

Consolidated Financial Statements of

SILVER SPRUCE RESOURCES INC.

Unaudited – see Notice of No Auditor Review

July 31, 2007

SILVER SPRUCE RESOURCES INC.
Unaudited Consolidated Financial Statements
For the three and nine months ended July 31, 2007 and 2006

Notice of No Auditor Review of Interim Financial Statements

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

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

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

Halifax, Nova Scotia
September 28, 2007

SILVER SPRUCE RESOURCES INC.

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SILVER SPRUCE RESOURCES INC.

Consolidated Balance Sheets

As at

| | July 31 2007 (Unaudited) | October 31 2006 (Audited) |
|---|---|--|
| ASSETS | | |
| Current | | |
| Cash | \$ 4,871,539 | \$ 3,564,064 |
| Due from joint venture partner | 1,464,685 | 337,193 |
| HST and other receivables | 552,553 | 239,074 |
| Prepaid expenses | 21,839 | 400 |
| | 6,910,616 | 4,140,731 |
| Staking deposits on mineral properties | 284,875 | 261,875 |
| Investments (at lower of cost or fair market value) | 36,000 | 36,000 |
| Future income tax asset | - | 902,400 |
| Interest in mineral properties (Note 4) | 3,599,703 | 958,427 |
| Equipment (Note 5) | 176,233 | 89,356 |
| | \$ 11,007,427 | \$ 6,388,789 |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 1,058,742 | \$ 157,025 |
| Current portion of long-term debt (Note 7) | 8,964 | 8,964 |
| | 1,067,706 | 165,989 |
| Long-term debt (Note 7) | 26,146 | 32,869 |
| SHAREHOLDERS' EQUITY | | |
| Capital stock (Note 6 a) | 9,805,463 | 5,927,603 |
| Warrants (Note 6 b) | 1,904,528 | 1,786,976 |
| Contributed surplus (Note 6 d) | 2,498,154 | 534,781 |
| Deficit | (4,294,570) | (2,059,429) |
| | 9,913,575 | 6,189,931 |
| | \$ 11,007,427 | \$ 6,388,789 |

APPROVED ON BEHALF OF THE BOARD

..... Director

..... Director

See accompanying notes to the unaudited consolidated financial statements

SILVER SPRUCE RESOURCES INC.
Consolidated Statements of Loss and Deficit
(Unaudited)

| | Three months ended | | Nine months ended | |
|--|--------------------|--------------|-------------------|--------------|
| | July 31 | | July 31 | |
| | 2007 | 2006 | 2007 | 2006 |
| Expenses | | | | |
| Legal fees | \$ 48,319 | \$ 123,641 | \$ 196,271 | \$ 227,260 |
| Stock based compensation | 1,798,500 | 52,719 | 1,981,824 | 368,741 |
| Management fees | 21,392 | 30,957 | 68,150 | 82,458 |
| Consulting fees | 29,086 | 67,974 | 53,049 | 253,324 |
| Accounting and auditing | 5,163 | 2,300 | 12,923 | 7,370 |
| Shareholders' expense | 136,768 | 38,442 | 175,611 | 86,780 |
| Loss in market value of investment | - | 51,000 | - | 110,500 |
| Stock exchange fees | - | 30,980 | 12,782 | 46,498 |
| Telephone | 4,692 | 2,375 | 6,819 | 8,849 |
| Office and general | 11,754 | 36,481 | 57,791 | 60,650 |
| Occupancy costs | 6,200 | 2,100 | 14,825 | 5,800 |
| Travel | 47,692 | 12,500 | 95,594 | 21,927 |
| Wages and benefits | 440 | - | 18,282 | - |
| Bank charges | 825 | 287 | 1,497 | 518 |
| Depreciation | 11,325 | 597 | 27,593 | 1,389 |
| Donations | 6,500 | - | 6,500 | - |
| Abandonment of mineral properties | - | 170,490 | - | 170,490 |
| Loss before the undernoted | 2,128,656 | 622,843 | 2,729,511 | 1,452,554 |
| Management fees | 56,092 | 14,812 | 146,414 | 29,878 |
| Other income (Note 8) | 51,750 | - | 51,750 | - |
| Interest income | 53,518 | 29,251 | 116,006 | 29,251 |
| | 161,360 | 44,063 | 314,170 | 59,129 |
| (Loss) before income taxes | (1,967,296) | (578,780) | (2,415,341) | (1,393,425) |
| Income taxes (recovery) | - | (1,036,800) | (180,200) | (1,036,800) |
| Net (loss) income for the period | (1,967,296) | 458,020 | (2,235,141) | (356,625) |
| Deficit, beginning of period | 2,327,274 | 2,465,709 | 2,059,429 | 1,651,064 |
| Deficit, end of period | \$ 4,294,570 | \$ 2,007,689 | \$ 4,294,570 | \$ 2,007,689 |
| Net (loss) income per share - basic and diluted | \$ (0.07) | \$ 0.02 | \$ (0.09) | \$ (0.02) |
| Weighted average number of shares outstanding - Basic | 28,511,254 | 19,358,145 | 25,963,052 | 19,094,826 |
| Weighted average number of shares outstanding - Diluted | 28,511,254 | 26,521,667 | 25,963,052 | 19,094,826 |

See accompanying notes to the unaudited consolidated financial statements

SILVER SPRUCE RESOURCES INC.
Consolidated Statements of Cash Flows
(Unaudited)

| | Three months ended | | Nine months ended | |
|--|---------------------|---------------------|---------------------|---------------------|
| | July 31 | | July 31 | |
| | 2007 | 2006 | 2007 | 2006 |
| Operating activities | | | | |
| Net (loss) income | \$ (1,967,296) | \$ 458,020 | \$ (2,235,141) | \$ (356,625) |
| Items not involving cash: | | | | |
| Stock based compensation | 1,798,500 | 52,719 | 1,981,824 | 368,741 |
| Future income taxes | - | (1,036,800) | (180,200) | (1,036,800) |
| Depreciation | 11,325 | 597 | 27,593 | 1,389 |
| Consulting fees | - | - | - | 82,500 |
| Loss in market value of investment | - | 51,000 | - | 110,500 |
| Abandonment of mineral properties | - | 170,490 | - | 170,490 |
| | (157,471) | (303,974) | (405,924) | (659,805) |
| Change in non-cash working capital | | | | |
| (Increase) decrease in prepaids | (17,116) | 8,754 | (21,439) | (13,888) |
| (Increase) in accounts receivable | (311,262) | (100,922) | (313,479) | (191,178) |
| (Increase) in due from joint venture partner | (1,125,267) | - | (1,127,492) | - |
| Increase in prepaid exploration expense | - | 38 | - | 96,636 |
| Increase in accounts payable and accrued liabilities | 789,019 | 73,410 | 901,717 | 9,577 |
| | (664,626) | (18,720) | (560,693) | (98,853) |
| Cash flows (used in) operating activities | (822,097) | (322,694) | (966,617) | (758,658) |
| Financing activities | | | | |
| Issuance of shares for cash | 1,637,588 | 3,395,137 | 4,290,821 | 4,219,297 |
| Repayment of long-term debt | (2,241) | (1,493) | (6,723) | (1,493) |
| Increase in long-term debt | - | 44,821 | - | 44,821 |
| Share issue costs | (44,930) | (162,800) | (68,060) | (163,310) |
| Issuance of warrants for cash | 476,800 | 1,322,800 | 476,800 | 1,637,800 |
| Cash flows provided by financing activities | 2,067,217 | 4,598,465 | 4,692,838 | 5,737,115 |
| Investing activities | | | | |
| Purchase of mineral properties (net of recoveries) | (1,942,106) | (310,587) | (2,281,276) | (517,669) |
| Purchase of equipment (net of disposals) | (37,701) | 18,421 | (23,000) | (4,869) |
| Refund of staking deposits | - | 19,500 | 259,350 | 218,575 |
| Purchase of staking deposits | (189,100) | (25,000) | (373,820) | (390,750) |
| Cash flows (used in) investing activities | (2,168,907) | (297,666) | (2,418,746) | (694,713) |
| (Decrease) increase in cash | (923,787) | 3,978,105 | 1,307,475 | 4,283,744 |
| Cash, beginning of period | 5,795,326 | 351,074 | 3,564,064 | 45,435 |
| Cash, end of period | \$ 4,871,539 | \$ 4,329,179 | \$ 4,871,539 | \$ 4,329,179 |

