulps sent to Actlabs in Ancaster for analysis for gold by fire assay or neutron activation and an ICP technique for other elements. Check assays (every 25th sample) were run at Minerales Laboratories in Mazatlan, MX with occasional samples checked with ALS Chemex Laboratories in Canada.

The highlight from the drilling is a gold/silver intersection, associated with strong silicification, of 7.5 m at 1.93 g/t Au and 64 g/t Ag at the top of hole CEN-08-10, in a 92.1 metre zone, from 3 to 95.1 m, which assayed 237 ppb Au and 8.4 g/t Ag. The hole collared in mineralization so the full width of the intersection remains unknown as does its orientation and true width. The closest drill hole to hole 10, CEN-08-11, is located 550 metres to the southeast. It gave wide but weak gold and silver intersections with values of 104 ppb Au and 2.0 g/t Ag over 20.5 m and 52 ppb Au and 2.9 g/t Ag over 23.5 m in a strongly silicified zone. No drilling has tested the area to the north along strike.

Due diligence work by Overburden Drilling Management (ODM) of Nepean, Ontario using a Scanning Electron Microscope (SEM), noted acanthite, a silver bearing mineral, (approximately 5,000 grains) and native gold (1,000 grains) in sample 7815, the first sample (from 3.0 to 6.1 m) in hole 10, which assayed 2.49 g/t Au and 104.0 g/t Ag. Both minerals are fine-grained, varying from 0.025 to 0.5 mm in size. The two widest anomalous gold intersections were located in holes 10 and 7. Hole 10 gave 92.1 metres of 237 ppb Au and 8.4 g/t Ag from 3 to 95.1 m including the higher grade intersection noted above and hole 7 gave 50 metres of 284 ppb Au and 2.4 ppm Ag, from 9.0 to 59.0 metres including 4.34 g/t Au and 13.4 g/t Ag over 2 metres from 55.2 to 57.2. Significant gold/silver intersections are listed in Table 1.

Mineralized/ altered zones – mainly pyrite/kaolin with some silicification associated with faults and shears have been intersected in all holes. Rock units encountered include sedimentary units – limestone conglomerates to sandstones, mafic volcanics and mafic intrusives – that are weakly to intensely altered throughout. Alteration consists of propylitization, decarbonatization, argillitization (kaolinite) and silicification.

Results for indicator elements (arsenic, mercury antimony, thallium and barium) show all holes to be anomalous, with holes CEN-08-1 and 2, the most northerly ones, strongly anomalous in arsenic, mercury, and antimony; and holes CEN-08-3, 4 and 5, in the central and south part of the mesa on the west side, dominated by anomalous barium. Good gold/silver association was found for arsenic in holes CEN-08-6, 9, 10 and 11 and for mercury in holes CEN-08-6, 7, 10 and 11, except the higher mercury values were not associated with the highest gold values in hole CEN-08-10, rather the lower grade, perhaps more peripheral or leakage type mineralization. Weak to moderate association with gold/silver was noted with antimony, barium and thallium through most of the holes. Values were up to > 10,000 ppm as with background 30-40 ppm; 2,750 ppm antimony with background <50 ppm; 15,000 ppm barium, with background <1,000 ppm; 1900 ppm mercury with background <1 ppm and 643 ppm thallium with background < 10 ppm. The presence of strongly anomalous mercury indicates that the drilling is still testing high in the system with the most significant potential remaining untested at depth.

All of the widely-spaced drill holes, except CEN-08-8 and 12, intersected elevated gold and silver values over appreciable widths indicating that the system has good potential to host a significant gold/silver deposit. Trace element chemistry, especially mercury, indicates that drilling may be testing the top of the system with the best potential lying at depth.

Dr. Greg Arehart, a professor at the University of Nevada in Reno, and a recognized expert in epithermal and Carlin-type gold deposits, has visited the Centauro Property as a consultant to Silver Spruce. His comments are: “In most cases, not all of the trace metal patterns are well-expressed, but the general epithermal trend is Hg, As, Sb, Tl, Ba, Ag near the paleosurface, precious metals (Au, Ag) and as below, grading to Ag-base metal deeper zones. These observations, in conjunction with the silicification and other geologic features, lead me to believe that we are still at the top of the system.”

Check sampling, using three laboratories, was carried out on a sample which had given a high silver value in CEN-08-4 (919 ppm Ag (average) over 1.5 m) with the samples immediately above and below the anomalous sample also checked. Inconsistent results for silver in these intervals and drill bit fragments noted in the core box, resulted in rejects, or where rejects were not available, the remaining core, being sent to Overburden Drilling Management (ODM) in Nepean, Ontario for study. Reject samples for an anomalous sample from the bottom of Hole 1 (0.65 metres with values of 59, 67 and 107 g/t Ag in three different pulps) and the top of hole 10 (gold and silver values) were also sent. The samples were processed by micropanning followed by scanning electron microscope (SEM) work on the fragments and/or grains in order to ascertain their provenance. This work indicated that the anomalous silver values, up to 1,140 g/t, from hole 4 and the anomalous silver values at the bottom of hole 1 (averaging 63 g/t) are related to drill sludge contaminated with silver solder in pieces of drill bits and therefore are not related to mineralization. Both of these intersections were located where drilling problems had been encountered and the drill bit was either destroyed or damaged, shedding pieces into the drill hole with the drill sludge, which appeared to be fault gouge, where it was analyzed with the core. It is assumed that drill sludge contaminated with drill bit filings may make wide, low grade, silver intersections questionable unless gold values are also elevated. Copper, tungsten and nickel, values related to the drill bit composition, are also generally elevated where drill bit contamination is seen giving a good indication of problem areas. Drilling performance improved greatly after the first five holes were completed and this problem was not encountered again.

A phase 2, follow up drill program is planned for 2009 with expenditures dependent upon the budgets available. The 2008 drilling plan, soil geochemical results, rock sample values and maps and photos showing the drill sites and an aerial photo of the Centauro mesa are shown on the Silver Spruce website at www.silversprucerесources.com.

Drilling in 2008 defined a significant area of gold mineralization within the large alteration system. Exploration in 2009 will consist of limited follow up drilling in the area of the better gold/silver values in the northeast part of the mesa, with a budget of approximately \$200,000. Joint Venture (JV) partners are currently being sought and if a JV can be consummated, an increased budget, funded by the JV partner is likely.

The property has demonstrated potential and gold prices are robust. The company can fund both the required option payment for 2009 (\$100 K US) and the planned drill program from existing cash. No write down in the value of this property is indicated at this time.

Table 1
Anomalous gold/silver values – Centauro Project
DDH's CEN-08-1 to 14

Hole #	From (m)	To (m)	Length (m)	Au (ppb)	Ag (ppm)
CEN-08-01	13.3	67.5	54.2	43	4.8
CEN-08-02	75.5	122.5	47.0	57	2.1
<i> incl.</i>	116.5	122.5	6.0	102	3.9
CEN-08-03	58.5	80.5	22.0	120	1.6
CEN-08-04	278.5	305.8	27.3	46	1.6
CEN-08-05	12.0	18.0	6.0	59	5.8
CEN-08-6	71.8	79.5	7.7	109	9.0
<i> incl.</i>	74.6	75.5	0.9	471	47.5
CEN-08-7	9.0	59.0	50.0	284	2.4
<i> incl.</i>	55.2	57.2	2.0	4340	13.4
CEN-08-8	Weak gold	silver values	n/a	to 55	to 19.6
CEN-08-9	3.0	93.7	90.7	89	4.8
<i> incl.</i>	9.1	20.0	10.9	186	8.3
<i> incl.</i>	59.6	67.5	7.9	144	7.3
CEN-08-10	3.0	95.1	92.1	237	8.4
<i> incl.</i>	3.0	10.5	7.5	1928	64.0
<i> incl.</i>	3.0	6.1	3.1	2490	104.0
<i> Incl.</i>	9.7	10.5	0.8	4550	96.1
CEN-08-11	4.8	25.2	20.4	104	2.0
<i> Incl.</i>	4.8	6.5	1.7	398	2.5
<i> and</i>	69.7	93.2	23.5	52	2.9
CEN-08-12	Weak gold	silver values	n/a	to 48	to 4.2
CEN-08-13	14.6	15.9	1.3	74	12.7
CEN-08-14	25.0	30.5	5.5	52	4.5

NEWFOUNDLAND

CNL - CENTRAL NEWFOUNDLAND (100% SSE)

The property consists of 571 claims (14,275 ha) in one contiguous block located in central Newfoundland, to the southwest of Grand Falls-Windsor. It covers areas with potential for base and precious metals, based on geochemistry, geology and prospecting. The claims were acquired by Silver Spruce under the terms of an option agreement with ASK Prospecting and Guiding, which gives them a two percent Net Smelter Return (NSR), with a one percent buyback for \$1 million, and a stock payment of 100,000 shares, if the property is retained for the second year. The option was exercised by the payment of the 100,000 shares. The option agreement can be terminated at any time at no cost to the company, by transferring the claims to ASK. There are no aboriginal land claims in the area.

The area has been previously explored by regional geochemical and airborne magnetometer, EM and VLF-EM surveys and ground follow up, including limited diamond drilling, carried out by companies such as Noranda, Fortune Bay Minerals, Asarco, and Amoco. This work noted altered felsic volcanics and located copper mineralization in felsic units such as Clipper Brook, base metal mineralization (copper, lead, zinc) in the Crippleback Lake Monzonite and molybdenum mineralization associated with intrusives in the Coronation Lake area.

Exploration consisted of prospecting, basal till sampling over VLF-EM conductive targets, trenching, lithogeochemical analysis of rock samples and diamond drilling. In 2007/08 basal till samples tested airborne VLF-EM anomalies, associated with altered (sericitized/chloritized/silicified) felsic volcanics shown on previous airborne surveys. Weak Au values were noted with a maximum of 2 grains found in four samples and 3 calculated values > 500 ppb Au with a high of 763 ppb; Cu < 100 ppm with a high of 2810; Pb < 40 ppm with a high of 1,260; Zn < 50 ppm with a high of $> 10,000$ ppm (1 %); Cd < 1 ppm with a high of 110 ppm; Ag < 0.3 ppm with a high of 13.1 ppm; and Ni < 40 ppm with a high of 734 ppm. The highest Cu, Pb, Zn, Cd and Ag values were located coincident over a VLF-EM conductor. Eight trenches tested the stronger basal till anomalies. Overburden varied from 1 to > 5 m with not all trenches reaching bedrock. Samples from bedrock and angular float and 13 large basal till (heavy mineral concentrate - HMC) samples were taken from the deepest portion of the trenches. Rocks were altered (sericitized) rhyolites carrying pyrite and weak base metals (Pb/Zn) in trenches 1 and 4 and an altered gabbro carrying pyrite and pyrrhotite, in trench 8 giving anomalous values in Zn (to 1870 ppm, background < 100 ppm) with minor Pb (to 197 ppm, background 30 ppm) were noted in Trench 1, while weak Cu values in the 60-99 ppm range were noted in trench 8. Trench 4 gave only background values. HMC samples had extensive pyrite and magnetite in most samples with some visible gold noted as small flakes in trenches 3, 6 and possibly 7. Analysis gave two significant anomalous values in gold – 3954 ppb from trench 3 and 1677 ppb from trench 6. All other gold values were background (5 ppb). No significant base metal values were noted in these results although as was elevated (> 100 ppm) in 5 of the 13 samples.

