Consolidated Financial Statements

SILVER SPRUCE RESOURCES INC.

A Development Stage Company

January 31, 2011 and 2010

SILVER SPRUCE RESOURCES INC.
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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 the Company's 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
March 30, 2011

SILVER SPRUCE RESOURCES INC.
Consolidated Balance Sheets
(Unaudited)

	January 31, 2011	October 31, 2010
	$	$
ASSETS		
Current		
Cash	**2,908,782**	216,287
HST and other receivables	**55,020**	47,188
Refundable staking deposits	**60,592**	59,800
Prepaid expenses	**10,829**	16,490
	3,035,223	339,765
Mineral properties (Notes 5)	**2,999,092**	2,857,318
Capital assets (Note 6)	**101,461**	109,201
Mexican VAT receivable	**183,215**	182,655
Non-current refundable staking deposits	**89,783**	70,783
Investments	**10,250**	10,013
	6,419,024	3,569,735
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**129,286**	374,385
Current portion of long-term debt (Note 7)	**3,735**	5,976
	133,021	380,361
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	**23,984,526**	21,522,234
Warrants (Note 9)	**875,910**	739,925
Contributed surplus (Note 11)	**6,858,302**	6,372,250
Deficit	**(25,432,735)**	(25,445,035)
	6,286,003	3,189,374
	6,419,024	3,569,735

Nature of Operations and Going Concern (Note 1)
Commitments and Contingencies (Notes 6, 8, 14)

APPROVED BY THE BOARD OF DIRECTORS

Signed _____ Director

Signed _____ Director

See accompanying notes to the consolidated financial statements

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

	Three months ended January 31,	
	2011	2010
	$	$
Revenue		
Unrealized gain in market value of investments	**237**	-
Foreign exchange gain	**-**	803
	237	803
Expenses		
Office and general	**60,539**	20,029
Accounting and audit	**38,217**	12,738
Wages and benefits	**34,510**	49,536
Legal	**600**	-
Unrealized loss in market value of investments	**-**	2,850
Impairment of mineral properties	**7,020**	-
Consulting fees	**61,566**	36,332
Corporate relations	**7,174**	6,433
Write-off of receivable	**12,814**	-
Travel	**13,060**	13,436
Amortization	**7,740**	11,024
Stock based compensation costs	**402,024**	-
Listing and filing fees	**4,319**	7,240
	649,583	159,618
Loss before income taxes	**649,346**	158,815
Income taxes recovery	**(632,000)**	(94,616)
Net income and comprehensive loss	**17,346**	64,199
Deficit, beginning of period	**25,415,389**	20,369,831
Deficit, end of period	**25,432,735**	20,434,030
Net loss per share - basic and diluted	**-**	-
Weighted average number of shares outstanding - basic and diluted	**109,650,426**	75,248,831

See accompanying notes to the consolidated financial statements

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

	Three months ended January 31,	
	2011	2010
	$	$
OPERATING ACTIVITIES		
Net loss	**(17,346)**	(64,199)
Items not involving cash:		
Stock based compensation costs	**402,024**	-
Recovery of future income taxes	**(632,000)**	(94,616)
Impairment of mineral properties (Note 5)	**7,020**	-
Realized loss of foreign currency exchange		-
Write-off of receivable	**12,814**	
Amortization	**7,740**	11,024
Unrealized (gain) loss in market value of investments	**(237)**	2,850
	(219,985)	(144,941)
Changes in non-cash working capital		
Decrease in prepaid expenses	**5,661**	11,466
Decrease (increase) in HST and other receivables	**(8,392)**	105,108
Decrease in accounts payable and accrued liabilities	**(245,099)**	(120,446)
Change in non-cash operating working capital	**(247,830)**	(3,872)
	(467,815)	(148,813)
FINANCING ACTIVITIES		
Proceeds from issuance of shares, warrants and options	**1,879,255**	1,015,000
Proceeds from exercise of warrants and options	**1,611,498**	-
Share issuance costs and flow-through offering fees	**(159,616)**	(89,010)
Repayments of long-term debt	**(2,241)**	(2,241)
	3,328,896	923,749
INVESTING ACTIVITIES		
Mineral properties expenditures , net of recoveries	**(148,794)**	(58,301)
Purchase of refundable staking deposit	**(19,792)**	(45,800)
	(168,586)	(104,101)
Increase (decrease) in cash	**2,692,495**	670,835
Cash, beginning of period	**216,287**	28,278
Cash, end of period	**2,908,782**	699,113

Supplemental cash flow information (See Note 13)

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Silver Spruce Resources Inc. (the "Company") was incorporated in Alberta on May 8, 1996 under the name First Labrador Acquisitions Inc. The Company changed its name to Silver Spruce Resources Inc. on October 22, 2004. The Company's operations consist of the exploration for precious and base minerals.