Supplemental cash flow information (Note 12)

See accompanying notes to the unaudited consolidated financial statements

SILVER SPRUCE RESOURCES INC.
Notes to the Consolidated Financial Statements
For the three and nine months ended July 31, 2007 and 2006
(Unaudited)

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

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

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

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

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

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

2. SUMMARY OF ACCOUNTING POLICIES

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

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

Principles of Consolidation

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

SILVER SPRUCE RESOURCES INC.
Notes to the Consolidated Financial Statements
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(Unaudited)

2. SUMMARY OF ACCOUNTING POLICIES (continued)

Mineral Exploration and Development Properties and Deferred Exploration Expenditures

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

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

Equipment and Amortization

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

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

Income Taxes

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

Loss Per Share

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

SILVER SPRUCE RESOURCES INC.
Notes to the Consolidated Financial Statements
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(Unaudited)

2. SUMMARY OF ACCOUNTING POLICIES (continued)

Stock-based Compensation Plan

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

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

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

Investments

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

Asset Retirement Obligations

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

Use of Estimates

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

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3. CHANGE IN ACCOUNTING POLICIES

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

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

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

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

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

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

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

4. INTEREST IN MINERAL PROPERTIES

The Company has the following investment:

| | |
|---------------------------|--------------|
| Newfoundland and Labrador | |
| Balance, October 31, 2006 | \$ 958,427 |
| Additions | 2,641,276 |
| Recoveries | - |
| <hr/> | |
| Balance, July 31, 2007 | \$ 3,599,703 |

SILVER SPRUCE RESOURCES INC.
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(Unaudited)

4. INTEREST IN MINERAL PROPERTIES (continued)

The Company has more than 15,000 claims of which more than 6,500 are located in the Central Mineral Belt (“CMB”) and Seal Lake areas of Labrador. The Company’s joint venture partners, Universal Uranium Ltd., has earned a 60% interest in the CMB/Seal Lake joint venture by having spent \$2 million since the signing of the agreement in the spring of 2006.

5. EQUIPMENT

| | 2007 | | | 2006 |
|------------|-------------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Equipment | \$ 139,522 | \$ 40,193 | \$ 99,329 | \$ 33,638 |
| Computer | 14,552 | 7,871 | 6,681 | 7,259 |
| Automotive | 93,819 | 23,596 | 70,223 | 48,459 |
| | <u>\$ 247,893</u> | <u>\$ 71,660</u> | <u>\$ 176,233</u> | <u>\$ 89,356</u> |

6. CAPITAL STOCK

a) The capital stock is as follows:

Authorized

Unlimited number of non-voting preference shares

Unlimited number of common shares

Issued and outstanding

31,060,613 common shares

\$ 9,805,463

SILVER SPRUCE RESOURCES INC.
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6. CAPITAL STOCK (continued)

The following is a summary of capital stock outstanding:

| | Number of shares | Amount |
|--------------------------------------|-----------------------------|---------------|
| Balance, October 31, 2005 | 7,559,564 | \$ 1,902,237 |
| Private placement | 14,492,250 | 4,290,135 |
| Acquisition of property | 325,000 | 199,800 |
| Warrants exercised | 552,499 | 166,749 |
| Options exercised | 120,000 | 51,000 |
| Share issue costs | - | (682,318) |
| <hr/> | | |
| Balance, October 31, 2006 | 23,049,313 | 5,927,603 |
| <hr/> | | |
| Private placement | 2,312,150 | 1,757,492 |
| Issued for mineral properties | 200,000 | 360,000 |
| Warrants exercised | 4,725,709 | 2,426,558 |
| Options exercised | 773,441 | 613,280 |
| Share issue fees | - | (196,870) |
| Tax amount of renounced expenditures | - | (1,082,600) |
| <hr/> | | |
| Balance, July 31, 2007 | 31,060,613 | \$ 9,805,463 |

During the nine months ended July 31, 2007, the Company issued 770,000 units at \$0.65 per unit. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of \$1.00 until June 20, 2008.

On July 6, 2007, the Company issued 1,490,000 units at \$1.20. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of \$1.75 until July 6, 2009. . The Company also paid a cash finder's fee of \$17,880. The value attributed to the warrants was \$.64 based on the relative fair value of the common shares and the warrants. The Company paid a finder's fee comprised of 52,150 units having the same terms as the Units of the offering and an additional 52,150 finder's options, which will entitle the finder the right to purchase, at an exercise price of \$1.75, one common share per option until July 6, 2009.

SILVER SPRUCE RESOURCES INC.
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6. CAPITAL STOCK (continued)

b) Warrants

The following is a summary of warrants outstanding:

| | <u>Number of warrants</u> | <u>Weighted average price</u> |
|---------------------------|-------------------------------|-----------------------------------|
| Balance, October 31, 2005 | 1,584,000 | \$ 0.31 |
| Warrants granted | 14,492,250 | 0.51 |
| Warrants exercised | (552,499) | (0.24) |
| <hr/> | | |
| Balance, October 31, 2006 | 15,523,751 | 0.50 |
| <hr/> | | |
| Warrants granted | 1,156,075 | 1.50 |
| Warrants exercised | (4,725,709) | (0.42) |
| Warrants expired | (450,000) | (0.46) |
| <hr/> | | |
| Balance, July 31, 2007 | 11,504,117 | \$ 0.64 |

Summary of warrants outstanding at July 31, 2007:

| <u>Number of warrants</u> | <u>Exercise price</u> | <u>Fair value of warrants</u> | <u>Expiry date</u> |
|-------------------------------|---------------------------|-----------------------------------|--------------------|
| 390,000 | 0.30 | \$ 23,400 | November 14, 2007 |
| 2,504,688 | 0.30 | 150,280 | December 10, 2007 |
| 7,838,354 | 0.65 | 1,237,360 | November 18, 2007 |
| 771,075 | 1.75 | 493,488 | July 9, 2009 |
| | | <hr/> | |
| | | \$ 1,904,528 | |

The fair value of the \$1.75 series warrants granted during the nine months ended July 31, 2007, was estimated using the Black Scholes pricing model based on the following assumptions: risk free-interest rate at 4.63%, expected life of 2 years, dividend rate at 0% and volatility of 153%.

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6. CAPITAL STOCK (continued)

c) Stock Options

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

Stock option activity for the period ended July 31, 2007 is summarized as follows:

| | | | |
|---------------------------|-----------|----|--------|
| Balance, October 31, 2005 | 600,000 | \$ | 0.30 |
| Granted | 1,812,800 | | 0.65 |
| Cancelled | (244,000) | | (0.52) |
| Exercised | (120,000) | | (0.30) |
| <hr/> | | | |
| Balance, October 31, 2006 | 2,048,800 | | 0.58 |
| Granted | 2,505,000 | | 1.17 |
| Exercised | (773,441) | | (0.64) |
| <hr/> | | | |
| Balance, July 31, 2007 | 3,780,359 | \$ | 0.96 |

d) Contributed surplus

The following is a summary of contributed surplus activity:

| | | | |
|---|--|----|-----------|
| Balance, October 31, 2005 | | \$ | 74,948 |
| Employee stock - based compensation | | | 368,741 |
| Exercise of options | | | (15,000) |
| Brokered stock options | | | 106,092 |
| <hr/> | | | |
| Balance, October 31, 2006 | | | 534,781 |
| Stock based compensation | | | 1,981,824 |
| Options issued as part of Private Placement | | | 66,230 |
| Warrants expired | | | 42,000 |
| Exercise of options | | | (126,681) |
| <hr/> | | | |
| Balance, July 31, 2007 | | \$ | 2,498,154 |

SILVER SPRUCE RESOURCES INC.
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7. LONG-TERM DEBT

| | <u>2007</u> | <u>2006</u> |
|------------------------|------------------|-------------|
| Chattel loan payments | \$ 35,110 | \$ 41,833 |
| Less: due in 12 months | 8,964 | 8,964 |
| | <hr/> | |
| Long-term portion | \$ 26,146 | \$ 32,869 |

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

8. OTHER INCOME

Other income relates to rental income received for a one-time facility rental.

9. RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities as at July 31, 2007 is \$77,195 (2006 - \$15,632) owing to directors of the Company. Related parties were also reimbursed for out of pocket expenses.

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

10. FINANCIAL INSTRUMENTS

Fair Value

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

The carrying amounts for cash, amounts receivable, deposits and prepaid expenses, loan receivable, accounts payable and accrued liabilities, and long-term debt on the balance sheets approximate fair value because of the limited term of these instruments.

SILVER SPRUCE RESOURCES INC.
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11. COMMITMENTS

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

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

On February 28, 2006 the Company entered into an option and royalty agreement on the Double Mer Property which allows the Company to own the 758 claims in six licenses outright. Terms of the agreement are as follows: \$12,000 upon execution of the agreement (paid) and \$12,000 on each of February 28, 2007 (paid) and February 28, 2008. In addition a 1% NSR is payable derived from commercial production from the property. At any time during the agreement if the Company terminates the agreement, the claims described will be transferred back to the optionee at no cost to the Company. Any unpaid monies will be forfeited.

On March 15, 2006 the Company entered into an option and royalty agreement on the Straits Property which allows the Company to own the 800 claims in four licenses outright. Terms of the agreement are as follows: \$12,000 upon execution of the agreement (paid) and \$12,000 on each of March 15, 2007 (paid) and March 15, 2008. In addition a 1% NSR is payable derived from commercial production from the property. At any time during the agreement if the Company terminates the agreement, the claims described will be transferred back to the optionee at no cost to the Company. Any unpaid monies will be forfeited.

On June 27, 2006 the Company entered into an option and royalty agreement on the Snegamook Property which allows the Company to own the 86 claims in four licenses outright. Terms of the agreement are as follows: \$8,000 and 10,000 common shares of the Company on execution of the agreement (paid) and \$8,000 and 10,000 common shares on each of June 27, 2007 (paid) and June 27, 2008. In addition a 2% NSR is payable derived from commercial production from the property. At any time during the agreement if the Company terminates the agreement, the claims described will be transferred back to the optionee at no cost to the Company. Any unpaid monies will be forfeited.

SILVER SPRUCE RESOURCES INC.
Notes to the Consolidated Financial Statements
For the three and nine months ended July 31, 2007 and 2006
(Unaudited)

11. COMMITMENTS (continued)

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

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

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

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

On February 26, 2007, the Company announced the retention of Longview Capital Partners Incorporated ("Longview") to provide the Company with investor relations services. The agreement with Longview shall have a term ending on February 28, 2008, renewable at the option of the parties. As consideration, Longview will receive \$7,500 per month and be granted options to purchase 200,000 common shares of the capital stock of the Company at a price of \$0.65 per share for a period of five years with vesting in equal amounts on a quarterly basis over the first year of the option term. As at July 31, 2007 the agreement has been terminated.

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

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

SILVER SPRUCE RESOURCES INC.
Notes to the Consolidated Financial Statements
For the three and nine months ended July 31, 2007 and 2006
(Unaudited)

11. COMMITMENTS (continued)

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

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

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

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

12. SUPPLEMENTAL CASH FLOW INFORMATION

| | Three months ended | | Nine months ended | |
|---|---------------------------|-------------|--------------------------|-------------|
| | July 31 | | July 31 | |
| | 2007 | 2006 | 2007 | 2006 |
| Non-cash investing and financing activities: | | | | |
| Acquisition of mineral properties for share consideration | \$ 360,000 | \$ 6,600 | \$ 360,000 | \$ 120,600 |
| Value of warrants included in share issue costs | 16,688 | 46,340 | 16,688 | 75,815 |
| Value of options included in share issue costs | 66,230 | 106,092 | 66,230 | 106,092 |
| Reclass of future income taxes to capital stock upon renouncement of expenditures | 1,082,600 | - | 1,082,600 | - |

SILVER SPRUCE RESOURCES INC.
Notes to the Consolidated Financial Statements
For the three and nine months ended July 31, 2007 and 2006
(Unaudited)

13. SUBSEQUENT EVENTS

The Company along with Universal Uranium Ltd. (“Universal”) have jointly entered into a Letter 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, Newfoundland (the “Property”), which is currently held 50% by Silver Spruce and 50% by Universal. Pursuant to the Letter Agreement, Bayswater is obligated to issue to the Company and Universal an aggregate of 200,000 common shares (of which 100,000 shares will be issued to Silver Spruce Resources Inc. and 100,000 shares will be issued to Universal, unless otherwise agreed) and expend \$100,000 upon the Property by July 31, 2008. Upon issuing the shares and making the required expenditures, Bayswater will be deemed to have exercised its option and acquired a 50% interest in the Property, with Universal and the Company each holding a 25% interest in the Property. A joint venture will then be formed between the parties with Bayswater acting as the operator. The Letter Agreement is subject to the approval of the TSX Venture Exchange.

Universal Uranium Ltd. and Silver Spruce Resources Inc. will not be proceeding with the previously announced business combination transaction. The Company and Universal will continue to work together to formulate the terms of their joint venture in Labrador. After having spent \$2 million dollars on exploration as required by the original agreement, Universal Uranium now owns 60% of the joint venture properties (6,517 claims totaling 393,626 acres). Universal Uranium has the right to become the operator on these claims.

As of September 15, 2007

COMPANY OVERVIEW

Silver Spruce Resources Inc. is a junior exploration company headquartered in Bridgewater, Nova Scotia with a strategic focus on uranium, mainly in the Central Mineral Belt (CMB) of Labrador, Canada. With more than 15,000 claims (3,750 square kilometres), of which more than 5,500 are located in the CMB, Silver Spruce is one of the largest land holders in one of the world's premier emerging uranium districts. Uranium projects include: in Labrador – the CMB / Seal Lake joint venture; Snegamook, Mount Benedict, Makkovik River, Tukialuk Bay, Double Mer and Straits and in Quebec – the Hudson Bay property.

The company is carrying out a large scale exploration program that includes drill-ready projects, a planned resource calculation on the Two Time zone and grassroots follow up, with a 2007 budget in excess of \$3 million. Experienced development partners, strong financial backing and a uranium discovery approaching the resource calculation stage, make Silver Spruce a leading uranium explorer in Canada.

Uranium exploration in 2007, mainly follow up of airborne surveys carried out in 2006, has been carried out on the following projects: In Labrador - **CMB JV** – drilling (NW–TT zone), line cutting (NW), lake sediment surveys (NW, Jacques Lk), airborne geophysics (air gravity – NW), prospecting (NW, East), RadonEx surveys (NW), geological mapping (NW), environmental baseline studies (NW); **Snegamook Lake** – lake sediment surveys, line cutting, prospecting, RadonEx surveys, drilling; **Mount Benedict** – prospecting, stream sediment sampling, line cutting, geological mapping, environmental baseline studies; **Makkovik River** – prospecting, stream sediment surveys; **Straits** – prospecting, lake sediment and soil surveys; In Quebec – **Hudson Bay** project – lake sediment sampling, airborne radiometric / magnetic surveys.

On June 15, 2007 the company announced the signing of a letter of intent with Universal Uranium Ltd. (UUL) to consolidate all Canadian uranium properties pursuant to a plan of arrangement. Under the agreement, UUL with its Canadian uranium assets, would become a wholly owned subsidiary of Silver Spruce. It was announced on September 20 that this plan of arrangement would not be proceeding, meaning that the company retains a 40 % interest in the CMB / Seal Lake JV, with UUL at 60 %. UUL holds the operatorship as the majority JV partner but has asked SSE to continue to manage the project reporting to a JV management committee.

In July 2007, Silver Spruce and Universal Uranium Ltd. announced a joint (50/50) agreement with Bayswater Uranium Corporation, whereby Bayswater has been granted an option to acquire a 50 percent interest (leaving SSE / UUL with 25 % each) in 34 mineral claims (8.5 sq km) located in the central CMB on claims covering a portion of the Stipek River uranium trend of Bayswater. Pursuant to the Agreement, Bayswater has issued 100,000 shares each to Silver Spruce and Universal and has to expend \$100,000 on the Property by July 31, 2008. Bayswater has been carrying out exploration on the property over the summer however results have not yet been announced.