A drill program, consisting of seven BTW drill holes, totaling 830.1 meters, which tested the 15 km NE/SW trend of felsic to intermediate-mafic volcanics, was carried out in 2008. The drilling, designed to test the stratigraphy and coincident VLF-EM conductors / basal till anomalies, was spaced 2-4 kilometres apart along the regional strike. Core angles of deformation fabrics/lithological contacts indicate a vertical to steep westward-dipping stratigraphy. The predominant lithology was felsic volcanic flows and tuffs with lesser interlayered intermediate and mafic volcanics (flows and tuffs), the exceptions being drill holes CNL-08-1 and CNL-08-6 (the most southwestern and northeastern drill holes respectively), where intermediate to mafic volcanics predominate. Significant values in base metals and silver were noted in drill holes CNL-08-4 to 6, mainly in the felsic volcanic units. The main ones included:

- CNL-08-4 – 27.1 g/t Ag over one meter from 10 to 11 meters in a clay gouge zone in the felsic volcanics;
- CNL-08-5 – two values > 2000 ppm Zn over 1.5 meters (42 to 43.5 meters and 48 to 49.5 meters) within a 70 meter zone (40 to 110 meters), which gives anomalous zinc values in the 100 to 200 ppm range with elevated Pb values (up to 823 ppm) associated with the higher Zn values in altered (sericitized / silicified) felsic volcanics;
- Gold values were generally background (< 5 ppb); however scattered values from 30 to 200 ppb were located, with a zone of elevated values averaging 20 to 30 ppb, with a high of 200 ppb, found in CNL-08-3 at the top of the hole from 11.8 to 34.8 meters (24 meters) associated with strong pyrite mineralization in a brecciated and altered felsic unit. No coincidence was noted between precious and base metal mineralization.

The volcanics show extensive alteration and pyritization (up to 10-20% in places) mainly in the felsic to mafic volcanics which is characterized by a moderate to strong foliation fabric and brittle deformation features, including shear and breccia zones. Alteration consists of moderate to strong silicification, clay alteration, hematite and ubiquitous pyrite. Moderate to strong chloritization, bleaching and weak Fe-

carbonate alteration characterize the mafic units. Pyrite content varies from 1 to 8%, with 15-25% pyrite found in 5-30 cm zones, including massive bands up to 10 cm wide. Trace to minor sphalerite, chalcopyrite and galena is associated with the felsic and mafic volcanics particularly in CNL-08-5. Trace fluorite and molybdenite are also noted. Minor, pink, potassic alteration was noted in CNL-08-4.

Rock samples from outcrop, bedrock in the trenches, angular float and core samples (67) were analyzed by standard whole rock lithogeochemical techniques as a vector for alteration/mineralization in the area. Dr. Stephen Piercy, an independent consultant, and a recognized expert in volcanogenic massive sulphide (VMS) deposits and lithogeochemistry, was contracted to interpret the results of the survey. His conclusions were: **“Samples from the CNL project range from mafic to felsic with numerous samples exhibiting lithogeochemical signatures indicative of VMS-style alteration (e.g., chlorite, sericite) coincident with anomalous base and volatile metal contents. These types of lithogeochemical signatures are similar to those found in rocks from discordant alteration zones in VMS systems.”**

Results indicate that the area is prospective for volcanogenic massive sulphide (VMS) and shear hosted epigenetic deposits, with extensive alteration related to mineralization in the felsic volcanics, the usual hosts for VMS deposits. Gold potential is noted in the till samples, the panned concentrates from the trenches and in scattered values through the altered volcanics, particularly in CNL-08-3, associated with structural controls such as brecciation and strong pyrite mineralization.

The 2007 basal till samples were sent to Overburden Drilling Management in Nepean, ON. for tabling and gold grain counting with a split of the sample sent for analysis by an ICP method to ActLabs in Ancaster, ON. for ICP analysis for base metals and gold indicator elements. The tills taken from the trench bottoms were concentrated by panning by Allan Keats of ASK. Basal tills, taken in 2008, rock, HMC (panned) samples and core samples were analysed by fire assay for gold and and ICP technique for other elements, including base metals and silver, at the Eastern Analytical Laboratory in Springdale, a recognized local laboratory used by most exploration companies active in Newfoundland. Lithogeochemical samples were sent to Activation Laboratories Ltd. (Actlabs) in Ancaster Ontario, where they were analyzed using the 4Litho technique. Maps showing the property, with basal till, trench, rock, HMC and 2007/early 2008 lithogeochemical results, plus the drill hole locations are shown on the Silver Spruce website at www.silverspruceresources.com.

The property will be consolidated and reduced to the area of highest potential with the surrounding ground dropped or abandoned as was contemplated when the project was conceived. No exploration is planned for 2009, pending availability of financing. Assessment credits are sufficient to hold the area of highest potential for the next couple of years. No write down in the value of this property is indicated at this time.

TWENTIETH BROOK (100% SSE)

The 20th Brook property is a 146 claim (3650 ha), road accessible, claim group located in western Newfoundland, approximately 25 kilometres from the town and port of Stephenville. The property was optioned from a group of Newfoundland, based prospectors, Derek White, Joan Benoit and Vance Green. Terms of the option to earn a 100% interest, subject to a 2.5% NSR with a 1.5% buyback for \$1.5 M, are as follows: \$84,650 cash and 435,000 shares over 3 years, with \$300,000 in work commitments by the end of the 3rd year. The first payment due on signing (paid) was \$4,500 plus 45,000 shares. In addition, a yearly advance royalty payment, deducted from future NSR payments, of \$18,000 per year, is payable for 10 years from the 5th anniversary. Fifty percent (50%) of cash payments can be substituted by shares at their value at the time of exercise at the company's option.

The property was optioned to Falconbridge/Xstrata who carried out exploration, targeting Irish type Pb/Zn deposits, over a three year period from 2004 to 2007 consisting of prospecting, geological mapping, gridding – 200 m lines, widely spaced (100m centre) soil geochemistry, induced polarization (IP), and horizontal Loop EM (HLEM) surveys followed by 12 drill holes (TB-06-1 to 12) totaling 1,815m. XStrata's work concentrated mainly on IP and HLEM targets with or without soil geochemical backup. The mineralized outcrops were not tested by trenching or drilling (see compilation map) and the mineralized trend remains untested.

The only exploration carried out by SSE was two field visits and limited due diligence sampling of the showings. Results for three selected grab samples taken from the two showings, 300 m apart in a limestone (carbonate) host, which both extend over an area of more than 30 m, are as follows: SW zone - TB1A – 34% Pb, 15% Zn, 17.1 g/t Ag, and TB1B – 0.43% Pb, 7.1% Zn, 5.6 g/t Ag; NE zone (TH) - TBTH1 – 42.4% Pb, 7.4% Zn and 17.5 g/t Ag. Scattered mineralized boulders and minor outcrop exist between the two showings and to the north of the TH showing.

All analyses were carried out at Eastern Analytical in Springdale, NL, a recognized local laboratory using an ICP-11 technique followed by an atomic absorption assay for those values over the detection limit of the ICP, in Pb, Zn and Ag.

A compilation map of the 20th Brook property, with the location of the due diligence samples shown, can be viewed on the company website www.silverspruceresources.com.

Exploration, planned for the summer of 2009, includes gridding, soil geochemistry, trenching and diamond drilling. Budget proposed for 2009 is approx. \$130 K (including matching govt funding) including drilling, which can be funded from existing cash. This work will begin in the early summer once the resource road is passable. No write down in the value of the property is indicated at this time.

CALVINS'S LANDING (100% SSE)

The road accessible, 123 claim (3,075 ha) property, is located in east-central Newfoundland, approximately 10 kilometres from the town of Glovertown. The original property was 30 claims (750 ha) optioned from two Newfoundland prospectors, Walter and Ron Sweetapple in early 2009. It is road accessible via the Northwest Pond Resource Road, with the zone exposed along the road which cuts the zone obliquely. The option terms to earn a 100% interest subject to a 2.0% NSR with a 1.0% buyback for \$1 M are: \$74,000 cash and 350,000 shares over 3 years with a work commitment of \$300,000 by the end of the 3rd year. The first year payment is \$4,000 plus 40,000 shares. In addition, a yearly advance royalty payment, deducted from future NSR payments, of \$15,000 per year, is payable for 10 years from the 5th anniversary. Fifty percent (50%) of cash payments can be substituted by shares at their value at the time of exercise at the company's option.

The property was staked by the optionees after they observed the alteration/mineralization along the Northwest Pond Resource road in October, 2008. The only work carried out on this newly exposed zone has been limited prospecting and sampling of mineralized float derived from outcrop along the road, exposed during the course of the road building. The mineralized outcrops have not been tested by trenching or drilling and no work has been carried out along strike to either the north or the south. Grab sample results from 22 float samples taken along the road, give values from a high of 4.4 g/t Au to a low of non detect (< 5 ppb), with five samples > 100 ppb and 11 of the 22 samples anomalous (> 20 ppb). Elevated values in Mo to 71 ppm (background < 10), Ba to > 550 ppm.(background < 50), and Ag to > 6 ppm (background < 0.5 ppm) were also located.

The only exploration carried out by SSE consisted of a 1 day, due diligence, field visit. Four selected grab samples taken from outcrop and float/subcrop derived from the underlying bedrock (2 samples each) during the property evaluation gave values of 503 and 882 ppb Au from the float/subcrop samples of quartz/hematite veining in the central part of the zone and non detected (< 5 ppb) from the outcrop samples of pyritic sericite schist from the eastern and western margins of the zone. The host felsic volcanic units are highly altered with sericite, pyrophyllite and clay minerals and carry extensive disseminated pyrite. Quartz veining carrying pyrite and specular hematite, which is sometimes brecciated, is present throughout the zone. PIMA analysis by Newfoundland government geologists indicates that alunite is present in the alteration system. The strong, high sulphidation style, alteration/mineralized zone is a minimum of 100 m wide.

The company has acquired by staking, a total of 93 claims in three licences to protect the on strike extensions of the altered/mineralized zone to both the north and south. These claims constitute part of the option deal, increasing the total property position 123 claims.

The property lies along the Dover fault, a major suture dividing the Avalon terrane, to the east, from the Dunnage terrane, to the west, on the northern extension of the Love Cove Group volcanics which host extensive high sulphidation alteration/mineralization, such as at Hickey's Pond and the Stewart Option, on the Burin Peninsula and is similar in geological setting to the past producing, 11 million tonne, Hope Brook Gold Deposit located on the south coast of Newfoundland. High sulphidation gold mineralization is extensive in the Carolina Slate Belt in the southern Appalachians, where past producers included the Ridgeway and Haile Mines.

Analyses were carried out at Eastern Analytical in Springdale, NL, a recognized local laboratory. Samples were analysed for gold by fire assay using an atomic absorption finish plus either an ICP- 11 or ICP 30 technique for other elements. A compilation map of the Calvin's Landing property, with the location of the due diligence samples shown, can be viewed on the company website www.silverspruceresources.com.

Exploration, consisting of geochemistry and prospecting followed by trenching/diamond drilling as required, will begin in the spring/summer of 2009, once road conditions allow access. The budget for 2009 is approximately \$50 K which can be funded from existing cash. No write down in the value of the property is indicated at this time.

OTHER PROPERTIES/PROJECTS

The company continues to evaluate properties and opportunities under a "general exploration" budget. These projects/properties/opportunities include various commodities in various parts of the world, generally where the company already has assets such as Labrador and Mexico. Other projects may be generated from this work and information will be released as they are acquired.

An example of the type of project generated includes the Napes Ashini grubstake arrangement with an Innu Prospector, Napes Ashini and his associates. The company provides transportation, other logistical support and geological expertise to this group of Innu prospectors, led by Napes, who are using historical knowledge gained from their ancestors to evaluate prospective sites throughout their traditional areas. This project, which has had some success in generating areas of interest, will be continued, albeit at a lower level in 2009.

General exploration costs are expensed as spent unless they result in the acquisition of a property when they are then capitalized against the property. Two projects generated in this way have not been successful and have been written off. They include: Hopedale (\$21,242) and Churchill River (\$5,043).

URANIUM

URANIUM - SUPPLY AND DEMAND

Demand for uranium is forecast to outstrip supply over the next 10 years. Much of this demand will come from expanding nuclear power requirements of developing economies with 130 new reactors expected to be constructed over the next 15 years (IAEA), representing nearly a 30 percent increase in reactors globally. China has announced plans to build 27 new nuclear reactors by 2020, and India has announced plans to build 17 new nuclear reactors by 2012. This rate of expansion compares with the USA, which built over 100 nuclear power plants in 15 years between 1965 and 1980.