There has been no determination whether the Company's interest in mineral properties held for exploration contains reserves which are economically recoverable. To date, the Company has earned no direct mining related revenues and is considered to be a development stage entity as defined by the Canadian Institute of Chartered Accountants (the "CICA") Accounting Guideline 11.

The Company's assets are subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

While the financial statements have been prepared on the basis of accounting principles applicable to a going concern, adverse conditions such as ongoing operational losses cast doubt on the validity of this assumption. These financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

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

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

2. 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 audited consolidated financial statements for the year ended October 31, 2010.

These unaudited consolidated financial statements include all adjustments that are, in 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, 2010.

3. CAPITAL MANAGEMENT

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

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

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

There were no changes in the Company's approach to capital management during the period.

4. FINANCIAL RISK FACTORS

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

a) Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents, Mexican VAT receivable, HST and other receivables. The Company's cash and cash equivalents are held with highly rated financial institutions.

The Mexican VAT receivable amount has been subject to audit by the Mexican taxation authorities, who have initially denied the Company's request for refund. Management is currently appealing this decision and expects that the IVA recoverable from the Mexican government will be fully recoverable; however the timing of recovery is uncertain. Management believes that the risk of loss is low.

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

b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at January 31, 2011, the Company had a cash balance of $2,908,782 (2010 - $118,398) to settle current liabilities of $133,021 (2010- $389,099). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

4. FINANCIAL RISK FACTORS (continued)

c) Market risk

Interest rate risk

The Company does not have any interest-bearing debt. The Company invests any cash surplus to its operational needs in investment-grade short-term deposit certificates issued by highly rated Canadian banks. The Company periodically assesses the quality of its investments and is satisfied with the credit rating of the bank and the investment grade of its short-term deposit certificates.

Foreign currency risk

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

Price risk

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

There were no significant changes to credit risk, liquidity risk and market risk during the period.

d) Fair value

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

e) Sensitivity analysis

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

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

4. FINANCIAL RISK FACTORS (continued)

e) Sensitivity analysis (continued)

	January 31, 2011	October 31, 2010
	$	$
Mexican pesos:		
Cash	**10,239**	5,006
VAT receivable	**183,215**	182,655
Accounts payable	**13,687**	3,785

A plus or minus 10% change in the value of the Canadian dollar with respect to Mexican Pesos would affect the Company's net loss by approximately $20,000 (2010 - $18,500) based on balances denominated in Mexican Pesos on October 31, 2010.

A plus or minus 10% change in the market price of the Bayswater and Forest Gate shares would affect the Company's net loss by $1,001 ($10,013 x 10%).

5. MINERAL PROPERTIES

	January 31, 2011				
	Opening	Additions	Refund of Expenditures	Impairment and Abandonments	Closing
	$	$	$	$	$
Uranium					
Central Mineral Belt	2,084,358	-	-	-	2,084,358
Double Mer	13,558	3,000	-	-	16,558
Jeanette Bay	3,600	-	-	(3,600)	-
Lake Michael	3,420	-	-	(3,420)	-
Mount Benedict	95,252	3,390	-	-	98,642
Napes Ashini	-	-	-	-	-
Snegamook	13,441	4,371	-	-	17,812
Straits	32,755	780	-	-	33,535
Tukialuk	14,820	-	-	-	14,820
Gold and Base Metals					
Big Easy	164,965	14,334	-	-	179,299
Pope's Hill	24,892	72,928	-	-	97,820
Rambler South	404,944	49,991	-	-	454,935
Red Wine Mountains	1,313	-	-	-	1,313
	2,857,318	**148,794**	**-**	**(7,020)**	**2,999,092**