Gold / base metal exploration has been carried out on three projects – two in Newfoundland and 1 in Mexico. These include: Mother Lode where diamond drilling, prospecting and recce soils have been carried out; Central Newfoundland where till sampling and prospecting were carried out in the winter and Centauro in Chihuahua, MX where geological field visits and soil sampling has been carried out.

History of The Central Mineral Belt (CMB)

The CMB is the most active uranium exploration area in Canada, after the Athabasca Basin in SK and AB. The first discovery of uranium in the CMB was made in 1951, and this was followed by extensive exploration through the 1960s and 1970s. The British Newfoundland Exploration Company Limited (Brinex) carried out exploration in the area in the 1950's resulting in the discovery of the Kitt's deposit in 1957.

A joint venture between Brinex and Urangesellschaft Canada Ltd. and an airborne gamma ray spectrometer survey by Barringer Research in 1967 resulted in the discovery of the Michelin deposit in 1968 and the Gear, Inda and Nash prospects in 1968 and 1969. These properties, except Kitts, which is in an area of Exempt Mineral Land, are now held by Aurora Energy. A mining plan for the Kitts and Michelin deposits was completed by Brinex in the mid 1970s, but a significant drop in uranium prices caused the project to be shelved, the abandonment of exploration in Labrador and the surrender of their mineral concessions in 1983 and 1985.

Recent Work in the CMB

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, shear zone hosted uranium potential was noted at the Michelin deposit and with the increase in the price of uranium, the emphasis was then placed on uranium exploration entirely. The widespread hematite/chlorite /epidote /actinolite alteration noted by the JV in the Aillik and Post Hill groups resulted in blanket staking of those areas covering the known Brinex showings. Airborne spectrometer surveys in 2004 / 2005 resulted in better definition of the known showings plus the generation of new targets in the Michelin, Otter Lake and Jacques Lake areas, which are being explored at present. A new, 43-101 compliant, resource estimate released by Aurora for the Michelin and Jacques Lake deposits in February 13, 2007 shows a significant increase in resources to approximately 96 million lbs of U_3O_8 at a grade of approximately 0.1% with the zones remaining open to depth and along strike. Aurora announced in late August, 2007 that they are proceeding with a pre feasibility study on the Michelin deposit with the intention of moving toward production in 2010.

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. Drilling is ongoing at present with three drills. A 43-101 compliant resource of approximately 8 million lbs of U_3O_8 was announced in mid August 2007.

Santoy Exploration and Mega Uranium (formerly Monster Copper) are also carrying out exploration in the CMB in the vicinity of Crosshair's Moran Lake property and in other parts of the area, with work based mainly on old Brinex showings. Bayswater Uranium and Capella / Tripple Uranium are other companies with significant landholdings in the CMB and vicinity. All of these companies have completed airborne radiometric / magnetic surveys over their properties.

SILVER SPRUCE PROPERTIES

URANIUM

LABRADOR

Central Mineral Belt / Seal Lake JV Properties

The company owns approximately 6,500 claims (approx. 1,625 sq km) in the Central Mineral Belt (CMB) and Seal Lake areas of of Labrador, making Silver Spruce the second-largest claimholder in this region. Silver Spruce's joint venture partner, Universal Uranium, has earned a 60 percent interest in the CMB / Seal Lake JV by having spent \$2 million since the signing of the agreement in of the spring of 2006. The CMB properties are proximal to the Michelin, Moran Lake and other uranium showings being explored by Aurora, Crosshair, Santoy and Mega Uranium.

The CMB JV properties are located in the Postville-Makkovik area of Labrador, approximately 150 kilometres northeast of Happy Valley-Goose Bay. They consist of 4113 claims of 25 hectares each 102,825 ha (approximately 1028 km²) in 10 separate blocks. The properties were acquired 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. The CMB is the most active uranium exploration play in Canada outside of the Athabasca basin.

In July 2007, Silver Spruce and Universal Uranium Ltd. announced a joint (50/50) agreement with Bayswater Uranium Corporation, whereby Bayswater has been granted an option to acquire a 50 percent interest (leaving SSE / UUL with 25 % each) in 34 mineral claims (8.5 sq km) located in the central CMB on claims covering a portion of the Stipek River uranium trend of Bayswater. Pursuant to the Agreement, Bayswater has issued 100,000 shares each to Silver Spruce and Universal and has to expend \$100,000 on the Property by July 31, 2008. Bayswater reports that 2006 grab samples along this trend "commonly gave values assaying from 0.1 to 0.4 % U₃O₈" (BAY news release July 12, 2007). Exploration work, including drilling, is continuing along this trend. No results have been released to date.

The Seal Lake properties are also included in the Universal Uranium joint venture, and consist of 2,469 map-staked claims of 25 hectares each (617.25 km²) in three separate blocks, located in the Naskaupi River / Seal Lake area to the west of Postville-Makkovik, approximately 150 kilometres to the northwest of Happy Valley-Goose Bay. The claims cover extensive copper mineralization in mafic volcanic units and uranium in lake sediment anomalies located by the Newfoundland and Labrador government with anomalous uranium values ranging from 10 to 213 ppm against a background of <five ppm. No significant uranium exploration has covered this area. These claims were flown using radiometrics and magnetics in 2006. Only limited follow up has been carried out in 2007 with no significant results noted.

2006 / 2007 Exploration & Acquisitions

In July 2006, Silver Spruce optioned an 86 claim property in the Snegamook Lake area, adjacent to its existing CMBNW property, from the Turpin-Crocker Group. The option agreement requires payments totalling \$24,000 and 60,000 shares over a three-year period (years one and two paid) to earn a 100 percent interest, subject to a two-percent Net Smelter Return (NSR). The property is optioned to Silver Spruce only and is not subject to the Silver Spruce /Universal Uranium JV agreement. The property is contiguous with the CMBNW property to the north, east and west and the Santoy / Mega Uranium property in the Fishhawk Lake area to the south and covers similar geology. Government lake bottom surveys show anomalous uranium lake bottom values from 7.6 to 49.2 parts per million (ppm) with a background of approximately five ppm. Airborne surveys covered the property in conjunction with the work on the CMB JV properties in the summer of 2006. Limited prospecting was carried out in the fall of 2006, with the Near-Miss Showing discovered by this prospecting – the zone did not appear on airborne radiometric surveys.

In the summer of 2006, Fugro Airborne Surveys of Toronto, completed a helicopter-borne radiometric survey on all properties in the CMB, Seal Lake and Snegamook areas. Seventeen high priority targets were selected for follow up on the CMB properties. These included four on Jacques' Lake, two on CMB NW, four on CMB SE, one on CMB E and six on the CMB NE properties. Limited ground follow up, consisting of prospecting using hand-held scintillometers, and a helicopter supported, five man crew, was carried out from late August to late September, 2006, with the only significant results found on the CMBNW property, where the Two Time showing was located at the location of the CMBNW#2 anomaly and anomalous values to 3-400 ppm U were located in pegmatites at the CMBNW#1 anomaly. Continued prospecting on the CMB NW and Snegamook properties was carried out in conjunction with stream sediment sampling utilizing helicopter support in October 2007. Forty Six (46) stream sediment samples were taken on the CMB NW block and from the Snegamook Property, on streams draining into the Kanairiktok River and Snegamook Lake. Thirteen (13) of these were considered to be anomalous (> 20 ppm uranium) with sample values varying from 1.4 to 117 ppm uranium.

The discovery of the Two Time zone prompted the acquisition of 600 claims (150 square km) in September 2006. These claims are tied on to the north and west of the original CMB NW block to protect the northern extension of the anomalous area plus airborne

radiometric anomalies located by Brinex and partners in the 1970s, which lie just to the north of Snegamook Lake. The first 300 claims, tied on to the north of the original CMB NW block, were flown by Fugro Airborne surveys as an extension of the earlier radiometric/magnetic survey in the fall of 2006. The remainder of the claims to the north of Snegamook Lake are to be flown in the near future by McPhar Geosurveys.