Uranium supply is constrained by a lack of new mine production and declining world inventories. World requirement of uranium oxide (U_3O_8) is about 77 kiltotons per annum (ktpa), while current mine production accounts for 48ktpa. The balance, 29ktpa, comes from inventory - primarily the down-blending of weapons grade uranium which has greatly diminished. Mine output is expected to increase to 54 ktpa over the next three to five years, leaving a significant supply gap to be filled by new production.

The long term outlook remains positive for uranium, which is currently trading at around US\$70/lb on the term market even though spot prices have declined to below \$50/lb. Market pressures remain strong for the long term and the sentiment is that the long term uranium price should increase over the next few years.

LABRADOR

Nunatsiavut Moratorium on Uranium Development

The Nunatsiavut Government (NG) has instituted a 3 year moratorium on uranium development in their territory, Labrador Inuit Lands (LIL) in Labrador, until they develop a comprehensive land use plan. Exploration is still allowed, however development is in question until the moratorium is lifted. Labrador Inuit Settlement Area (LISA) lands are jointly controlled by the NG and NL governments and are not subject to the moratorium. LI Lands (LIL), comprise approximately 16% and Labrador Inuit Settlement area Lands (LISA) comprise 42%, for a total of 58% of Silver Spruce's properties in Labrador and a total of 44% as 18% LIL and 26% LISA of the CMBJV property. The Two Time zone and the western portion of the CMBNW and the Snegamook properties lie outside of the LIL/LISA lands on lands claimed by the Innu people of Labrador. The Straits property in southern Labrador is outside of all of the land claim areas.

The imposition of this moratorium combined with the drop in uranium price and the problems in the global markets in general have made it almost impossible to raise money for uranium exploration in Labrador. Most companies, including Silver Spruce, are putting their uranium projects in Labrador on hold for the near term pending the resolution of the moratorium issue and an increase in the price of uranium.

THE CENTRAL MINERAL BELT (CMB)

The CMB has been the most active uranium exploration area in Canada, after the Athabasca Basin in SK/AB. The first discovery of uranium in the CMB was made in 1951, prompting exploration up until the 1970s mainly by the British Newfoundland Exploration Company Limited (Brinex) and partners who discovered the Kitt's deposit in 1957, the Michelin deposit in 1968 and the Gear, Inda and Nash prospects in 1968/69. These properties, except Kitts, which is in an Exempt Mineral Land (EML), are now held by Aurora Energy. A mining plan for the Kitts and Michelin deposits and an associated uptake agreement with Consolidated Edison was completed in the mid 1970s however a significant drop in uranium prices in the late 1970's caused the project to be shelved, and the abandonment of uranium exploration in Labrador. Brinex's mineral concessions were surrendered in 1983 and 1985.

In 2003, the Fronteer/Altius joint venture (now **Aurora Energy**) was formed to evaluate the iron oxide copper gold (IOCG) potential of the CMB area. In the course of this work, the potential of the shear zone hosted uranium was noted at the Michelin and other deposits and with the increase in the price of uranium, emphasis was then placed on uranium as a commodity. The widespread hematite/chlorite/epidote/actinolite alteration noted in the Ailik and Post Hill groups resulted in blanket staking by Aurora of areas covering the known Brinex showings. Airborne radiometric/magnetic surveys in 2004/2005 resulted in definition of the known showings plus the generation of new targets in the Michelin, Otter Lake and Jacque's Lake areas, which are being explored at present. A 43-101 compliant, resource estimate released by Aurora for the Michelin and Jacques Lake deposits on February 20, 2008 shows a significant increase in resources to 67.4 M lbs indicated and 35.5 M lbs inferred U₃O₈ at a grade of approximately 0.12% for the underground and 0.07% for the open pit resources, with the zones remaining open to depth and along strike. Aurora announced in late August, 2007 that they were proceeding with a pre feasibility study on the Michelin deposit with the intention of moving toward production as soon as possible, however the NG uranium development moratorium has essentially put these efforts on hold pending the resolution of the moratorium issue.

Crosshair Exploration and Mining (Crosshair) optioned the Moran Lake property in the winter of 2005 and flew an airborne survey the following summer. Crosshair's 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 1970s, which are peripheral to large gravity anomaly possibly representative of an Olympic Dam type target. A 43-101 compliant resource, in the C Zone, Armstrong and Area 1 zones, of approximately 5.2 million lbs indicated and 5.8 million lbs inferred U₃O₈ was announced on August 7, 2008. Exploration on all their projects in the CMB has been curtailed due to the problems associated with the Nunatsiavut Government's moratorium on uranium development. The projects are essentially on hold pending higher prices, the resolution of the moratorium issue and better financing opportunities.

SILVER SPRUCE PROPERTIES

WHOLLY OWNED PROPERTIES (100%)

Silver Spruce (SSE) owns a 100% interest in 8,853 claims in Labrador (approx. 2,213 km²) outside of the CMB JV. These are 100% owned by SSE and include the following properties - Snegamook Lake (86 claims), Double Mer (770 claims), Straits (1668 claims), Mount Benedict (4413 claims, with 532 original claims subject to a 1% NSR), Makkovik River (200 claims), Tukialuk Bay (456 claims), Jeanette Bay (500 claims), and Lake Michael (355 claims). The Snegamook Lake property was optioned from a Newfoundland prospecting group for payments totalling \$24,000 and 60,000 shares over a three-year period (all payments made) and retention of a two percent Net Smelter Return (NSR). The Double Mer and Straits properties were acquired in an arm's-length deal with a local prospector, for a consulting fee of

\$12,000 per year for three years (all payments made) and retention of a one-percent Net Smelter Return (NSR). The Mount Benedict property was acquired by staking and option. A 1% NSR is payable on 592 claims of the originally staked ground.

The Double Mer property was optioned to High Tide Resources (News release January 31, 2008) however the company was unable to raise the required capital to move forward and the property was returned to Silver Spruce, with Silver Spruce retaining the \$50,000 first year payment. High Tide also made the final payment of \$12,000 due to Alex Turpin.

SNEGAMOOK LAKE (100% SSE)

The Snegamook property, located just to the southeast of Snegamook Lake, consists of 86 claims (21.5 km²), and is surrounded by the CMBNW JV property to the north, west and east and the Santoy “Fishhawk Lake” property to the south. It is subject to an option agreement, made in July 2006, with the Turpin-Crocker Group, a group of Newfoundland-based prospectors. Silver Spruce has earned a 100-percent interest in the property by making payments totalling \$24,000 and 60,000 shares over a three-year period (all payments made) to earn a 100 percent interest, subject to a two-percent Net Smelter Return (NSR). The property was staked on the basis of government lake bottom surveys which showed anomalous uranium lake sediment values from 7.6 to 49.2 parts per million (ppm) against a background of approximately 5 ppm. The property is located outside of lands owned by the Nunatsiavut government, on lands subject to the Innu Land Claim and it is not subject to the recently announced moratorium on development.

Exploration from 2006 to 2008 included: an airborne radiometric / magnetic survey, prospecting, lake sediment sampling, linetcutting, RadonEx radon gas surveys, prospecting and diamond drilling (53 holes, 13,765.3 m). **RadonEx** surveys showed a number of anomalous areas including a trend of anomalies along the southern extension of the Two Time trend, and anomalies in the Near Miss area. Prospecting, concentrated on RadonEx anomalies, showing that anomalous samples are generally associated with major east-northeast (ENE) or north-northwesterly (NNW) trending structures, the most significant of which is a 12 km long east-northeast trending suture which extends from the Near Miss showing across the property, approximately 2.5 km to the south of the Two Time zone, to the area of the highly anomalous lake sediment values on the CMBNW property. The uranium values are hosted in hematite bearing breccia zones close to the trace of the structure and in pegmatitic zones to the north of it. Mineralization with values > 0.1% U₃O₈ was located. The Near Miss Showing, located in the southwestern portion of the Snegamook property, gives values from 78 to 5000 ppm (0.008% to 0.5%) U₃O₈ in rock samples from outcrop and also shows good coincidence with RadonEx radon gas anomalies. **Diamond drilling** has located a near uranium bearing zone along the Two Time trend on the Snegamook property and significant, but narrow, uranium mineralization in the Near Miss area. Drill holes testing regional radon gas anomalies gave inconsistent results with little significant mineralization located.

The Snegamook Zone, a new uranium bearing zone, has been located along the Two Time trend, 1.3 km south-southeast of the Two Time Zone, on the CMBJV property jointly owned by Silver Spruce (40%) and Crosshair Exploration and Mining (60%). The Snegamook Zone, located by radon gas surveys, occurs along the same structural corridor that hosts the Two Time Zone. A total of 17 drill holes (SN-07-2,5,6,SN-08-8,10,11,12,14,15,24,26,27,29,40-44) tested the zone, all intersecting a 20 to 50 meter wide section of uranium bearing, brecciated and/or altered monzodiorite with moderate to strong chlorite, hematite and carbonate alteration, the same geological setting as the Two Time Zone. Four individual mineralized zones were identified and traced over a strike length of 300 meters and to a vertical depth of 200 meters. The zones are shallow dipping (15 to 20 degrees to the west) and vary in width from five to 53 meters with grades ranging from 225 to 771 ppm U₃O₈. Individual one meter values range from 50 to 1,110 ppm U₃O₈, with the widest section in SN-08-8 averaging 206 ppm U₃O₈ (0.41 lbs/ton) over 73 meters, similar to values located in the Phase 1 drill program on the Two Time Zone. Higher grade zones, 0.11% (2.13 lbs/ton) U₃O₈ over three meters and 0.11% (2.22 lbs/ton) U₃O₈ over two meters, were located

in SN-08-18. The zones appear to be disrupted to the south and down dip by steeply dipping fault structures that displace the basement gneiss units. The zones remain open to the north. Additional drilling is required to delineate the zone. Two drill holes (SN-08-18 and SN-08-20) tested a radon gas anomaly 500 meters to the south of the Snegamook Zone. They intersected nine meters (210 to 219 meters) of 552 ppm U₃O₈ and five meters (191 to 196 meters) of 224 ppm U₃O₈. Additional drilling is required to determine the significance of these intersections.

In December 2006, the company announced the discovery of a mineralized zone, the **Near Miss showing**, which lies approximately four kilometres southwest of the Two Time showing. Total count scintillometer values > 10,000 cps were located in sub-angular boulders and outcrop covering an area approximately 100 metres by 30 metres. Drilling has given erratic uranium mineralization over narrow widths hosted in hematized, brecciated, granitic to monzodioritic units. The hematite microbreccias give individual one meter intervals grading from 113 to 2,117 ppm U₃O₈ with the widest intersection averaging 213 ppm U₃O₈ (0.43 lbs/ton) over 16 meters including one meter of 0.21% (4.23 lbs/ton) U₃O₈. The mineralization is developed proximal to and along the contact with the older Archean Gneiss, which is dipping shallowly to the east.

All analyses were done at the Activation Laboratories (Actlabs) facility in Ancaster, Ontario, after sample preparation at the Actlabs prep facility in Goose Bay. Uranium and other elements are analyzed by an ICP technique. If this yields results in excess of 250 ppm uranium, follow-up by delayed neutron counting (DNC) is performed. A quality assurance/quality control (QA/QC) program, described on the Silver Spruce website, is in place to increase confidence in the results generated.

Plan maps showing the drilling on the Snegamook Property, including the Snegamook Zone, can be viewed on the company website www.silverspruceresources.com.

No exploration is planned for the property for 2009 due to the price of uranium and budgetary restraints. Assessment reports have been completed and the property has been consolidated to allow it to be kept without further work for over 5 years, with only a renewal payment of \$2,150, due in 2010. The project continues to show good potential which should be realized once prices return to higher levels. As a result of an internal analysis of impairment issues related to the price of uranium and the NG moratorium which have resulted in an inability to access financing, the property has been written down by \$1,114,465. Impairment issues will continue to be examined quarterly.