5. MINERAL PROPERTIES (continued)

	October 31, 2010				
	Opening	Additions	Refund of Expenditures	Impairment and Abandonments	Closing
	$	$	$	$	$
Uranium					
Central Mineral Belt	2,511,440	17,357	(140,257)	(304,182)	2,084,358
Double Mer	13,140	418	-	-	13,558
Jeanette Bay	3,600	-	-	-	3,600
Lake Michael	3,420	-	-	-	3,420
Lobstick	1,160	253,696	-	(254,856)	-
Michelin	1,023	-	-	(1,023)	-
Michelin South	-	381	-	(381)	-
Mount Benedict	95,220	32	-	-	95,252
Napes Ashini	139,004	464	-	(139,468)	-
Snegamook	5,160	8,281	-	-	13,441
Straits	25,380	7,375	-	-	32,755
Tukialuk	14,820	-	-	-	14,820
Gold and Base Metals					
Big Easy	-	164,965	-	-	164,965
Centauro	2,767,662	156,574	-	(2,924,236)	-
Central Newfoundland	599,955	-	-	(599,955)	-
Lazyman	56,080	103,116	-	(159,196)	-
Pope's Hill	-	24,892	-	-	24,892
Rambler South	137,577	267,367	-	-	404,944
Red Wine Mountains	-	1,313	-	-	1,313
	6,374,641	**1,006,231**	**(140,257)**	**(4,383,297)**	**2,857,318**

During the year ended October 31, 2010, the Company acquired four new properties: Big Easy, Pope's Hill, Michelin South, and Red Wine Mountains. The Company determined that further exploration was not warranted for Lobstick and Lazyman and these projects have been abandoned with related expenditures of $414,052 written off as of October 31, 2010. Refer to (e) under Uranium and (d) under Gold and Base Metals for further agreement disclosure. In addition, the Company wrote off the balances for Centauro, Michelin, Michelin South, Napes Ashini, Central Newfoundland, and a portion of the Central Mineral Belt property. These write-offs reflect the results of their impairment analysis as of October 31, 2010. The Company reviewed the capitalized costs on its properties and recognized impairment in value based upon current exploration results, adverse changes in the business climate, and a decrease in the Company's market capitalization compared to the carrying value of its resource properties that indicated that impairment may exist. Management's assessment of the properties' estimated current value is also based upon a review of other property transactions that have occurred in the same geographic area as that of the properties under review.

5. MINERAL PROPERTIES (continued)

Uranium

a) Central Mineral Belt ("CMB")/ Seal Lake Properties

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

In October 2010 the Company wrote off $304,182 of this property to reflect the results of its impairment analysis as of October 31, 2010.

b) Double Mer Property

On February 28, 2006, the Company entered into an option and royalty agreement on the Double Mer Property in the province of Newfoundland and Labrador. Terms of the agreement are as follows: $12,000 upon execution of the agreement (paid) and $12,000 on each of February 28, 2007 (paid) and February 28, 2008 (paid). In addition, a 1% Net Smelter Royalty ("NSR") is payable derived from commercial production from the property.

c) Jeanette Bay

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

d) Lake Michael

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

e) Lobstick

On October 27, 2009, the Company entered into an option on the Lobstick Property located in the Smallwood Reservoir area of Labrador, in the Province of Newfoundland and Labrador. The agreement provides the Company an option to earn a 100% interest in the property and all associated mineral license rights subject to a 2.0% NSR with a 1.0% buy back by the Company for $1,000,000. The payment for the 100% interest in the property by the Company is $40,000 and 600,000 common shares of the Company payable over four years as follows and a further payment starting on the third anniversary date of the agreement of $10,000 per year until production is obtained as an advance against the NSR payable:

5. MINERAL PROPERTIES (continued)

e) Lobstick (continued)

Year 1 (issued on regulatory approval - March 12, 2010)	200,000 common shares
Year 2 (1st anniversary)	$20,000 and 200,000 common shares
Year 3 (2nd anniversary)	$20,000 and 200,000 common shares

In October 2010 management decided to terminate the agreement since the Company has determined that further explanation is not warranted. The project has been abandoned and related expenditures of $254,856 were written off as of October 31, 2010.