The CMB NW, Snegamook and Jacques' Lake properties were covered by a detailed lake bottom survey in the late winter / early spring of 2007, utilizing helicopter support and augering through the ice to acquire the samples from the lake bottoms. Most accessible lakes were sampled. On the CMBNW / Snegamook properties, values ranging from background (less than 17 ppm) to 374 ppm were located. Two significant anomalous areas were defined: 1) an area to the south of the Kanairiktok River, extending from the Near Miss showing area, 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. In comparison, lake sediment values in the Two Time area, where drilling has defined an extensive U mineralized zone, range from 9.8 to 44.9 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. An additional 56 claims were added to protect the anomalous area as it was located near the boundary of existing CMBNW property. Historic exploration by Brinex shows radiometric anomalies in this area. and the area will be flown by radiometrics / magnetics in the near future to define targets to follow up. In the Jacques Lake area, lake sediment values ranged from a high background (30 ppm or less) to 217 ppm. 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. Helicopter supported, follow up prospecting is planned for the fall of 2007.

The 2007 field exploration program which began on July 1, has included line cutting, prospecting, geological mapping, geochemical and geophysical surveys (RadonEx) plus airborne radiometric / magnetic and air gravity surveys on the CMB NW block.

RadonEx radon gas surveys are utilized to trace uranium mineralization on the CMBNW and Snegamook properties as a guide for exploration. The non-invasive RadonEx technique uses a computer chip based, radon detector which is buried in the earth in the morning, recovered in the late evening and then read in the night to give results immediately. The technique, which relies on Radon gas escaping from buried uranium mineralization, was tried on the Two Time and Near Miss showings in the early summer for orientation. Both surveys detected and traced the mineralization giving confidence in the technique. The survey has been successful in defining a trend of radon anomalies, thought to represent uranium mineralization, along the Two Time trend area and these anomalies are being tested by drilling in the fall of 2007.

The surveys have also shown a number of other mineralized structural trends with significant anomalies, some much larger and stronger than the anomaly over the TT zone. particularly an east-northeast (ENE) trending zone, to the south of the Two Time on the

Snegamook property, which remain to be tested. Prospecting, guided by the RadonEx surveys, has located significant mineralization along these trends.

In the prospecting surveys, 76 rock samples taken from float and outcrop with scintillometer readings from a few hundred to > 10,000 cps have been analyzed (see news release of August 30, 2007). Of these, five gave values > 0.5% U₃O₈ (10 lbs / ton) and 31 gave values > 0.1% U₃O₈ (2 lbs / ton). The majority of these samples were taken outside of known mineralized areas and represent new areas of significant uranium mineralization. Most of the anomalous samples are 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 Snegamook property, approximately 2.5 km south of the Two Time zone to the area of the highly anomalous lake sediment values noted in the news release of June 26, 2007. 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. 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 southeastern portion of the group. These samples are generally hematite breccias and are related to alteration (carbonatization, chloritization) in the host units. 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. Drilling is planned for the fall of 2007. Other radioactive rock samples have been taken and submitted to the laboratory. These results remain pending.

All analyses are performed by Activation Laboratories in Ancaster, Ontario, an approved, accredited laboratory, using the delayed neutron activation technique, which gives accurate results for samples carrying up to one percent uranium. A compilation map showing the RadonEx anomalies, the anomalous rock sample values and the associated structures plus a more detailed map showing the RadonEx anomalies in the Two Time Trend area, are shown on Silver Spruce's website.

Two Time Zone

On September 12, 2006, Silver Spruce announced the discovery of an anomalous radioactive showing, the Two Time Zone, over an area of approximately 300 metres by 50 metres. The zone, located south of the Kanairiktok River, to the east of Snegamook Lake, was discovered as a result of ground follow-up exploration of the airborne survey data, on the CMB NW2 target and the discovery of a radioactive outcrop along the cliff above the river. Scintillometer values over outcrop along the 300-metre length of the zone, which trends approximately north-south, range from > 10,000 to 2,700 cps (total counts per second gamma radiation). Rock samples with values up to 0.26 % U₃O₈ were also located. The host is a felsic to mafic, feldspar rich, intrusive which has been brecciated and fractured carrying red earthy hematite and a grey mineral, possibly uraninite, associated with the fractures. Uranophane, a yellow alteration product of uranium, has been noted.

A two-month follow up program of trenching/channel, soil and stream sediment sampling on the Two Time Zone was completed in late October of 2006. Channel/chip sampling

showed anomalous values in all trenches with the highest grades located in Trench 5, which gave 0.032% U_3O_8 over five metres, including 0.051% U_3O_8 over one metre. A first phase diamond drilling program, consisting of 812 m in 5 holes (CMB-06-1 to 5), was completed in December 2006. The program defined a wide zone of low-grade uranium mineralization in three of five holes with the best mineralization located in DDH CMB-06-3, which gave 82.4 m of 0.021% U_3O_8 from 83.5 m to 165.9 m, including two higher grade zones of 0.13% U_3O_8 over 1.6 m from 100.8 m to 102.4 m and 0.13% U_3O_8 over 1.4 m from 106.1 m to 107.5 m. The zone extends over a 175 m strike length from Line 1+25 N to Line 0+50 S, remaining open to the south and to the north.

A second phase drill program carried out from late January to March 16, 2007, totaled 2442 m in 7 holes (CMB-07-6 to 12). Wide zones of uranium mineralization were intersected in all holes except CMB-07-7. DDH CMB-07-6, which was drilled under DDH CMB-06-5 at a 50 degree dip, and which intersected the zone between 150 and 200 m deep gave 107 m of 0.052% U_3O_8 (uranium oxide) from 172 m to 279 m, including higher grade zones: 0.11% U_3O_8 over 30 m from 172 m to 302 m and including 0.312% U_3O_8 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) U_3O_8 including higher grade intersections of 11 m at 0.11 % (2.2 lbs/ton) and 6 m of 0.13 % (2.6 lbs/ton) U_3O_8 .

Modelling of the drill-hole data with Surpac Xplorpac, after the second phase drilling, showed the zone has excellent strike and depth continuity and it remains open along strike and to depth. It also indicated a number of dextral, normal faults that offset the zone along strike, including to the south where DDH CMB-07-7 did not intersect the mineralized zone, although it did encounter values of five metres of 0.061% U_3O_8 in a fault/shear structure.

The third phase of drilling began in early May and is still in progress. The 8,000 m contract is targeted to define the mineralized zone to allow a 43-101 compliant resource to be calculated by the early winter of 2007. To the end of August, 2007 the company has reported results to hole CMB-07-20. The new holes continue to expand and define the mineralization, along strike and to depth, especially in the southern part of the zone.

The best mineralization located in this phase to date is in DDH CMB-07-14 drilled on section 0+00. It gave 109.2 m of 0.042% uranium oxide (U_3O_8) (0.84 lbs / ton) from 213.9 to 323.1 m, including 32 m at 0.103% U_3O_8 (2.06 lbs / ton) from 264.6 to 296.6 m, Section 0+00 is 50 m to the north of Section 0+50 S, which gave significant intersections in CMB-07-6 (see news release dated March 1, 2007) of 107 m of 0.052% (U_3O_8) (1.04 lbs/ton) from 172 to 279 m, including higher grade zones: 0.11% U_3O_8 (2.2 lbs / ton) over 30 m from 172 to 302 m including 0.312% U_3O_8 (6.24 lbs / ton) over 3.0 m from 172 to 175 m. Other strong mineralized intersections were found in: CMB-07-16 – 192 m from 256 to 448 m, assaying 0.022% U_3O_8 (0.44 lbs / ton) including 9 m from 286 m to 295 m at 0.127 (2.54 lbs/ton); CMB-07-18 – 17 m from 211 m to 228 m at 0.109% U_3O_8 (2.18 lbs / ton); and CMB-07-19 – 199 m at 0.026% U_3O_8 (0.52 lbs / ton) including 4 m from 299 m to 303 m at 0.129% U_3O_8 (2.58 lbs / ton).

The higher grade intersections in CMB-07-14 are at a depth of approximately 200 m. As on Section 0+50 S, the zone appears to increase in grade to depth as at CMB-07-13,

approximately 50 m ahead of CMB-07-14, which intersected the zone at approximately 150 m depth, gave 0.042% (0.84 lbs / ton) over 96.5 m from 136.2 to 232.7, including 0.11% U_3O_8 (2.2 lbs / ton) over 7 m from 161.2 to 168.2 m.