DOUBLE MER (100% SSE)

The Double Mer property consists of 770 claims (192.5 km²) in one block, located in the Double Mer-Lake Melville area of Labrador, approximately 110 kilometres east of Happy Valley-Goose Bay. It was acquired by staking in 2006 in an arm's length deal with Alex Turpin, a local prospector who retains 1% net smelter return (NSR) on the property. The property lies mainly within LISA lands with a small area in the northern extremities, lying within LIL lands, both part of the Inuit aboriginal land claim. The property was optioned to a Nova Scotia based private company, High Tide Resources in the spring of 2008 but that agreement was later terminated. A description of the agreement and its termination is given at the start of this section.

The property covers strong uranium in lake sediment anomalies located by the Newfoundland and Labrador government with anomalous values ranging from 10 to 470 ppm (Open File 408) against a background of approximately five ppm hosted in leucogranites of Helikian age. Four values greater than 100 ppm uranium, with two greater than 400 ppm, are noted in this survey and are covered by the SSE claims. Newfoundland government work, which included a 1 km spaced line radiometric survey and

ground follow up, located uranium mineralization in float/outcrop with three values over 0.1% U₃O₈, including a value of 0.29% U₃O₈, from eight samples (Open File 408) in 1978. The only known industry follow up by Northgate/Whim Creek Consolidated (WCC) in 1979-1980, included ground scintillometer surveys, trenching and diamond drilling. This exploration located a number of uranium showings with bulk assays in four trenches ranging from 0.44 to 2.09 lbs uranium per short ton (not independently verified) although the trenches have been relocated and resampled giving similar values.

Exploration has included: a radiometric/magnetic survey in the late summer of 2006 which resulted in the selection of 40 strong to moderate strength targets, located in various lithologies and in magnetically low and high areas; and in both 2006 and 2008, data compilation; prospecting; geological mapping, geochemistry (streams, soils) and ground geophysics (scintillometer/radon gas). Prospecting in the area of WCC Zone A, located 10 rock samples giving values greater than 100 ppm U₃O₈, with a high value of 2,640 ppm uranium (0.33% U₃O₈) associated with high spectrometer readings (> 10 K cps), in the area of the trenches. In the soil/humus geochemistry, 12 samples giving greater than 50 ppm uranium were located with high values of 200 ppm for the H horizon and 142 ppm for the B horizon, in two areas, one generally coincident with the WCC Zone A area and one area outside the known mineralization. The WCC trenches and ddh's were relocated and found to be north of the east-west trending magnetic high associated with a radioactive trend on the radiometric maps.

Results for 2008 work have been received and are being compiled for assessment report purposes and will be reported in a summary news release once all compilation has been completed.

Regional surveys have shown areas of uranium potential which require ground follow up. Assessment reports (in preparation) will be completed allowing the release of a \$150,000 deposit from the NL government. The property will be consolidated and reduced by 35% with 500 claims retained over areas showing good potential for uranium for at least the next two years. No exploration is planned for 2009. No write down in the values of the property is indicated at this time due to the early stage exploration however impairment issues will be examined quarterly.

STRAITS (100% SSE)

The Straits property consists of 1,668 claims (417 km²) in one contiguous block, located in the Barge Bay-Henley Harbour area, on the Straits of Belle Isle, approximately 300 kilometres southeast of Happy Valley-Goose Bay. The original claims were acquired by staking in 2006, in an arm's length deal with Alex Turpin, a local prospector who retains 1% net smelter return (NSR). The property lies outside of the aboriginal land claims of both the Inuit and Innu of Labrador.

The property covers uranium in lake sediment anomalies located by the Geological Survey of Canada 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 fault structure. The area was never explored for uranium prior to the SSE work as the government regional geochemistry was carried out after the uranium rush of the 1970's.

Exploration carried out since 2006 has included: an airborne radiometric/magnetic survey which gave 21 significant radiometric targets; compilation; remote sensing; and ground field work, which included prospecting, lake sediment and soil geochemistry, and geological mapping.

Mineralized areas were defined by prospecting and lake sediment geochemistry. These are: 1). In the central portion of the claim group, along a northeast trending structure with offsetting northwest trending

structures, over a 7 km strike length - lake sediment values from 42 to 266 ppm U with a number > 100 ppm, and 9 rock samples with values > 100 ppm, with 2 > 0.1 % U_3O_8 and a high value of 0.16 % U_3O_8 . The **WD showing**, a cluster of boulders of orthogneiss/paragneiss showing strong uranophane staining within a 600-800 m long radiometric anomaly which gave values from 92 to 1391 ppm (0.14 %, 2.8 lbs/ton) U_3O_8 , with three of four samples > 400 ppm is located within this anomaly; 2). In the northeastern part of the group, a northeast trending zone which gives values from 15 to 639 ppm U including the **Henley Harbour** area where an 800-1100 m radiometric anomaly gave values of 439 ppm and 384 ppm U_3O_8 from two rock samples. Host rocks are aplites, mafic intrusives (gabbros), gneisses and pegmatites; and 3). In the western portion of the group, a linear, north-south trending zone with lake sediment values from 10 to 125 ppm. The **LP showing**, located in the northern portion of the area, is a large, irregular, pegmatite dike system which was traced for a few hundred metres gives erratic values varying from 38 ppm to 2650 ppm (0.26 %, 5.2 lbs/ton) U_3O_8 , with 6 samples > 100 ppm and 2 > 0.2 % U_3O_8 . Uranium/thorium ratios were good (minimum of 3 to 1) in most areas although some areas of high thorium values, with low U/Th ratios were located.

Helicopter supported exploration based out of the abandoned community of Henley Harbour in 2008 consisted of prospecting and soil sampling on grids over areas of anomalous lake sediment and rock samples identified in 2007. Work began in late June and was completed in mid August when the camp was demobbed. In the soil survey, two samples were taken at each location with one sent for analysis and the other processed for radon gas in a portable "Lucas Cell" radon detector unit. Soil lines range from two to six kilometers in length with samples taken on 250 by 100 meter spacing.

All results for the rock and soil samples have been received and are being compiled in conjunction with the assessment reporting on the properties. Results will be reported in a summary news release once this compilation has been completed. Regional surveys have shown areas of uranium potential which require further ground follow up. Assessment reports will be completed and the property consolidated and reduced by 70% with 500 claims retained over areas of potential for at least the next two years. No exploration is planned for 2009.

As a result of an internal analysis of impairment issues related to the price of uranium and the NG moratorium which have resulted in an inability to access financing, the property has been written down by \$448,552. Impairment issues will continue to be examined quarterly.

MOUNT BENEDICT (100% SSE)

The property is a large contiguous block of 4,413 claims (approximately 1103 km²), located in the Benedict Mountains area, approximately 180 kilometres northeast of Happy Valley-Goose Bay and 30 to 70 km to the south of Makkovik. The claims are 100% owned by Silver Spruce, subject to a one percent Net Smelter Return (NSR) to the optionee from 532 of the original claims acquired in 2006. It is located in part, (15 percent), on Labrador Inuit Land (LIL), with the remaining 85 percent on Labrador Inuit Settlement Area (LISA) lands.

The property covers uranium in lake sediment anomalies located by the Newfoundland and Labrador government with anomalous values ranging from 10 ppm to 87 ppm against a background of less than five ppm hosted mainly in felsic plutonic rocks of the Benedict Mountains Intrusive Suite, with some felsic supracrustal units, the host for the Michelin deposit to the southwest. Parts of the area were covered by regional uranium exploration carried out by Brinex in the period from the 1950's to the 1970's. No uranium showings were defined in the area.

Exploration has included: compilation, airborne radiometric/magnetics, prospecting, stream sediment geochemistry, linecutting, environmental baseline and archeological studies. **Prospecting** resulted in the

discovery of two significant high-grade uranium prospects, the AT-649, where five grab samples averaged 0.5% (10 lbs/ton) U_3O_8 and boulders downstream of the showing gave values over 3% (60 lbs/ton) U_3O_8 ; and the T Super 7, with values to over 1.0% (20 lbs/ton) U_3O_8 in the northern part of the property. Stream sediment geochemistry in conjunction with prospecting has defined a number of areas which gave coincident $\text{U}/\text{Cu}/\text{Pb}/\text{Mo}$ anomalies with uranium values greater than 60 ppm (background <10 ppm) and uranium mineralization was located in bedrock, a value of 0.35% U_3O_8 ; and in float boulders, with values from 0.026% to 0.25% U_3O_8 . In January/February 2008, a fully winterized camp was established on a small lake approximately 50 kilometers to the south of Makkovik on Labrador Inuit Settlement Area (LISA) lands. The camp supported the winter/spring drilling program on the AT-649 and T Super 7 showings and summer exploration on the remainder of the property. Diamond drilling began on the AT-649 showing in late March and was completed on the Super 7 showing in early July, 2008. The helicopter supported drilling was monitored by an Inuit environmental monitor, as required under the permit.

The **AT-649 zone**, a high grade, uranium bearing zone at least 10 metres wide, was discovered on a small brook, flowing into Stag Bay in the summer of 2007. The outcrop carries intense radioactivity with total count values > 10,000 cps over the 10 metre width, striking across the brook, and disappearing under the overburden, remaining open to the east and west along the apparent strike. Five representative grab samples averaged 0.497% U_3O_8 with values of 0.186%, 0.997%, 0.046%, 0.463%, and 0.796% U_3O_8 and float boulders carrying uranophane, downstream of the showing gave values ranging from 0.06 to 3.37 % U_3O_8 with three values > 1 %. The host rock appears to be an altered (potassic), fine grained, feldspar rich (plagioclase), felsic to mafic intrusive of the Benedict Mountains Intrusive Suite (BMIS) which has been fractured and veined with uraninite/pitchblende and magnetite and which shows extensive uranophane staining. Extensive iron oxides (magnetite) and minor sulphides (pyrite/pyrrhotite) are associated with the uranium mineralization making the unit a magnetic high.

Diamond drilling (1,262.9 m in nine holes) MBAT-08-1 to 9, defined a zone of low grade uranium mineralization hosted in a sheared to mylonitic, brecciated and fractured, felsic intrusive, a monzonite to monzodiorite, which carries extensive chlorite and carbonate alteration plus magnetite and hematite with minor pyrite. It is located along the contact between a monzonitic unit of the Mount Benedict Intrusive Suite and orthodioritic units of the Tran Labrador Granitoid Belt. The zone varies from 4 to 16 meters in width giving U_3O_8 values of up to 598 ppm (1.2 lbs/ton) over one meter. The highest grade intersection, 4.3 meters of 0.025% (0.5 lbs/ton) U_3O_8 located in DDH MBAT-08-2, from 50.6 to 54.9 meters, tested the zone at a vertical depth of 40 meters. The widest zone of mineralization was found in MBAT-08-6, which gave eight meters of 0.021% (0.41 lbs/ton) U_3O_8 from 88 to 96 meters. Drill holes MBAT-08-1, 3, 5, 8 and 9 gave insignificant values. Drilling tested the zone, which appears to be shallow dipping to the southeast, along a strike length of 150 meters and to a vertical depth of 75 meters. Drill intersections are approximately 80% to 90% of the true width. The zone remains open along strike and to depth. Mineralized intervals are summarized in the table following:

Summary Drill Results - AT649 Zone - Mount Benedict Property- Labrador

Hole Number	From (m)	To (m)	Length (m)	U ₃ O ₈ (ppm)	Description
MBAT-08-02	50.6	54.9	4.3	253	Contact zone hosted brecciated to mylonitic
MBAT-08-04	51.0	58.0	7.0	97	intrusive w/ uranophane, pyrite, magnetite, specular hematite
MBAT-08-06	88.0	96.0	8.0	207	"
MBAT-08-06	103.0	105.0	2.0	104	"
MBAT-08-07	84.0	94.0	10.0	82	"

The **T Super 7 zone** is located 4.8 kilometers to the south-west of the AT-649 Zone. The drill program consisted of seven holes (MBS7-08-1 to 7) totaling 968 meters which tested high grade uranium mineralization in bedrock carrying values from 500 ppm to over 1.0% (20 lbs/ton) U₃O₈.