f) Michelin

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

In October 2010 the Company wrote off this property to reflect the results of its impairment analysis as of October 31, 2010.

g) Michelin South

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

In October 2010 the Company wrote off this property to reflect the results of its impairment analysis as of October 31, 2010.

h) Mount Benedict Property

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

i) Napes Ashini

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

In October 2010 the Company wrote off this property to reflect the results of its impairment analysis as of October 31, 2010.

j) Snegamook Property

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

5. MINERAL PROPERTIES (continued)

k) Straits Property

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

l) Tukialuk Bay Property

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

Gold and Base Metals

a) Big Easy

On April 28, 2010, the Company entered into an option on the Big Easy Property located in the Thorburn Lake area of Eastern Newfoundland, in the Province of Newfoundland and Labrador. The agreement provides the Company an option to earn a 100% interest in the property and all associated mineral license rights subject to a 3% NSR with a 1.5% buy back by the Company for $1,500,000. The payment for the 100% interest in the property by the Company is $117,510 and 1,600,000 common shares of the Company payable over four years as follows and a further payment starting on the fourth anniversary date of the agreement of $20,000 per year until production is obtained as an advance against the NSR payable:

Year 1 (paid on signing - April 28, 2010;	$27,510
issued on regulatory approval - May 7, 2010)	350,000 common shares
Year 2 (1st anniversary)	$30,000 and 400,000 common shares
Year 3 (2nd anniversary)	$30,000 and 500,000 common shares
Year 4 (3rd anniversary)	$30,000 and 350,000 common shares

b) Centauro Property

On June 5, 2007, Silver Spruce Resources Mexico S.A de C.V finalized an agreement for an option on the Centauro property in Mexico. The agreement provides the Company an option for a three year term to earn a 100% interest in the Property subject to a 3% NSR, with a 2% buyback for US$2,000,000. The payment for the 100% interest in the Property by the Company is US$375,000 and 1,325,000 common shares of the Company payable over four years as follows and a further payment starting in Year 6 (5th anniversary) of US$50,000 per year as an advance against the NSR payable:

Year 1 (paid on signing)	US$50,000 and 125,000 common shares
Year 2 (paid May 22, 2008)	US$75,000 and 200,000 common shares
Year 3 (paid June 5, 2009)	US$100,000 and 400,000 common shares
Year 4 (3rd anniversary)	US$150,000 and 600,000 common shares

5. MINERAL PROPERTIES (continued)

b) Centauro Property (continued)

The Company shall pay a staged finder's fee of cash and common shares of the Company based on the Company's continued involvement with the Property as follows:

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

In October 2010 the Company wrote off this property to reflect the results of its impairment analysis as of October 31, 2010. As a result the final payment of US$150,000, 600,000 shares and 81,831 shares for a finder's fee, will not be paid/issued.

c) Central Newfoundland Property

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

In October 2010 the Company wrote off this property to reflect the results of its impairment analysis as of October 31, 2010.

d) Lazyman

On July 27, 2009, the Company entered into an option on the Lazyman Property located in the Little River area in the southern part of the Province of Newfoundland and Labrador. The agreement provides the Company an option to earn a 100% interest in the property and all associated mineral license rights subject to a 2.5% NSR with a 1.5% buy back by the Company for $2,000,000. The payment for the 100% interest in the property by the Company is $26,190 and 800,000 common shares of the Company payable over four years as follows and a further payment starting on the fourth anniversary date of the agreement of $20,000 per year until production is obtained as an advance against the NSR payable:

Year 1 (paid on signing - July 14, 2009;	$26,190
issued on regulatory approval - August, 2009)	200,000 common shares
Year 2 (1st anniversary)	150,000 common shares
Year 3 (2nd anniversary)	200,000 common shares
Year 4 (3rd anniversary)	250,000 common shares

In July 2010 management decided to terminate the agreement since the Company has determined that further exploration is not warranted. The project has been abandoned and related expenditures of $159,196 were written off as of October 31, 2010.