Mafic dikes disrupted the mineralized zone in hole 15, which tested the zone at a vertical depth of 250 m under hole 14 on Section 0+00 however the hole was stopped in the mineralized zone due to bad ground conditions. Hole 16 tested under hole 12 on Section 0+75 S, at a depth of approximately 250 m. It intersected a wide, lower grade section with narrow higher grade zones and included mafic dike from 311 m to 329 m. 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% U_3O_8 range with higher grade intersections including 17 m of 0.109% U_3O_8 in Hole 18. Hole 19 which gave the widest zone of mineralization to date, 199 m of 0.026% U_3O_8 was stopped while in mineralization due to mechanical difficulties. Hole 20 was drilled to the west to test for a possible western offset to the Two Time Zone mineralization. It did not intersect any significant radioactivity and no samples were taken. Drilling has continued to the south, with holes CMB-07-21 to 24, testing for possible southern and northern extensions. Results are pending..

The zone has been traced over a strike length of approximately 425 m from 2+75 N to 1+50 S and it remains open. 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 mineralization in the Two Time Zone appears to be near vertical to steeply dipping. An estimate of true widths cannot be established at this time.

Selected analytical values for the 3rd Phase drill holes are shown in Table 1. A plan map of the drilling is shown on Silver Spruce's website.

TABLE 1 - ANALYTICAL RESULTS – 3rd Phase Drilling
 Diamond Drilling – CMBNW Property – Two Time Showing - DDH's CMB-07-13 to 20

| DDH # | From | To | Length m | % U ₃ O ₈ | lbs / ton U ₃ O ₈ |
|-----------|-------|-------------|-------------|---------------------------------|--|
| CMB-07-13 | 136.2 | 232.7 | 96.5 | 0.042 | 0.84 |
| incl. | 152.2 | 155.2 | 3.0 | 0.12 | 2.4 |
| and | 161.2 | 168.2 | 7.0 | 0.11 | 2.2 |
| incl. | 163.2 | 167.2 | 4.0 | 0.15 | 3.0 |
| and | 222.5 | 225.5 | 3.0 | 0.167 | 3.34 |
| incl. | 223.5 | 224.5 | 1.0 | 0.316 | 6.32 |
| CMB-07-14 | 213.9 | 323.1 | 109.2 | 0.042 | 0.84 |
| incl. | 264.6 | 296.6 | 32.0 | 0.103 | 2.06 |
| incl. | 280.6 | 290.6 | 10.0 | 0.176 | 3.52 |
| incl. | 285.6 | 287.6 | 2.0 | 0.221 | 4.42 |
| and | 289.6 | 290.6 | 1.0 | 0.222 | 4.44 |
| CMB-07-15 | 241 | 289 | 48 | .011 | 0.22 |
| “ incl. | 259 | 270 | 11 | 0.029 | 0.58 |
| “ | 447 | 499 | 52 | 0.014 | 0.28 |
| CMB-07-16 | 256 | 448 | 192 | 0.022 | 0.44 |
| “ incl. | 267 | 311 | 44 | 0.045 | 0.9 |
| “ incl. | 286 | 295 | 9 | 0.127 | 2.54 |
| “ incl. | 349 | 354 | 5 | 0.10 | 2.0 |
| CMB-07-17 | 173 | 263 | 90 | 0.022 | 0.44 |
| “ incl. | 236 | 263 | 27 | 0.043 | 0.86 |
| “ incl. | 249 | 262 | 13 | 0.063 | 1.26 |
| “ incl. | 249 | 253 | 4 | 0.095 | 1.9 |
| “ and | 255 | 262 | 7 | 0.057 | 1.14 |
| CMB-07-18 | 198 | 326 | 128 | 0.028 | 0.56 |
| “ incl. | 205 | 228 | 23 | 0.089 | 1.78 |
| “ incl. | 211 | 228 | 17 | 0.109 | 2.18 |
| “ incl. | 216 | 228 | 12 | 0.134 | 2.68 |
| “ incl. | 305 | 310 | 7 | 0.08 | 1.6 |
| CMB-07-19 | 251 | 450 | 199 | 0.026 | 0.52 |
| “ incl. | 286 | 443 | 157 | 0.029 | 0.58 |
| “ incl. | 287 | 303 | 16 | 0.071 | 1.42 |
| “ incl. | 299 | 303 | 4 | 0.129 | 2.58 |
| CMB-07-20 | No | significant | Scint | readings | |
| | No | samples | taken | | |

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

Near Miss Showing

On December 19, 2006, the company announced the discovery of a new mineralized zone, the Near Miss showing, on the optioned **Snegamook Lake** property. The showing, which lies approximately four kilometres from the Two Time showing, gives total count values greater than 10,000 cps in sub-angular boulders and outcrop covering an area approximately 100 metres by 30 metres. In 2006, a total of 12 grab samples taken from the area gave five samples with values greater than 0.1% and four other samples giving values greater than 0.02%, ranging from 0.0007% to 0.14% U₃O₈. The host rock, fractured /brecciated felsic to mafic intrusive units, is similar to those at the Two Time Zone and carry yellow uranophane staining. Follow up work in 2007, which includes, line cutting, RadonEx surveys and prospecting, has noted a significant RadonEx anomaly associated with the zone and has given rock sample values from 78 to 5000 ppm (0.008% to 0.5%) U₃O₈. Drilling is planned for the fall of 2007.

Other Labrador Projects

The remaining 7,547 claims in Labrador (1,887 km²) are 100 percent owned by Silver Spruce. They include six properties - Snegamook Lake (86 claims), Double Mer (766 claims), Straits (2344 claims), Mount Benedict (3,695 claims), Makkovik River (200 claims) and Tukialuk Bay (456 claims). The Snegamook Lake property was optioned for payments totalling \$24,000 and 60,000 shares over a three-year period (first two years paid) 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 (first two years paid) 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 598 claims of the originally staked ground.

Double Mer

General

The Double Mer property consists of 766 claims (approximately 190 km²) in one block, located in the Double Mer-Lake Melville area of Labrador, approximately 110 kilometres east of Happy Valley-Goose Bay. 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 against a background of approximately five ppm hosted in leucogranites of Helikian age. Four values greater than 100 ppm uranium, with two over 400 ppm, are noted in this survey.

Exploration

Fugro Airborne Surveys flew a combined radiometric / magnetic survey, using a helicopter borne system, over the Double Mer property in late summer 2006. Surveys were flown in a north-south direction at 100 m intervals. A total of 2113 line kilometres were flown. Preliminary results were received in the fall of 2006 and the final maps and reports were received in February 2007. A total of 40 strong to moderate strength targets were selected however many other lower priority targets are also noted. The targets are either individual anomalies or higher value or higher ratio parts of larger and

more extensive anomalies. They are located in all lithologies and are in both magnetically low and high areas. The known mineralization located by the government and Whim Creek Consolidated in the 1970's was further defined by the surveys and a linear zone apparently not tested by the Whim Creek / Northgate work was located to the south of the known mineralization.

Limited ground follow up consisting of prospecting using scintillometers and soil geochemistry was carried out in the fall of 2006. Rock and soil samples were taken over parts of the property, mainly in the vicinity of the known mineralization, previously located by the government and Whim Creek Consolidated in the late 1970's early 1980's. A paced and flagged grid was prepared along the trend of the airborne anomalies in the vicinity of the old showings, for control for the prospecting, scintillometer and soil / Zone A, work area. The baseline extends at approximately 110-290 azimuth for 775 m from 5+75 W to 2+00 E, with lines trending N-S (000 / 180 degrees) at 25 m intervals to 1+00 S, from 2 W to 2 E and to 4+00 S on lines 2+25, 2+50 and 2+75 W.