Weak uranium mineralization was located over good widths in a number of the drill holes. Drill hole MBS7-08-5 intersected a 66 meter wide, northeast trending, mylonite zone carrying two separate mineralized zones: 27 metres (5 - 32 m) at 138 ppm U₃O₈ and 22 metres (44 - 66 m) at 278 ppm U₃O₈, separated by a 12 meter wide, barren, mylonitized felsic unit. The zone is a highly altered (hematite/carbonate/chlorite silicification), mylonitized, sheared to brecciated, hematized felsic intrusive or volcanic unit. An eight meter wide, higher grade section, from 51 to 59 meters graded 444 ppm U₃O₈. Orientation and true thickness cannot be determined. Geological mapping indicates a minimum strike length of 300 meters that remains open along strike to the northeast and southwest. Radon gas surveys give strong anomalies over a minimum 750 meter strike length coincident with the trend of the zone. The style of mineralization is similar to the AT-649 prospect and is developed along a major northeast trending structure which trends through, and is associated with, the AT-649 mineralization.

Other drill holes also intersected mineralization over narrow widths. Hole MBS7-08-4, targeting specialized granites, intersected a three meter (14-17 m), sheared, biotite rich zone, that gave 520 ppm U₃O₈. Hole MBS7-08-3 intersected minor uranium mineralization with a best intersection of one meter (44-45 m) of 316 ppm U₃O₈. Drill hole MBS7-08-6 intersected base metal mineralization at the top of the hole, collaring in a brecciated to sheared leucogranite with coarse disseminated galena, sphalerite, pyrite and purple fluorite before passing into a more biotite rich phase of granite at 4.5 meters down hole. No significant uranium mineralization was encountered in holes MBS7-08-1, 2, 6 or 7.

In addition to the drilling, continued exploration in the AT-649/T Super 7 area in 2008, included prospecting, geological, geochemical, geophysical and radon gas surveys aimed at identifying drill targets along the intrusive contacts and the major mylonite zones. The remainder of the property, mainly outside of the LIL, was covered by stream sediment sampling and prospecting surveys which was completed prior to the onset of winter conditions. The camp was demobbed for the winter in early October. All results have been received and are being compiled in conjunction with the assessment reporting requirements for the claims. A summary news release will be issued once this process is complete. Results of the 2007/08 exploration, including the 2007 results for the prospecting/lake sediment surveys, a schematic plan map of the sampling, a plan map and spreadsheet showing the results at the AT-649 showing, the airborne targets and the drilling plan for the T Super 7 and AT-649 zones, along with photos of the discovery area are shown on the company's website (www.silverspruceresources.com).

The property hosts high grade uranium mineralization in the AT-649 and T-Super 7 areas where some drilling has been carried out and a mineralized contact zone has been defined. Areas of potential requiring ground follow up have also been defined by the regional surveys. Assessment work filing is allowing the property to be regrouped to allow abandonment of those areas that have shown little potential in the regional surveys. It is anticipated that the property will be reduced by 55% with 1819 claims retained over at least the next two years without further exploration expenditures required. No exploration is planned for 2009.

As a result of an internal analysis of impairment issues related to the price of uranium and the NG moratorium which have resulted in an inability to access financing, the property has been written down by \$1,470,137. Impairment issues will continue to be examined quarterly.

MAKKOVIK RIVER (100% SSE)

The Makkovik River property consists of 200 claims (50 km^2) in the Makkovik River area of east central Labrador, 15 to 25 km to the east-southeast of the town of Postville. The claims were acquired by staking in the fall of 2006. The property lies within LISA lands. It is owned 100% by Silver Spruce.

Exploration has consisted of an airborne radiometric/magnetic survey, stream sediment geochemistry in conjunction with prospecting and scintillometer traverses.

Three high-priority, eight moderate-priority and a number of lower priority targets were noted on the airborne survey. Uranium mineralized float boulders giving values from 0.049% to 0.733% $\text{U}_{3\text{O}}_8$ were discovered along a northeast trending zone, 1.5 to 2 kilometers in length. The mineralization is hosted in sheared/hematitized extrusive and intrusive rocks.

All results have been received and are being compiled in conjunction with the assessment reporting requirements for the claims. Once all compilation and reporting is complete the results will be released as a summary news release.

Results for the 2007 prospecting surveys and the uranium airborne targets are shown on the company's website (www.silverspruceresources.com).

Exploration has showed little potential for uranium or other mineralization. It will be either abandoned or maintained until assessment expenditures run out. The costs associated (\$240,889) have been written off.

TUKIALUK BAY (100% SSE)

The property, totalling 456 claims (114 km^2) in one block, is located along the Labrador coast in the Tukialuk Bay area, to the east of the Mount Benedict property and approximately 60 km to the south of Makkovik. The claims were acquired by staking as a result of the AT-649 discovery on the Mount Benedict property, in similar geology to the northwest. They are 100 percent owned by Silver Spruce, are located on LIL lands and are contiguous to the east and west with claims held by Mega Uranium.

Exploration has consisted of stream sediment geochemistry in conjunction with prospecting. All results have been received and are being compiled in conjunction with the assessment reporting requirements for the claims. Once all compilation and reporting is complete the results will be released as a summary news release.

Regional surveys have shown areas of uranium potential which require ground follow up. The property will be reduced by 52% with 244 claims retained for at least the next two years. No exploration is planned for 2009. No write down in the value is indicated due to the early stage exploration at this time however impairment issues will be examined quarterly.

JEANETTE BAY (100% SSE)

The property, totaling 500 claims (125 km^2) in one block, is located along the Labrador coast in the Jeanette Bay area, to the east of the Mount Benedict property and approximately 85 km to the southeast of Makkovik. The claims were acquired by staking to cover similar geology and uranium lake sediment anomalies to that of the Mount Benedict property to the west. They are 100 percent owned by Silver Spruce, are located in both LISA and LIL, approximately 50% each and are contiguous with claims held by Mega Uranium.

Exploration carried out in 2008 included stream sediment sampling and prospecting. All results have been received and are being compiled in conjunction with the assessment reporting requirements for the claims. Once all compilation and reporting is complete the results will be released as a summary news release.

Regional surveys have shown areas of uranium potential which require ground follow up. The property will be reduced by 90 % with 50 claims to be retained over areas showing potential. These claims will be maintained at least for the next two years. No exploration is planned for 2009. No write down in the values of the property is indicated at this time due to the early stage exploration however impairment issues will be examined quarterly.

LAKE MICHAEL (100% SSE)

The property which totals 355 claims (approx. 89 km^2) in one block is located along the Labrador coast in the Lake Michael area, to the southeast of the Mount Benedict property and approximately 75 km to the southeast of Makkovik. The claims were acquired by staking to cover similar geology and uranium in lake sediment anomalies as on the Mount Benedict property, to the northwest. They are 100 percent owned by Silver Spruce and are located mainly in LISA lands with the central part of the property in LIL lands.

Exploration in 2008 consisted of stream sediment sampling and prospecting. All results have been received and are being compiled in conjunction with the assessment reporting requirements for the claims. Once all compilation and reporting is complete the results will be released as a summary news release.

Regional surveys have shown areas of uranium potential which require ground follow up. The property will be reduced by 72% with 72 claims retained over areas showing potential for at least the next two years. No exploration is planned for 2009. No write down in the values of the property is indicated at this time due to the early stage exploration however impairment issues will be examined quarterly.

JV PROPERTIES

CENTRAL MINERAL BELT JV (40% SSE/60% CXX)

The CMBJV properties consist of 4423 claims (approximately 1100 km²), in 10 separate blocks, in the Central Mineral Belt (CMB) of Labrador, making the Silver Spruce/Crosshair JV the second-largest claimholder in this region. The properties are proximal to the Michelin, Moran Lake and other uranium showings under exploration/development by Aurora, Crosshair, Santoy and Mega Uranium and are located, to the west of and inland from, the coastal Postville-Makkovik area of Labrador, approximately 150 kilometres northeast of Happy Valley-Goose Bay. The properties were acquired by staking to cover uranium in lake sediment anomalies located by the Newfoundland and Labrador government with anomalous values ranging from eight to 98 ppm, with many in the 20 to 70 ppm range, against a background of less than five ppm hosted in volcanic, sedimentary and plutonic rocks, with potential for unconformity style deposits similar to those in the Athabasca Basin, iron oxide copper gold deposits such as the Olympic Dam, shear hosted style uranium deposits such as the Michelin and granite hosted deposits such as the Rossing Mine in Namibia.

Silver Spruce's original joint venture partner, Universal Uranium, earned a 60% interest in the CMBJV in March 2007 by spending \$2 million under an option agreement signed in the spring of 2006. UUL sold its 60% interest to Crosshair Exploration and Mining in May 08, for 10 M Crosshair shares plus \$500,000, with UUL retaining a 2% NSR on the 60%. Crosshair, with its 60% majority interest has taken over the operatorship of the JV.

Exploration, carried out from mid 2006 to early 2008 has consisted of a helicopter-borne radiometric/magnetic survey on all properties, a limited airborne gravity survey over part of the CMBNW property, prospecting using scintillometers, lake sediment, soil and radon gas geochemistry, scintillometer surveys, geological mapping, and trenching and diamond drilling on the CMBNW property only. Seventeen high priority radiometric targets, including four on Jacques' Lake, two on CMBNW, four on CMBSE, one on CMBE and six on the CMBNE properties, were selected for follow up. Ground follow up, consisting of prospecting using hand-held scintillometers in late August to September 2006 located the Two Time zone on the CMBNW property, with little else discovered.

Given the problems of the global financial crisis, the budgetary restraints most junior companies are subjected to at this time, the impact of the NG uranium moratorium and the price of uranium, it is most likely that only limited exploration will be carried out on the CMBJV properties in 2009 and beyond, aimed at consolidating and reducing the properties to those which show the most potential.

Impairment Issues

Crosshair paid 10 M shares plus 7.5 M warrants plus \$500,000 for Universal Uranium's 60 % interest in the CMB JV (worth approx. \$ 6 M). In addition UUL retains a 2 % NSR on the 60 % that they owned. This put a value, based on the stock and cash only, of SSE's portion of the JV properties at approximately \$ 4 M at the time of the deal. Some portions of the JV (i.e. Jacques Lk, CMBSE etc.) require work to hold them for the next year. Consolidation (regrouping) and abandonment of claims that show little promise, is underway. Expenditures required for 2009 to maintain the claims will be a maximum of \$6-700 K (SSE's portion \$240 – 280 K) with reductions likely as the properties are further evaluated. These expenditures will be funded from SSE's existing cash.

The Seal Lake property costs (\$60,424) have been written off due to poor exploration results. No write down in the value of the rest of the properties in the CMBJV, unless abandoned, is indicated at this time since the Two Time zone has significant intrinsic value and the rest of the properties are early in the exploration cycle. Impairment issues will be examined quarterly and if required writedowns will be taken. The properties are discussed individually following.

CMBNW JV

The CMBNW property, in the north-western portion of the CMB, consists of 1,920 claims (480 km²) acquired by staking in 2006. It is located partially on LISA lands, and partially on lands covered by the Innu land claim, approximately 110 km to the west of Postville.

Exploration has consisted of compilation, airborne radiometric/magnetic and air gravity surveys, prospecting, line cutting, stream, lake sediment and soil geochemistry, geological mapping, and geophysical (RadonEx) surveys, trenching/stripping, diamond drilling and a resource calculation on the TT zone completed in April, 2008. Crosshair has been carrying out compilation of data, plus due diligence core logging and ground truthing since acquiring the operatorship of the JV in the late summer of 2008. The Two Time showing was discovered by prospecting using scintillometers, at the location of the CMBNW#2 airborne radiometric anomaly in September 2007.

An **air gravity** survey, carried out by Bell Aerospace of Houston, Texas covered the Kanairiktok River area of the CMBNW property including the Two Time Zone area. The survey showed a number of gravity features, both positive and negative, some of which appear to be associated with the Two Time mineralization, and possible extensions to the north and south. Positive gravity areas away from the zone to the west and northeast appear to reflect intrusive bodies as shown on the magnetic and geological maps however coincidence of positive gravity anomalies with mineralized occurrences is also shown in the northeastern portion of the property.