5. MINERAL PROPERTIES (continued)

e) Pope's Hill

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

f) Rambler South

On July 15, 2009, the Company entered into an option on the Rambler South Property located in the Rambler South area in the Baie Verte Peninsula part of the Province of Newfoundland and Labrador. The agreement provides the Company an option to earn a 100% interest in the property and all associated mineral license rights subject to a 2.5% NSR with a 1.0% buy back by the Company for $1,500,000. The payment for the 100% interest in the property by the Company is $95,000 and 1,050,000 common shares of the Company payable over four years as follows and a further payment starting on the fourth anniversary date of the agreement of $10,000 per year until production is obtained as an advance against the NSR payable:

Year 1 (issued on regulatory approval - Sept 8, 2009)	$15,000 and 300,000 common shares and a work commitment of $100,000
Year 2 (1st anniversary - issued July 21, 2010)	$30,000 and 350,000 common shares and a work commitment of $150,000
Year 3 (2nd anniversary)	$50,000 and 400,000 common shares and a work commitment of $250,000

The first anniversary payment of $30,000, due July 2010, was paid subsequent to the year ended October 31, 2010.

g) Red Wine Mountains

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

6. CAPITAL ASSETS

	January 31, 2011		
	Cost	**Accumulated Amortization**	**Net Book Value**
	$	**$**	**$**
Equipment	**151,006**	**94,033**	**56,973**
Computer	**60,702**	**44,940**	**15,762**
Vehicles	**107,819**	**79,093**	**28,726**
	319,527	**218,066**	**101,461**

	October 31, 2010		
	Cost	Accumulated Amortization	Net Book Value
	$	$	$
Equipment	151,006	90,942	60,064
Computer	60,702	42,558	18,144
Vehicles	107,819	76,826	30,993
	319,527	210,326	109,201

7. LONG-TERM DEBT

	January 31, 2011	October 31, 2010
	$	$
Chattel loan payments	**3,735**	5,976
Less: due in 12 months	**3,735**	5,976
Long-term portion	**-**	-

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

8. SHARE CAPITAL

The share capital is as follows:

	January 31, 2011	October 31, 2010
Authorized	**$**	$
An unlimited number of non-voting preference shares		
An unlimited number of common shares		
Issued and outstanding:		
106,065,305 (2010 - 79,073,442)	**24,616,526**	21,522,234

The following is a summary of share capital outstanding at January 31, 2011 and October 31, 2010:

	January 31, 2011		October 31, 2010	
	Number	**$**	Number	$
Opening balance	**79,073,442**	**21,522,234**	52,526,007	20,931,594
Issued during the year:				
Private placement	**11,226,481**	**1,345,744**	25,647,435	999,789
Acquisition of property	**-**	**-**	900,000	56,750
Flow-through offering fees	**-**	**-**	-	(109,070)
Options exercised	**1,269,230**	**271,419**		
Share issue costs	**-**	**(191,251)**	-	(153,829)
Warrants exercised	**14,496,152**	**1,668,380**	-	
Tax amount of renounced expenditures	**-**	**(632,000)**	-	(203,000)
Closing balance	**106,065,305**	**23,984,526**	79,073,442	21,522,234

8. SHARE CAPITAL (continued)

During the year ended October 31, 2010, the Company closed a non-brokered private placement, consisting of 7,066,667 flow-through units and 2,500,000 non-flow-through units at a price of $0.06 per unit consisting of one common share and common share purchase warrant entitling the holder to purchase common shares at a price of $0.12 for the flow-through units and $0.10 for the non-flow-through units for the 24 months following the closing. The Company also closed a brokered private placement on December 24, 2009 consisting of 11,234,614 flow-through units and 4,846,154 non-flow-through units at a price of $0.06 per unit consisting of one common share and common share purchase warrant entitling the holder to purchase common shares at a price of $0.10 for the first 12 months and $0.15 for the second 12 months following the closing. Of the $1,565,000 proceeds, $999,789 was allocated to share capital and $565,211 was allocated to warrants. In addition, the Company issued 200,000 shares for the acquisition of Lobstick property at $0.065, 350,000 shares for the acquisition of Big Easy property at $0.085, and 350,000 shares for the acquisition of Rambler South Property at $0.04, all based on the quoted market value of the shares on the date of issue.