The rock samples gave high scintillometer total count values from 1200 to > 10,000 cps in outcrop. Eleven samples gave values of > 100 ppm U_3O_8 , with three > 500 ppm and a high of 3113 ppm (0.31 %) U_3O_8 . The majority of the samples were acquired on Licence 11722M and 12089M in the vicinity of the Northgate/WCC Zone A area. Two samples, taken from the western portion of Lic 11722M, near the small licence owned by an individual, and staked over one of the known showings, gave values of 118 and 749 ppm U_3O_8 . The highest value, 3113 ppm U_3O_8 , was found in one of the old Northgate/WCC trenches where scintillometer values were from 406 to 6400 cps. Old workings (trenches and ddh's) were noted all located to the north of the east-west trending magnetic high associated with a radioactive trend noted on the SSE radiometric maps. The drilling targeted zones to the north of this area. It is also noted that scintillometer surveys by Northgate / WCC also noted high scintillometer readings to the south of the drilled area.

A total of 92 B and H samples were taken at each location on the paced and flagged lines at variable intervals from 25 to 100 m apart. Background, determined empirically, is considered to be < 10 ppm. Twelve (12) samples giving > 50 ppm U were located with high values of 200 ppm for the H horizon and 142 ppm for the B, both located at 2+75 W, 0+50 S. Two areas of anomalous values were located:

- 1) A discontinuous trend noted at approximately 100 m S in the eastern portion of the grid. It is fairly continuous from 1 E to 1+75 E with values from 29 to 91 ppm; then 0+25 W to 0+25 E with values from 22 to 72 ppm and then again from 1+25 to 2+25 W with values from 23 to 119 ppm. The anomalous areas are defined by both B and H samples. This area doesn't appear to have been tested by previous work.
- 2) The Zone A mineralization, tested by Northgate/WCC in trenching and drilling shows as an area of anomalous samples extending in a general east-west direction from 1+00 W to 2+75 W. Highest values were 57 ppm (B) and 40 ppm (H) both at 1+75 S, 1+00 W.

Straits

General

The Straits property originally consisted of 896 claims (224 km²) in one block, located in the Barge Bay-Henley Harbour area, on the Straits of Belle Isle, approximately 300 kilometres southeast of Happy Valley-Goose Bay. Further staking in May 2007, based on compilation and remote sensing work, increased the property position to 2344 claims (586 km²). 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 has never been explored for uranium prior to the SSE work

Exploration

Compilation in conjunction with remote sensing studies carried out over the winter of 2007, showed significant structural complexity and lead to the staking of an additional 1,448 claims (362 km²) contiguous to the south, east and northeast of the existing claims. These claims were acquired for “protection” after the compilation and remote sensing work indicated potential for uranium mineralization, especially along the northeast trending unconformity contact in the southern part of the group. Field work, including prospecting, detailed lake sediment sampling, soil sampling, geological mapping and rock sampling, was carried out in June 2007. A total of 219 lake sediment samples, 81 soil samples and 78 rock samples were taken and a number of uranium mineralized areas were located. Soil sample results have been received but remain to be compiled.

Prospecting was carried out on the original 896 claim block in follow up of the airborne survey carried out in 2006 which showed 21 significant airborne radiometric targets. The targets were selected by consultant Ted Urquhart on the basis of the 95th percentile of U/Th ratios (U minimum 14 ppm). Three areas of mineralization were defined giving 36 values greater than 100 ppm (0.01 %) U₃O₈ including 9 values > 500 ppm (0.05 % or 1 lb/ton) and 4 values > 0.1 % (2 lbs/ton), with a high value of 0.26 % U₃O₈. 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.

In the lake sediment sampling, three anomalous areas were defined. The strongest, with values from 42 to 266 ppm U and a number > 100 ppm, is located in the central portion of the claim group, developed along a northeast trending structure with offsetting northwest trending structures, over a 7 km strike length. A total of 16 rock samples were taken from this area with 9 giving values > 100 ppm and 2 with values > 0.1 % U₃O₈ and a high value of 0.16 % U₃O₈. The **WD showing** is located within this anomaly. It is a cluster of large 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) U₃O₈, with three of four samples > 400 ppm. A northeast trending zone in the northeastern part of the group gives values from 15.5 to 639 ppm U. This area includes the **Henley Harbour** area where an 800-1100 m radiometric anomaly gave values of 439 ppm and 384 ppm U₃O₈ from two rock samples. Host rocks are aplites, mafic intrusives (gabbros), gneisses and pegmatites; In the western portion of the group, a linear, north-south trending zone gives values from 10.6 to 125 ppm. The **LP showing**, a large,

irregular, pegmatite dike system which can be traced for a few hundred metres and which gives erratic values (10 samples), 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 is located in the northern portion of this area.

Mount Benedict (3,695claims)

General

The property consists of 3,695 claims (approximately 924 km²), located in the Mount Benedict area, approximately 180 kilometres northeast of Happy Valley-Goose Bay. 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 Suite, with some felsic supracrustal units noted.

Staking

As a result of the 649 discovery (described below), the company acquired all of the available crown land in the immediate area of the original 1048 claims, bringing the property position to 3,695claims (approx. 924 km²). All the claims are 100 percent owned by Silver Spruce, subject to a one percent Net Smelter Return (NSR) payable to the optionor on any production from 532 of the original claims acquired in 2006.

Exploration

A 3,012 line kilometre airborne radiometric / magnetic survey was carried out in 2006 on the original Mount Benedict Properties. No follow up was carried out in 2006 with compilation work carried out in the winter of 2007. Ground follow up consisting of prospecting and stream sediment geochemistry, began in early July 2007, utilizing ground crews and a helicopter based in Postville, NL. Lake sediment geochemistry and regional prospecting and a geological mapping and an environmental baseline study covering the northeastern portion of the Mount Benedict property in the general area of the T 649 showing, has also been carried out however these results remain pending.

Preliminary prospecting results announced on July 26, 2007, noted the discovery of a the T 649 zone, a high grade, uranium bearing, zone, on surface, over a minimum 10 metre width. It is located on a small, five metre wide, brook, which flows into Stag Bay on the coast of Labrador, approximately 50 kilometres to the south of the town of Makkovik. It consists of outcrop in the brook carrying intense radioactivity with total count values > 10,000 cps over a minimum width of 10 metres. The zone strikes across the brook, disappearing under the overburden on both sides and remaining open to the east and west along the apparent strike. Seven representative grab samples were taken from bedrock, with samples one to five from the zone and samples six and seven taken from six metres downstream and 20 metres upstream respectively. Results indicate uranium mineralization averaging 0.497% U_3O_8 with values of 0.186%, 0.997%, 0.046%, 0.463%, and 0.796% U_3O_8 in samples one through five from the zone and background values of 27 and 12 ppm U_3O_8 from samples six and seven, taken outside the zone.

On August 2, 2007, the company announced further results from the 649 area from twelve rock samples taken from outcrop (2) and from float in the stream, downstream of the T-649 showing (10). Values ranged from 0.06 to 3.37 % U₃O₈ with three values > 1 %, all in the float boulders downstream from the showing. Uranophane is noted on both the outcrop and on the float boulders. The float boulders in the stream appear to have been derived directly from the T-649 zone outcrop.

The host rock appears to be a 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 which shows extensive yellow uranophane staining. Extensive iron oxides (magnetite) and minor sulphides (pyrite / pyrrhotite) are associated with the uranium mineralization.

Minaskuat Limited Partnership, an environmental consulting firm based in Happy Valley – Goose Bay, Labrador, has completed a baseline environmental survey in the general area of the discovery, in the northeastern portion of the Mount Benedict property. This report is pending.

Maps showing a schematic plan map of the original sampling, a plan map and spreadsheet showing the new results, the airborne targets and the recent staking by the company in the Mount Benedict area, along with photos of the discovery have been posted on the company website at www.silverspruceresources.com.

Makkovik River (200 claims)

General

The Makkovik River property consists of 200 claims (50 km²) in the Makkovik River area of east central Labrador. The claims were acquired by staking in a rush situation, in the fall of 2006 when some of the previous Exempt Mineral Lands were released.

Exploration

Limited first pass prospecting in conjunction with stream sediment sampling was carried out in the late summer of 2007. Results remain pending. An airborne radiometric / magnetic survey has been contracted to McPhar Airborne Surveys and this survey is expected to be completed by the end of September, 2007.