Lake sediment geochemistry gave values ranging from background (< 17 ppm) to 374 ppm and defined two significant anomalous areas: 1) to the south of the Kanairiktok River, encompassing the Two Time zone and the HF occurrence and continuing to the northeast to an unexplored area where the highest values were located. Values in the most anomalous area ranged from 6.5 to 374 ppm with 6 values greater than 100 ppm; 2). An area to the north of Snegamook Lake, in the northwest portion of the property, with values from 5.4 to 258 ppm and 3 values greater than 60 ppm. Historic exploration by Brinex shows radiometric anomalies in this area.

Soil geochemical surveys were centered on radon gas anomalies and/or radioactive showings over selected areas to the east and north of the Two Time Zone. Uranium values range from 0.1 to 130 ppm, with a mean value of 2 ppm. No other elements gave significant anomalous values. The results highlight four uranium anomalous areas as follows:

- 1) A 1.2-kilometer long anomaly with coincident radon gas anomalies, to the north of the Two Time Showing.
- 2) An area approximately 2.5 km to the east of the Two Time Showing, associated with radon gas anomalies and/or near areas of untested uranium mineralization in bedrock.
- 3) An area 4.5 km to the east-northeast of the Two Time zone where uranium values ranging from 6.9 to 116 ppm were located over a 700-meter long zone which remains open to the north and east. Mineralized outcrop/boulders of hematite breccia giving values ranging from 0.07 to 0.30 % U₃O₈ have been located in the area.
- 4) Sporadic values up to 32 ppm on a small grid in the southeastern part of the property, covering the extension of a structural lineament carrying uranium mineralization on an adjoining property.

RadonEx (radon gas) surveys defined a trend of radon anomalies, thought to represent uranium mineralization, along the Two Time trend and showed a number of other mineralized structural trends with significant anomalies, some much larger and stronger than the anomaly over the TT zone, mainly over favourable geology to the east and southeast of the TT Zone. Anomalies, some much larger and stronger than the one over the TT zone were defined along structural lineaments.

Prospecting, guided by the RadonEx, soil and lake sediment surveys, located significant mineralization along a number of linear trends in the northeastern and southeastern portions of the property where geological mapping indicates a structural association of mineralized areas with northwest and northeast trending structures. Uranium bearing hematite breccia zones have been identified along these structures, some of which are in excess of 6.5 kilometers long. Five samples with values > 0.5% U₃O₈ (10 lbs/ton) and 31 with values > 0.1% U₃O₈ (2 lbs/ton) were located associated with major east-northeast (ENE) or north-northwesterly (NNW) trending structures, the most significant of which is a 12 km long east-northeast trending suture which extends across the Snegamook property, approximately 2.5 km south of the Two Time zone, to an area of the highly anomalous lake sediment values. Uranium is hosted in hematite bearing breccia zones close to the trace of the structure and in pegmatitic zones to the north of it. Another area, trending ENE and giving values up to 0.93% U₃O₈ (18.6 lbs/ton) in float boulders and 0.4% U₃O₈ (8 lbs/ton) in outcrop is located in the south eastern portion of the group. These samples are generally hematite breccias and are related to alteration (carbonatization, chloritization) in the host units. **The Firestone Showing**, an area of 250 by 600 m of strong, pervasively hematitized / brecciated, monzonodiorite/granite, giving highly anomalous to off scale (> 10,000 cps) scintillometer readings was located along a strong northwest - southeast trending structure approximately 8 km to the southeast of the Two Time Showing. Two float samples gave values of 0.08 and 0.11% U₃O₈ and proximal and down ice from the zone, boulders with values over 1.0 % U₃O₈ were located. Three channel samples of pervasively hematitized/oxidized breccia, taken at one meter intervals from poorly exposed outcrop in the western part of the Firestone showing gave values of 60, 160 and 300 ppm U₃O₈. As at the Two Time Zone, uranium mineralization has undergone surface leaching as shown by uranophane on fractures.

Lake and stream sediment, soil and rock samples were analyzed at Activation Laboratories in Ancaster ON., using the delayed neutron counting (DNC) method for uranium and 30 element ICP for other elements. The radiometric picks for the airborne surveys, the air gravity results and a compilation map showing the RadonEx, soil, geochemical and rock sample results are shown on the Silver Spruce website at www.silverspruceresources.com

Two Time Zone

RESOURCE CALCULATION (taken from Scott Wilson Roscoe Postle Associates Report)

Scott Wilson Roscoe Postle Associates (Scott Wilson RPA) prepared a Mineral Resource estimate for the Two Time Zone using drill hole data available as of February 4, 2008. The drill hole database includes 40 diamond core holes (holes 1-23 and 25-41) totaling 10,928 metres, plus five surface trenches.

The Mineral Resources are contained within eight zones, D101 through D108. At a cut-off grade of 0.03% U₃O₈, Indicated Mineral Resources are estimated to total 1.82 million tonnes grading 0.058% U₃O₈ containing **2.33 million pounds U₃O₈**. Inferred Mineral Resources are estimated to total 3.16 million tonnes grading 0.053% U₃O₈ containing **3.73 million pounds U₃O₈**.

A set of cross sections and plan views were interpreted to construct three-dimensional wireframe models at a cut-off grade of 0.03% U₃O₈, and a minimum true thickness of four metres. These criteria reflect a potential underground bulk-mining scenario. High U₃O₈ grades were cut to 0.3% U₃O₈ prior to compositing to two metres. Variogram parameters were interpreted from two-metre composited assay values. Block model U₃O₈ grades within the wireframe models were estimated by ordinary kriging. Classification into the Indicated and Inferred categories was guided by the drill hole density, interpreted

variogram ranges, and the apparent continuity of the mineralized zones. See Table 1, following, for details. The full report is available on SEDAR, as filed on June 13, 2008.

TABLE 1

INDICATED MINERAL RESOURCES

LENS	Tonnage (tonnes x 1,000)	Grade (% U ₃ O ₈)	Contained Metal (lbs U ₃ O ₈ x 1,000)
D103	1,010	0.070	1,560
D101	500	0.039	430
D102	310	0.049	340
TOTAL	1,820	0.058	2,330

INFERRRED MINERAL RESOURCES

LENS	Tonnage (tonnes x 1,000)	Grade (% U ₃ O ₈)	Contained Metal (lbs U ₃ O ₈ x 1,000)
D103	1,090	0.062	1,480
D104	180	0.035	140
D105	1,160	0.049	1,240
D106	120	0.045	120
D107	120	0.041	110
D108	490	0.058	640
TOTAL	3,160	0.053	3,730

Notes:

1. CIM definitions were followed for mineral resources.
2. The cut-off grade of 0.03% U₃O₈ was estimated using a U₃O₈ price of US\$65/lb and assumed operating costs.
3. Grade-shell wireframes at 0.03% U₃O₈ and a minimum true thickness of four metres were used to constrain the grade interpolation.
4. High U₃O₈ grades were cut to 0.3% prior to compositing to two-metre lengths.
5. Several blocks less than 0.03% U₃O₈ were included for continuity or to expand the lenses to the four metre minimum true thickness.

The Two Time (TT) Zone was discovered during ground follow up of a regional radiometric survey in the fall of 2006 to the south of the Kanairiktok River, just to the east of Snegamook Lake, as a 50 m long cliff outcrop which gave rock sample values up to 0.26 % U₃O₈. The zone was traced inland under cover by prospecting and hand trenching. Scintillometer values, along the north-south trending zone, ranged from > 10,000 to 2,700 cps (total counts per second gamma radiation). The channel/chip sampling of the hand dug trenches gave anomalous values in all trenches with the highest grades located in Trench 5, which gave 0.032% U₃O₈ over five metres, including 0.051% U₃O₈ over one metre. The zone was first drilled in December 2006 and drilling continued through 2007 with the definition drilling program completed in December 2007.

A total of 11,190.6 meters in 41 holes in three different phases, were drilled on the CMBNW property. Forty of these holes (1-23 and 25-41), for a total of 10,922.6 meters, tested the Two Time Zone and one hole, CMB-07-24, tested a RadonEx soil gas anomaly to the north of the zone. Table 2 gives the significant drill intersections as generated for the Resource Calculation.

The first phase drill program in December 2007, defined a wide zone of low-grade uranium mineralization over a 175 m strike length in three of five holes with the best mineralization in DDH CMB-06-3, which gave 82.4 m of 0.021% U₃O₈ from 83.5 m to 165.9 m, including two higher grade zones of 0.13% U₃O₈ over 1.6 m from 100.8 m to 102.4 m and 0.13% U₃O₈ over 1.4 m from 106.1 m to 107.5 m. The second phase drill program, carried out from January to March 2007, defined wide zones

of uranium mineralization in all holes except CMB-07-7. DDH CMB-07-6, which was drilled under DDH CMB-06-5 on Line 0+50 S, at a 50 degree dip, and which intersected the zone between 150 and 200 m deep gave 107 m of 0.052% U₃O₈, (uranium oxide) from 172 m to 279 m, including higher grade zones: 0.11% U₃O₈ over 30 m from 172 m to 302 m and including 0.312% U₃O₈ over 3.0 m from 172 m to 175 m. CMB-07-12, drilled under CMB-07-6, gave 147 m of 0.041% (0.82 lbs/ton) U₃O₈, including higher grade intersections of 11 m at 0.11 % (2.2 lbs/ton) and 6 m of 0.13 % (2.6 lbs/ton) U₃O₈. The Phase 3, resource definition, infill drilling program was completed in December 2007. The best mineralization located in this phase was in CMB-07-14 drilled on section 0+00 which gave 109.2 m of 0.042% uranium oxide (U₃O₈) (0.84 lbs / ton) from 213.9 to 323.1 m, including 32 m at 0.103% U₃O₈ (2.06 lbs / ton) from 264.6 to 296.6 m. Other mineralized intersections were: CMB-07-16 – 192 m from 256 to 448 m, assaying 0.022% U₃O₈ (0.44 lbs / ton) including 9 m from 286 m to 295 m at 0.127 (2.54 lbs/ton); The higher grade intersections in CMB-07-14 are at a depth of approximately 200 m. The zone appears to increase in grade to depth.

Mafic dikes disrupted the mineralized zone in some places. Holes 17-19 were drilled as a fence on Section 1+25 S, 50 m to the south of drill holes 5, 6, 12 and 16, on Section 0+75 S, to test the southern extension of the zone from approximately 150 m to 250 m vertical depth. All of these holes intersected wide zones (90 m plus) of lower grade mineralization in the 0.02% to 0.03% U₃O₈ range with higher grade intersections including 17 m of 0.109% U₃O₈ in Hole 18. Hole 19 which gave the widest zone of mineralization, 199 m of 0.026% U₃O₈, was stopped in mineralization due to mechanical difficulties. Hole CMB-07-18 gave 17 m (211-228 m) at 0.109% U₃O₈ (2.18 lbs / ton); and CMB-07-19 gave 199 m at 0.026% U₃O₈ (0.52 lbs / ton) including 4 m from 299 to 303 m at 0.129% U₃O₈ (2.58 lbs / ton). Weak to insignificant mineralization was intersected in drill holes 21 to 23. CMB-07-24 was drilled at azimuth 070 and dip -45, to a total depth of 225m, 600 m to the northwest along the general trend of the TT zone, to test coincident Radon Gas and stream sediment anomalies. No significant mineralization was encountered however the favourable, brecciated/hematitized felsic host rocks were intersected over the entire length of the hole.