9. WARRANTS

The following is a summary of warrants activity for the periods ended January 31, 2011 and October 31, 2010:

	January 31, 2011		October 31, 2010	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
		$		$
Balance, beginning of year	**30,233,333**	**0.12**	3,150,000	0.15
Granted in connection with private placements	**6,591,120**	**0.20**	-	-
Exercised	**(14,496,152)**	**0.10**	27,083,333	0.11
Expired during the year	**(2,450,000)**	**0.15**	-	-
Balance, end of year	**19,878,301**	**0.14**	30,233,333	0.12

The grant date fair value of the warrants granted during the year ended October 31, 2010 were estimated using the Black-Scholes option pricing model based on the following assumptions (a) For the December 2009 private placement, expected life of 2.0 years, expected dividend rate at 0%, expected volatility of 154% and risk-free interest rate of 1.21%. These warrants can be exercised at a price of $0.10 in the first year and $0.15 in the second year. (b) For the September 2010 private placement, expected life of 2.0 years, expected dividend rate at 0%, expected volatility of 160% and risk-free interest rate of 1.42%. These warrants can be exercised at a price of $0.10 and $0.12. The weighted average fair value of the warrants granted in 2010 was $0.02.

9 WARRANTS (continued)

Summary of warrants outstanding and additions as at January 31, 2011:

Warrants	Exercise price	Fair value of warrants	Expiry date
	$	$	
260,721	0.20	24,270	December 31, 2012
18,250	0.17	2,966	December 31, 2012
2,955,882	0.20	267,849	December 24, 2012
185,294	0.17	23,557	December 24, 2012
1,462,333	0.20	91,717	December 23, 2012
43,169	0.17	5,112	December 23, 2012
1,665,471	0.20	149,677	December 23, 2012
2,500,000	0.10	60,558	September 7, 2011
7,733,334	0.12	182,846	September 7, 2011
3,053,847	0.10	67,358	December 24, 2011
19,878,301		875,910	

10. STOCK OPTIONS

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

Stock option activity for the periods ended January 31, 2011 and October 31, 2010 are summarized as follows:

	January 31, 2011		October 31, 2010	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		$		$
Balance, beginning of year	10,885,897	0.24	796,000	0.54
Granted	2,000,000	0.30	4,360,887	0.10
Exercised	(1,269,230)	0.12		
Expired	-	-	(2,271,000)	0.13
Balance, end of year	11,616,667	0.26	10,885,897	0.24

At January 31, 2011, outstanding options to acquire common shares of the Company were as follows:

10. STOCK OPTIONS (continued)

Exercise Price $	Number of Outstanding Options	Weighted Average Remaining Contractual Life of Outstanding Options (years)	Grant date Weighted Average Fair Value per Option $	Number of Exercisable Options
0.30	2,000,000	4.97	0.20	-
0.06	666,667	1.85	0.04	666,667
0.12	2,425,000	4.49	0.08	2,425,000
0.15	2,690,000	3.28	0.13	2,690,000
0.35	2,920,000	2.51	0.32	2,920,000
0.50	400,000	1.06	0.48	400,000
0.65	60,000	1.13	0.53	60,000
0.65	125,000	1.18	0.53	125,000
0.65	50,000	1.33	0.56	50,000
0.83	20,000	2.34	0.67	20,000
1.08	160,000	1.46	1.06	160,000
1.78	100,000	1.74	1.75	100,000
	11,616,667	3.19	0.26	9,616,667

The weighted average fair value per option of options outstanding as at January 31, 2011 is $0.26 (October 31, 2010 - $0.24).

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

	January 31, 2011	October 31, 2010
Risk-free interest rate	**2.31% - 2.95%**	1.21% - 2.80%
Expected life	**2-5 years**	2 - 5 years
Expected volatility	**115% - 127%**	154% - 203%
Expected dividend yield	**Nil**	Nil

11. CONTRIBUTED SURPLUS

The following is a summary of contributed surplus activity:

	January 31, 2011 $	October 31, 2010 $
Balance, beginning of year	**6,372,250**	6,086,182
Employee stock - based compensation	**402,024**	227,732
Expiry of warrants	**96,426**	-
Options excercised	**(34,106)**	-
Options issued as finders fee	**21,708**	58,336
Balance, end of year	**6,858,302**	6,372,250

12. RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities as at January 31, 2011 is $24,672 (October 31, 2010 - $127,705) owing to directors of the Company for consulting related services rendered. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

During the three month period ended January 31, 2011, 2,000,000 stock options were granted to directors, officers and employees of the Company (January 31, 2010 – Nil).