Tukialuk Bay (456 claims)

General

A total of 456 claims (114 km²) were acquired by staking along the Labrador coast in the Tukialuk Bay area, to the southeast of the Mount Benedict property. The claims were acquired as a result of the 649 discovery on the Mount Benedict property, in similar geology to the northwest, and are 100 percent owned by Silver Spruce. They are contiguous to the east and west with claims held by Mega Uranium.

Exploration

No exploration was carried out on this property in the summer of 2007. An airborne survey is planned for the early summer of 2008.

QUEBEC

Hudson Bay Property (529 claims)

General

The Hudson Bay property is located near the Hudson Bay coast line in Northern Quebec, approximately 15 to 40 kilometres from Umiujaq's village and airport. It consists of three claim blocks totaling 529 claims (250 km²). The company has signed a letter of intent with Azimut Exploration Inc. ("Azimut") for the property, whereby SSE can acquire a 50 percent interest over a five-year period and may acquire an additional 15 percent interest upon delivery of a bankable feasibility study. Upon SSE acquiring a 50 percent interest, Azimut will retain a two percent Yellow Cake Royalty. SSE will have the option of gaining an additional 15 percent interest by delivering a bankable feasibility study.

Previous Work

The property covers a strong regional scale lake-bottom sediment anomaly in uranium and other geochemical pathfinders, including a peak value of 750 ppm U, located in Quebec government surveys. The property covers a major structural boundary delineating 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. The target is a large, open-pit, intrusion-related, uranium deposit.

Exploration

Field work which began in July and is ongoing, includes detailed lake sediment sampling (completed) and airborne radiometric / magnetic and electromagnetic surveys (hopefully to be completed by the end of September 2007). Results are pending.

PROJECTS – GOLD / BASE METAL

The company's gold / base metal properties consist of two gold properties and one base metal / gold exploration project. The Motherlode property, which consists of 138 claims (35 sq km), is located on the Burin Peninsula, on the island of Newfoundland. The Centauro gold property in Chihuahua state, Mexico has been optioned from its Mexican owners and exploration work has begun, leading to a planned drilling program this winter. In early 2007, a total of 511 claims were acquired in central Newfoundland in an agreement with ASK Prospecting and Guiding, to cover areas with potential for base and precious metals. These projects are described below.

NEWFOUNDLAND

Mother Lode

General

The Mother Lode property consists of 138 claims (35 km²) in one contiguous block, located in the eastern part of the southern Burin Peninsula to the west of Placentia Bay, near the abandoned community of Corbin. The property was acquired by option from a local prospector in December, 2005. The terms of the option include the payment of \$55,000 and 200,000 shares and a work commitment of \$800,000 on exploration over three years to earn a 100 percent interest subject to a two percent Net Smelter Return (NSR). The second year payment of \$15,000 and 25,000 shares was made to the optionor in January 2007.

Exploration

Exploration has consisted of lake sediment sampling, line cutting, soil geochemistry, a magnetic survey and trenching, sampling and geological mapping of the mineralized area in 2006. In 2007, prospecting and reconnaissance soil surveys over structures in the area of the lake sediment anomalies plus diamond drilling in the mineralized area was carried out.

In June 2006 Silver Spruce announced significant results for gold in both lake-bottom and soil sampling completed on the Mother Lode property. In the mineralized area, a grid totalling 15.6 kilometres with 50 metre line spacing was cut extending to the north and south along trend over three kilometres at 200 metre line spacing. A total of 465 soil samples were taken at 25 metre intervals. Of these, 29 samples were found to be anomalous in gold with values from 20 ppb to 3,931 ppb and eleven samples were strongly anomalous with values greater than 100 ppb gold. The two highest values were

unexplained single-site samples with values of 1,062 ppb and 3,931 ppb. The magnetic survey showed strongly magnetic areas to the northwest, related to an ultramafic unit, and to the southeast related to mafic intrusives. No strong magnetic values were found in the mineralized area indicating that the iron formation, noted in some places, is most likely highly boudinaged and attenuated.

In the mineralized area, prospecting, geological mapping and grab and float sampling of mineralized, altered units have given sporadic gold assays with values varying from non detectable (ND) to 25 grams per tonne. Hand-trenching in 2004-2005 and excavator trenching of altered outcrop and soil anomalies in 2006 resulted in the discovery of altered zones within the volcanic units carrying gold values in disseminated sulphide mineralization. The trenching confirmed earlier grab sample assays and resulted in the extension of known mineralized zones. Mineralization grading from anomalous (a few hundred ppb) in the sheared, mineralized units to 6.39 g/t over 2.4 m in boudinaged, interflow iron formation was located. Assays were generally in the hundred ppb to 1-2 grams per tonne gold over widths from one to two metres maximum. Gold is associated with fine to very fine disseminated pyrite mineralization (up to 15%) in sheared and altered, chloritized, sericitized and silicified volcanic units.

One hundred thirty two (132) lake sediment samples were taken to the north and south of the mineralized area and grid. Thirteen were found to be anomalous in gold with three > 10 ppb and the highest at 29 ppb. Follow up prospecting was unsuccessful in locating any mineralization in these areas. Trenching, mapping and sampling was carried out over the anomalous soil values and the mineralized zone.

A diamond drilling program of eight drill holes totaling 901.6 metres, was carried out in the spring of 2007, to test the Turpin zone located to the southeast of the Corbin – Little St. Lawrence trail. The program was designed to evaluate the mineralized zones utilizing short holes to test the down dip / plunge extent of mineralization. Longer, 250 m holes, also tested the possibility of structurally repeated intervals at greater depth in the main area of the grid on the Turpin Zone. Results have been received and are being compiled.

Prospecting and reconnaissance soil geochemical surveys were carried out over structures thought to be associated with the anomalous lake sediments located on the claims to the north and south of the mineralized area. No significant values were located.

All data on the property is being compiled and results of the 2007 exploration plus recommendations for further work will be reported when this work is completed.

Central Newfoundland

General

A total of 511 claims were staked in early 2007 in central Newfoundland, to the south west of Grand Falls-Windsor, to cover areas with good potential for base and precious metals, based on geochemistry, geology and prospecting. The claims were staked 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 property option can be terminated at any time at no cost to the company.

Exploration

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

MEXICO

Centauro

General

In January 2007, Silver Spruce executed a letter of offer for an option on the Centauro gold property, owned by Consultoria Y Desarrollos Mineros, SA. De CV and located in Chihuahua State, Mexico. The letter, subject to the finalization of a definitive agreement, provides Silver Spruce an option for a three-year term to earn a 100 percent interest in the property, subject to a 3 % NSR on any production with a buyback of 2 % for \$2 million..

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

Exploration

Exploration, with a budget of approximately US\$400,000 for 2007, has consisted of data compilation, Landsat imagery interpretation, field visits and soil geochemistry. A total of approximately 400 soil samples have been taken at 10 m intervals on 4 lines crossing the silicified mesa. The samples have been submitted to the Activation Laboratories prep lab in Hermosillo, MX , where they will be analyzed by a 30 element neutron activation technique for gold and other elements plus a mass spectrometer technique for mercury (Hg). Results are pending.

Diamond drilling is planned for late 2007 or early 2008 depending upon drill availability.

URANIUM - SUPPLY AND DEMAND

Demand for uranium is forecast to outstrip supply for at least the next 10 years. Much of this new 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 (U₃O₈) 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 outlook remains positive for uranium, which is currently trading at around US\$85/lb. Current market pressures are stronger than initially predicted due to investment and restocking activity. Current sentiment is that the uranium price is likely to continue to increase over the next few years.

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 38 years. He is the immediate past president and a director of the Prospectors and Developers Association of Canada, and is the Chairman and a director of the Newfoundland and Labrador Chamber of Mineral Resources, a member and councillor of the Geological Association of Canada, and a member of the Canadian Institute of Mining, Metallurgy and Petroleum, and the Association of Applied Geochemists. He is also currently a director of four other public companies: Linear Gold Corp, Arehada Mining Corp; Pele Mountain Resources Inc, and VVC Exploration Corp.

Guy MacGillivray, P.Geo. - Senior Geologist

Guy MacGillivray has almost 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, Mr. MacGillivray spent two years working with Scorpio Mining Corporation on the Nuestra Senora Project in the Sinaloa, Mexico.