The TT zone has been traced over a strike length of approximately 475 metres, from 2+75 N to 2+00 S, remaining open to the north and south along strike and to depth. It is apparent from the soil geochemical results and the presence of uranophane in surface samples that extensive oxidation has taken place in the near surface portion of the Zone. The host for the mineralization is an altered, brecciated and fractured intrusive, monzodiorite to diorite, with extensive chlorite, carbonate and hematite alteration. The orientation of the mineralization appears to be near vertical to steeply dipping. Modelling of the drill data with Surpac Xplorpac shows the zone has good strike and depth continuity and it remains open along strike and to depth indicating that it should continue to the southwest, plunging at 30 to 50 degrees

All uranium analyses were performed by Activation Laboratories in Ancaster, Ontario, an approved, accredited laboratory, using the delayed neutron activation technique (DNC), which gives accurate results for samples carrying up to 1.0% uranium. In addition, samples were analysed using an ICP technique that gives good results for most other elements, including Thorium. A quality assurance/quality control (QA/QC) program, described on the company's website, has been implemented by the Silver Spruce/Crosshair joint venture to increase confidence in the results generated.

Plan maps and sections for the drilling on the TT Zone can be viewed on the Silver Spruce website at: www.silverspruceresources.com.

Exploration budgets for 2009 and beyond are dependent upon the operator, Crosshair, which are still in the planning stage – they are discussed at the beginning of this section. Plans and budgets will be announced as they are finalized and approved. The Two Time zone, which has defined resources, plus other, as yet, evaluated showings gives the property significant value. No write down of exploration costs is contemplated however impairment issues will be evaluated quarterly.

TABLE 2 SIGNIFICANT DRILL HOLE INTERSECTIONS

Two Time Zone - CMBNW Property
 (after Scott Wilson Roscoe Postle Associates)

HOLE-ID	From (m)	To (m)	Core Length (m)	True Thickness (m)	Lens ID	Grade U ₃ O ₈ %
CMB-06-02	162.40	170.40	8.00	8.00	101	0.039
CMB-06-03	86.80	107.50	20.70	15.41	103	0.038
CMB-07-06	224.00	249.00	25.00	16.62	108	0.049
CMB-07-06	172.00	200.00	28.00	18.67	103	0.118
CMB-07-06	265.00	279.00	14.00	14.00	105	0.039
CMB-07-07	203.90	210.01	6.12	6.12	105	0.056
CMB-07-10	192.00	198.00	6.00	6.00	102	0.077
CMB-07-11	239.00	266.00	27.00	19.06	103	0.038
CMB-07-12	252.00	318.00	66.00	44.56	103	0.058
CMB-07-12	344.00	364.99	20.99	20.99	105	0.042
CMB-07-13	136.18	168.18	32.00	26.23	103	0.059
CMB-07-13	180.52	209.42	28.90	24.31	108	0.039
CMB-07-13	222.52	229.74	7.22	7.22	105	0.097
CMB-07-14	264.62	297.62	33.00	25.20	103	0.101
CMB-07-16	271.00	295.81	24.81	16.54	103	0.061
CMB-07-16	303.00	311.00	8.00	5.38	108	0.036
CMB-07-17	236.00	263.00	27.00	27.00	105	0.043
CMB-07-18	207.00	228.00	21.00	15.85	103	0.095
CMB-07-18	300.00	311.00	11.00	11.00	105	0.059
CMB-07-19	286.00	303.00	17.00	9.68	103	0.068
CMB-07-19	373.00	380.00	7.00	7.00	105	0.038
CMB-07-26	150.00	183.00	33.00	33.00	101	0.046
CMB-07-26	133.00	144.00	11.00	11.00	106	0.050
CMB-07-29	10.00	39.00	29.00	21.96	103	0.063
CMB-07-29	98.00	110.00	12.00	12.00	102	0.044
CMB-07-31	71.00	77.00	6.00	4.67	103	0.050
CMB-07-31	126.00	133.00	7.00	7.00	102	0.082
CMB-07-34	47.00	66.00	19.00	14.41	103	0.112
CMB-07-35	71.00	94.00	23.00	23.00	101	0.035
CMB-07-37	160.00	169.00	9.00	9.00	102	0.063
CMB-07-38	121.00	127.00	6.00	6.00	102	0.037
CMB-07-38	66.00	77.00	11.00	11.00	107	0.044
CMB-07-40	85.09	115.00	29.91	22.28	103	0.052

CMBE JV (40% SSE/60% CXX)

The CMBE JV property, acquired by staking in 2006, and consisting of 247 claims (61.75 km^2), is located in the central – eastern portion of the CMB. It is on LISA lands, 25-35 km to the southeast of Postville.

Exploration has consisted of an airborne radiometric/magnetic survey which showed one high priority target and prospecting in both 2006 and 2007. Two significant mineralized areas were discovered: a subcrop of siliceous, hematitized, microgranite which gave 1.0% U_3O_8 , from a single sample within a wide area of high scintillometer values and an outcrop of hematitized granite which gave 0.28 % U_3O_8 , 0.6 % Mo, and >100 ppm Ag. No follow up has been carried out

Exploration budgets for 2009 and beyond are dependent upon the operator, Crosshair, which are still in the planning stage – they are discussed at the beginning of this section. Plans and budgets will be announced as they are finalized and approved. No write down in the values of the property is indicated at this time due to the early stage exploration however impairment issues will be examined quarterly.

CMBJL JV (40% SSE/60% CXX)

The Jacques Lake property, which consists of 528 claims in 7 licences, was acquired by staking in the spring of 2006. It lies in the central part of the CMB on LIL lands, 15 to 25 km to the south of Postville.

Exploration has included: an airborne radiometric/magnetic survey in the summer of 2006 which located four high priority targets, prospecting and a detailed lake bottom survey. Lake sediment values ranged from high background (30 ppm or less) to 217 ppm and two anomalous areas were defined: 1) to the north of Jacques Lake in the central / northeast portion of the property with values ranging from 14 to 217 ppm and 17 values greater than 50 ppm; and 2) in the northwest corner of the property with values from 27 to 217 ppm and 2 values greater than 100 ppm. No exploration was carried out in 2008

Exploration budgets for 2009 and beyond, are dependent upon the operator, Crosshair, which are still in the planning stage - they are discussed at the beginning of this section. Plans and budgets will be announced as they are finalized and approved. No write down in the values of the property is indicated at this time due to the early stage exploration however impairment issues will be examined quarterly.

SEAL LAKE JV (40% SSE/60% CXX)

The Seal Lake/Seal Lake North properties consist of 336 claims (84 km^2), in the Naskaupi River/Seal Lake area approximately 150 kilometres to the northwest of Happy Valley-Goose Bay. They lie outside of the Inuit land claims on land within the Innu aboriginal land claim.

The claims cover extensive copper mineralization in mafic volcanic units which was evaluated in the period from 1950 to the 1980's by companies such as Brinex and Noranda. Uranium in lake sediment anomalies were located by the Newfoundland and Labrador government with anomalous uranium values ranging from 10 to 213 ppm against a background of < 5 ppm in the 1980's. No significant uranium exploration had covered this area prior to the SSE work.

Exploration has included: airborne radiometrics/magnetics, prospecting and stream sediment geochemistry. The property was reduced from approximately 2700 claims to the present size to protect

the highest potential areas for uranium mineralization. No exploration was carried out in 2008 and it is unlikely that significant exploration will be carried out in 2009 since results have not been positive.

Exploration budgets for 2009 and beyond are dependent upon the operator, Crosshair, which are still in the planning stage – they are discussed at the beginning of this section. Plans and budgets will be announced as they are finalized and approved although it is unlikely that any significant expenditure will be spent on these properties and it is unlikely that the costs of the exploration to date will be recovered. The project costs (\$60,424) have been written off.

OTHER CMBJV PROPERTIES (40% SSE/60% CXX)

Other properties included in the CMB JV include: Otter Lake – 119 claims; Portage Lake – 351 claims; Kanairiktok River – 400 claims; Northeast – 392 claims; Southeast – 82 claims; South Brook Pond – 14 claims; and Carr Lake – 34 claims.

Exploration has consisted of: an airborne radiometric/magnetic survey in 2006 which located four high priority targets on the CMBSE, and six on the CMBNE property. Limited prospecting did not locate any significant mineralization. No exploration work was carried out on the property in 2008.

Exploration budgets for 2009 and beyond are dependent upon the operator, Crosshair, which are still in the planning stage – they are discussed at the beginning of this section. Plans and budgets will be announced as they are finalized and approved. No write down in the values of the property is indicated at this time due to the early stage exploration however impairment issues will be examined quarterly.

QUEBEC

HUDSON BAY (100% SSE)

The Hudson Bay property, consisting of three separate claim blocks totaling 661 claims (approx. 300 km²), is located near the Hudson Bay coast line in Northern Quebec, 15 to 40 kilometres from Umiujaq's village and airport. The company had an option with Azimut Exploration Inc. ("Azimut"), whereby SSE could acquire a 50% interest over a five-year period and could acquire an additional 15 percent interest upon delivery of a bankable feasibility study. Once SSE acquires the 50 percent interest, Azimut would retain a two percent Yellow Cake Royalty in addition to its 50 % participating interest.

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. It covers a major structural boundary, the transition zone between the Minto and the Bienville geological sub-provinces. The area is underlain by felsic to mafic to ultramafic, Archean intrusive rocks. Approximately 20 kilometres to the south, in a comparable geological context, uranium values up to 1.31% U₃O₈, were reported by previous explorers in an area where exploration is now pre-empted. No previous uranium exploration is known for the area.

Exploration in 2007, consisted of detailed lake sediment surveys and airborne radiometric, magnetic and electromagnetic surveys. The lake sediment survey showed that background for uranium is less than 25 ppm. In Area A, a total of 12 samples were considered to be anomalous, in the range of 54 to 279 ppm uranium, with three greater than 100 ppm. These were located mostly in the west central and northwest of the claims, generally coincident with the Priority 1 and a series of Priority 2 radiometric anomalies. In Area B, a total of four samples give anomalous values of greater than 100 ppm, including an isolated

value of 1,950 ppm located in the northeastern portion of the block. In the west-central area of Block B, weak, Priority 3 airborne radiometric anomalies are noted generally coincident with lake sediment values up to 365 ppm uranium. In Area C, the smallest block, where a total of six values greater than 100 ppm were located, three anomalous values of 161, 107 and 137 ppm uranium are generally coincident with a series of Priority 2 and 3 radiometric anomalies along north-west and north-east trends, possibly related to underlying structures or stratigraphy. The airborne radiometric, magnetic and electromagnetic survey results show a total of one Priority 1, eight Priority 2, and 50 Priority 3 targets.

Prospecting follow up covered all three blocks (A to C) in June and July 2008. The work targeted radiometric and lake sediment "picks", plus visual sightings, mainly gossan or rusty zones that were located as the area was flown over. Rock units encountered included felsic to mafic intrusives, with pegmatite veins in most areas. A number of radioactive zones were located using scintillometers, with total count values varying from high background (3-400 cps) to >10,000 cps. Some uranophane (yellow staining) was noted. Mafic intrusives carrying weak sulphide mineralization, pyrite, pyrrhotite and chalcopyrite, were also located and sampled. Uranium mineralization was discovered in outcrop samples with values up to 3.01% U_3O_8 and three boulder samples up to 0.027% U_3O_8 . The mineralized samples correlate with the kilometre-scale radiometric targets and anomalous lake-bottom sediments. Assay results for the 97 rock grab samples are: 11 with values > 0.05% U_3O_8 , including 10 > 0.1% U_3O_8 and best values of 3.01%, 0.66%, 0.40%, 0.31% and 0.24% U_3O_8 ; 34 with values between 0.01% and 0.05% U_3O_8 ; and 52 samples with values < 0.01% U_3O_8 . U/Th ratios for eight of the samples > 0.1% U_3O_8 ranged from one to 20, with ratios generally less than one for the other samples. Uranophane, a secondary uranium mineral, hematite and magnetite were noted at the mineralized outcrops. Scintillometer readings for outcrop samples above 0.1% U_3O_8 range from 1,500 to 40,000 counts per second. Mineralization with the highest U/Th ratios is hosted mostly in pegmatite and granite. Elevated lead values (from 390 to >5,000 ppm) and silver values (up to 65 g/t) are associated with the high U/Th ratio samples. The zones are narrow, poddy and erratic in values, are associated with pegmatites and in general have high Th/U ratios indicating a preponderance of Th in the radioactive samples in the area.