Rent and certain building materials required by the Company for its operations are purchased from a hardware store controlled by an officer and director of the Company. During periods of exploration management and employees of the Company stay at a hotel controlled by an officer and director of the Company. During the three month period ended January 31, 2011, $9 (January 31, 2010 - $302) was paid to the hardware store and $24,639 (January 31, 2010 - $9,337) was paid to the hotel and included in mineral properties on the balance sheet.

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

13. SUPPLEMENTAL CASH FLOW INFORMATION

	January 31, 2011	October 31, 2010
	$	$
Cash		
Cash	**$ 2,908,782**	$ 216,287
Cash equivalents	**-**	-
	2,908,782	216,287
Interest paid in the year	**-**	-
Income taxes paid in the year	**-**	-
Non-cash investing and financing activities:		
Acquisition of mineral properties for share consideration	**-**	56,750
Expiry of warrants	**96,426**	-
Options issued as finders fee	**-**	58,336
Value of share, warrants and options included in share issue costs	**31,635**	109,070
Effect of future income taxes on share capital upon renouncement of expenditures	**-**	203,000

14. COMMITMENTS AND CONTINGENCIES

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

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

14. COMMITMENTS AND CONTINGENCIES (continued)

	Cash	Shares
2011	360,000	800,000
2012	30,000	500,000
2013	30,000	350,000

The Company leases its head office in Bridgewater under an operating lease. Future lease payments aggregate $20,625 and include the following amounts payable over the next four years:

	$
2011	9,900
2012	9,900
2013	825
	20,625

Pursuant to the issuance of 10,769,231 flow-through units on December 24, 2009, the Company renounced $700,000 on qualified exploration expenditures with an effective date of December 31, 2009. The effect of this renunciation will be recorded at the time of the renunciation. The Company is required to expend the balance by December 31, 2010. The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments.

15. INTEREST IN JOINT VENTURES

The Company proportionately consolidates its interest in the joint venture with Crosshair Exploration Mining, and Universal Uranium Ltd. This joint venture is connected with the Companies claims in the Central Mineral Belt ("CMB") and Seal Lake areas of Labrador as described in Note 5.

The Companies interest in joint venture is summarized below:

	January 31, 2011	October 31, 2010
	$	$
Balance Sheet		
Mineral properties	-	2,388,540
Statement of Operations	-	-
Statement of Cash Flow		
Cash provided by operating activities		
Receipt of amounts due from JV partner	-	140,257
Cash used for investing activities	-	17,357
Cash provided by financing activities	-	-
	-	2,546,154

This document provides management's discussion and analysis (MD&A) for our financial condition as at, and results of operations for the quarter ended January 31, 2011. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and notes for the year ended October 31, 2010 and the unaudited interim consolidated financial statements and notes for the quarter ended January 31, 2011. ***This MD&A has been prepared as of March 30, 2011 and is current to that date unless otherwise stated.***

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

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

Company Overview

Silver Spruce Resources Inc. is a junior exploration Company headquartered in Bridgewater, Nova Scotia originally with a strategic focus on uranium, mainly in the Central Mineral Belt (CMB) of Labrador, which has diversified into rare earth minerals (REE) projects in Labrador, and precious metal projects and in Newfoundland and Labrador. The Company has consolidated its uranium projects in Labrador where it retains interests in approximately 2200 claims totaling 550 square kilometres, mainly in the CMB, making the Company a large landholder in one of the world's premier uranium districts. Projects include: the CMB joint venture with Crosshair Exploration and Mining, in which SSE retains an approximate 37% participating interest, and its 100% owned properties - Snegamook, Mount Benedict, Tukialuk Bay, Jeannette Bay, Lake Michael, Double Mer, and Straits. Exploration on these projects has been curtailed due to the Nunatsiavut government's moratorium on uranium mine development in Labrador, which was scheduled to end in April 2011 but which has now been extended for six months to Sept. 30, 2011, and the resulting difficulty in financing uranium projects in Labrador. The Company is retaining these projects which include a resource on the Two Time zone on the CMBJV, of 2.3 M lbs indicated and 3.7 M lbs U_3O_8 inferred, the first discovery in the CMB of Labrador since the 1970's, of which SSE retains approximately 37 %, and other drill-ready opportunities, especially on the Double Mer and Mount Benedict properties.