Lake sediment and rock samples were analyzed at Activation Laboratories in Ancaster, Ontario, where they were analyzed by neutron activation for uranium and an ICP-MS technique for other elements. Values > 250 ppm U_3O_8 were reanalyzed by delayed neutron counting.

Budgetary constraints, the cost of working in this isolated area, plus the generally poddy nature of the pegmatite mineralization made the company decide to drop the option and it was terminated in December 2008. The property costs of \$1,139,338 have been written off.

MANAGEMENT

Lloyd Hillier - President & CEO, Director, Chairman

Lloyd Hillier is the owner and operator of Hillier's Trades Limited. Hillier's Trades Limited provides hardware and supplies to communities in Labrador. Hillier's Trades Limited also owns and operates tractors and trailers, a construction division and apartments in Goose Bay. Mr. Hillier has been a director of Silver Spruce since May 1996.

Gordon Barnhill - VP Corporate Affairs, Director, CFO

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

Peter Dimmell, BSc, P.Geo. - VP Exploration, Director

Peter Dimmell is a geologist and prospector who has been involved in mineral exploration in Canada, the United States and overseas for 40 years. He is a past president of the Prospectors and Developers Association of Canada, and is the past Chairman and a director of the Newfoundland and Labrador Chamber of Mineral Resources, a member and councillor of the Geological Association of Canada, a life member of the Canadian Institute of Mining, Metallurgy and Petroleum, and an associate member of the Association of Applied Geochemists. He is also currently a director of three other public companies: Linear Gold Corp, Pele Mountain Resources Inc, and VVC Exploration Corp.

Guy Mac Gillivray, P.Geo. - Senior Geologist

Guy Mac Gillivray has 30 years' experience in the exploration and mining industry as an exploration geologist for companies such as Eldorado Nuclear Ltd., Shell Canada, Rio Algom Ltd., B.P. Selco and Teck Ltd. Most recently, he spent two years working with Scorpio Mining Corporation on the Nuestra Senora Project in the Sinaloa, Mexico, which was recently brought into production.

LIQUIDITY, FINANCINGS AND CAPITAL RESOURCES

Operating Activities

The Company had a net cash inflow from operating activities of \$533,577 for the three months ended January 31, 2008 (2007 - \$2,263,365 outflow). Operating cash inflow increased quarter over quarter mainly as a result of non-cash working capital items.

Financing Activities

The Company generated \$10,479,701 for the year ended October 31, 2008 through financing activities compared to \$6,205,758 for the year ended October 31, 2007. The company raised \$5,903,549, net of share issue costs through private placements during the year (2007 - \$2,227,690). The Company also received \$4,585,116 as proceeds from the exercise of warrants and options during the year (2007 – \$3,988,032).

Investing Activities

The Company had a net outflow of \$12,662,216 from investing activities for the year ended October 31, 2008 (2007 - \$4,052,377) the majority of which (12,660,417) was invested in mineral property exploration activities (2007 - \$3,894,982).

Liquidity

The Company had cash and cash equivalents of \$1,806,046 as at October 31, 2008 (October 31, 2007 - \$3,454,080). The Company has sufficient cash resources to meet its ongoing obligations as they become due over the next year. Working capital as at October 31, 2008 was \$2,071,660 (October 31, 2007 - \$5,302,603). The exploration budget for 2009 is a maximum of \$700,000 consisting of \$280,000 for the CMBJV, \$200,000 for Centauro, \$130,000 for Twentieth Brook, \$50,000 for Calvin's Landing and \$40,000 for general exploration, which will be funded from existing cash or by going to the markets for Flow Through funding for the Canadian projects to conserve the hard dollars that exist in the treasury. Working capital is sufficient, even with the planned exploration expenditures, to allow the company to maintain all of its operations and properties for at least the next year. It is likely that the company will be forced to go to the markets for funding in 2010 and given the state of the markets there is no certainty that money will be available for continued operations.

Capital Resources

The Company's authorized capital consists of an unlimited number of common and preference share without par value. At October 31, 2008, the Company had 48,328,963 issued and outstanding common shares (October 31, 2007 – 34,291,971).

RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities as at October 31, 2008 is \$47,270 (2007 - \$93,248) owing to directors of the Company for consulting related services rendered.

During the year ended October 31, 2008, 2,920,000 (2007 – 2,125,000) stock options were granted to directors and officers of the Company.

Related parties were also reimbursed for out of pocket expenses.

Certain building materials required by the Company for its operations are purchased from a hardware store controlled by The Chairman of the Board and individuals in Goose Bay for Company business stay at a hotel controlled by the Chairman of the Board. \$591,761 (2007 - \$453,348) was paid to the hardware store and \$317,770 (2007 - \$238,396) was paid to the hotel.

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

COMMITMENTS

The Company has acquired various properties from third party license holders. The terms of these agreements provide for initial cash payments by the Company and the initial issuance of shares in the Company. To retain the interest in these properties the Company is obligated to make additional cash payments and to issue additional shares. The agreements also provide for the payment of a NSR to the third parties in the event that a property reaches the commercial production stage.

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

	Cash (CAD)	Cash (USD)	Shares
2009	\$16,000	\$100,000	580,000
2010	\$34,000	\$150,000	860,000
2011	\$65,000	0	0
2012	\$40,000	25,000	150,000

The Company leases its head office as well as a building in Goose Bay under operating leases. Future lease payments aggregate 322,474 and include the following amounts payable over the next five years:

	\$
2009	117,972
2010	117,972
2011	73,478
2012	11,187
2013	1,865
	<u>322,474</u>

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

RISKS AND UNCERTAINTIES

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

Both recent acquisitions on the island of Newfoundland, Twentieth Brook (Pb/Zn/Ag) and Calvin's Landing (Au/Ag) are road accessible with low acquisition costs and no significant commitments on expenditures for three years. Plans are to move forward on these projects with minimal expenditures using available matching government funding where available, until financing becomes more available.

CURRENT MARKET CONDITIONS

The company's main focus over the past few years has been uranium. Demand for uranium is forecast to outstrip supply over the next 10 years or so growing at an annual rate of approximately 2 % per year. Much of this demand will come from expanding nuclear power requirements of developing economies with 130 new reactors expected to be constructed over the next 15 years (IAEA report), representing a 30 percent global increase in reactors. China has announced plans to build 27 new nuclear reactors by 2020, and India has announced plans to build 17 new nuclear reactors by 2012. This rate of expansion compares with the USA, which built over 100 nuclear power plants in 15 years between 1965 and 1980 (IAEA). Uranium supply is constrained by a lack of new mine production and declining world inventories. World requirement of uranium oxide (U_3O_8) is about 77 kilotons per annum (ktpa), while current mine production accounts for 48ktpa. The balance, 29ktpa, comes from inventory - primarily the down-blending of weapons grade uranium which has greatly diminished over the past few years. Mine output is expected to increase to 54 ktpa over the next three to five years, leaving a significant supply gap to be filled by new production (IAEA). Cameco's 2005 annual report estimates that uranium fuel consumption will reach 217 ktpa by 2015. The long term outlook remains positive for uranium, which is currently trading at around US\$70/lb on the term market even though spot prices have declined to below \$50/lb. Market pressures remain strong for the long term and the sentiment is that the long term uranium price should increase over the next few years.

The price of uranium when money was raised for the exploration in Labrador was in the \$100 / lb range (term prices). Over the past year when the money was primarily spent on exploration the term price was in the range of \$75 to \$80 / lb. The term price is now \$ 70 / lb, very close to the prices when the bulk of the money was spent and down somewhat from the prices when the money was raised. Assessment reporting on our Labrador uranium properties, underway at present, show that the main areas of uranium potential defined by regional work, and some drilling, over the past few years will be maintained for the next 2 to 3 years without requiring significant continued exploration expenditures. This will allow the company to maintain its properties until the probable end of the recession in a couple of years. Properties will be reduced to allow retention of the areas of potential while those areas showing little potential will be abandoned and the associated costs written off. The only properties in this position for 2009 are Makkovik River and the Seal Lake JV properties.

SSE will benefit from maintaining a strong land position in Labrador when, and if, the Nunatsiavut government lifts the moratorium on uranium development allowing Aurora Energy to develop the "world class" Michelin deposit which hosts approximately 135 M lbs of uranium (non 43-101 compliant). This will bring renewed attention and investor interest to the area and any company with assets in this area.

The fundamentals for gold/silver remain strong and that is why the company is emphasizing these projects. Base metals are not in high demand however the demand for metals and other commodities is expected to rise once the global economy turns around. The company's base metal projects are road accessible and therefore relatively cheap to explore. No significant emphasis is placed on exploration for base metals however any discoveries would be in a good location for future development.

The impairment of the exploration assets in Labrador has been carefully considered and it is felt that at this point there is no general impairment since the projects are mostly ongoing and can be maintained until prices, and the global economic climate, returns to normal. If properties cannot be retained, or are abandoned, due to the economy not returning to normal in a year or so then they will be written down or off. Impairment issues have been evaluated and those projects showing impairment have been written down or off. Impairment issues will be evaluated each quarter.

At this time it is also not considered that the low market cap of the company is reason enough to write down the value of all the exploration property portfolio. We are in a "broad based" global meltdown which is not reflective of the true value of companies or assets. We are, like most companies, caught in this meltdown which may be relatively short-lived with an increase in market cap likely when the situation turns around. This possible impairment will be evaluated quarterly and if required, write downs or write offs will be taken.

OUTLOOK

The company is reducing its 2009 exploration program, which includes drilling on two projects, Centauro and Twentieth Brook with a budget of approximately \$700,000, from the high levels of 2008. This budget can be met from existing cash resources however it is likely that the company will avail of flow through financing alternatives for the Canadian properties to allow preservation of the hard dollars in the treasury.

An excellent property portfolio with defined drill targets for gold/silver and base metals and a uranium discovery with defined resources, make Silver Spruce a leading junior explorer in Canada. We, like most companies are down now, but our property portfolio and the fundamentals for uranium are strong, and we are poised for short term success in precious metals and longer term success in uranium exploration and development.

MULTILATERAL INSTRUMENT 52-109 DISCLOSURE

Evaluation of disclosure controls and procedures

The Corporation has established and maintains disclosure controls and procedures over financial reporting. The certifying officers have evaluated the effectiveness of the issuer's disclosure controls and procedures as of January 31, 2008 and have concluded that such procedures are adequate and effective to ensure accurate and complete disclosures in interim and annual filings.

Internal controls over financial reporting

Management is responsible for the establishment and maintenance of a system of internal controls over financial reporting. This system has been designed to provide reasonable assurance that assets are safeguarded and that the financial reporting is accurate and reliable. The unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP) and in accordance with accounting policies set out in the notes to the consolidated financial statements for the year ended October 31, 2007 except for new accounting policies adopted in the current quarter as described below.

In compliance with Form 52-109F2 of Multilateral Instrument 52-109, management must disclose in its MD&A any material weakness found to exist within its system of internal control over financial reporting. Typical with smaller organizations, management has identified a material weakness during the year caused by a lack of segregation of duties. This is a typical issue for smaller companies, and management believes that the risks associated with the lack of segregation of duties have been mitigated by the implementation of other controls.

The Audit Committee has direct oversight responsibilities for the review and approval of the quarterly and annual financial disclosures. The Company has qualified senior accounting personnel engaged on a full time basis to manage the Company's financial disclosures.

CHANGE IN ACCOUNTING POLICY

On December 1, 2006, the CICA issued three new accounting standards: Capital Disclosures (Handbook Section 1535), Financial Instruments – Disclosures (Handbook Section 3862), and Financial Instruments – Presentation (Handbook Section 3863). These new standards became effective for the Company on November 1, 2007.

Capital Disclosures

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such noncompliance. The Company has included disclosures recommended by the new Handbook section in Note 5 to these financial statements.

Financial Instruments

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in Note 6 to these financial statements.

Foreign currency translation

Integrated foreign operations and accounts denominated in foreign currency

Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historic rates. Revenues and expenses are translated at average rates for the year except for amortization, which is translated at historic rates. Translation gains or losses are included in earnings.