The Company also has significant REE projects in Labrador, Popes Hill, RWM and Straits which are either road accessible or relatively close to infrastructure and two gold/silver projects on the island of Newfoundland (Rambler South and Big Easy). A new REE/U project, the MRT property, which lies along the Popes Hill REE trend, has been optioned recently. Most of the projects, except most of the uranium ones, are road accessible thereby reducing exploration costs dramatically.

The technical aspects of this MD&A have been approved by Peter M. Dimmell, P.Geo. a director and a qualified person under National Instrument 43-101.

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

The Company has sufficient funds to maintain operations and fund its exploration projects for the next year. The Company has recently raised $1.6 M in flow through funds and $219 K in hard dollars (December, 2010), and has received approximately $1.5 M in exercised warrants and options as hard dollars, to allow it to carry on its exploration work in Newfoundland and Labrador and for working capital in 2011. As of January 31, 2011, cash reserves totaled $2.9 M.

Further financing may be undertaken in 2011, if circumstances permit, to allow the Company to move its projects forward toward economic realization.

A commitment to prudent budgeting, an excellent property portfolio including significant new REE and uranium discoveries on the Trans Labrador Highway, a uranium deposit with defined resources, two other REE projects in Labrador, and two gold/silver projects on the island of Newfoundland, make Silver Spruce a leading junior explorer.

Selected Quarterly Information

The table below outlines selected financial information related to the Company's most recent audited financial year and the previous two quarters, accompanied by the applicable comparative period information. The financial information is extracted from the Company's audited consolidated financial statements for the year ended October 31, 2010 and the interim unaudited consolidated financial statements for the three months ended July and April 2010.

	January 31, 2011	**October 31, 2010**	**July 31, 2010**	**April 30, 2010**
	$	$	$	$
Revenue	**237**	2,800	2,259	46,740
Net (loss)	**(17,346)**	(4,584,394)	(293,706)	(132,905)
Net (loss) per share -basic and diluted	**(0.00)**	(0.06)	(0.00)	(0.00)
	January 31, 2010	**October 31, 2009**	**July 31, 2009**	**April 30, 2009**
	$	$	$	$
Revenue	**803**	Nil	22,400	184,868
Net (loss)	**(64,199)**	(8,430,085)	(439,945)	(423,412)
Net (loss) per share -basic and diluted	**(0.00)**	(0.17)	(0.01)	(0.01)

For the three months ended January 31, 2011, the Company earned revenue of $237, compared to $803 for the same quarter in the prior year. In the current year this amount relates to a gain in the market value of investments. In the same quarter in the prior year there was a gain on foreign exchange.

For the three months ended January 31, 2011 the Company had a net loss of $17,346 (January 31, 2010 - $64,199) and a loss per share of 0.00 (January 31, 2010 - 0.00). This quarter the Company had total expenses of $649,583 (January 31, 2010 - $159,618). Office and general expenses increased to $60,539 this quarter (January 31, 2010 - $20,029) due to the increased activity during the current quarter. Consulting fees increased this quarter to $61,566 (January 31, 2010 - $36,332) due to services provided by management being restructured and classified as consulting expenses versus wages expense, which decreased this quarter to $34,510 (January 31, 2010 - $49,536). This quarter $402,024 in stock options were granted to the directors, officers and employees of the company.

Expenditures on Mineral Properties

During the year ended October 31, 2010 and the three months ended July and April 2010 and the comparative periods, the Company incurred the following expenditures on exploration of properties:

	January 31, 2011	October 31, 2010	July 31, 2010	April 30, 2010
CMB		17,357	2,895	10,143
Double Mer	**3,000**	418	-	-
Straits	**780**	7,375	6,539	836
Mount Benedict	**3,390**	32	-	-
Snegamook	**4,371**	8,281	5,000	-
Tukialuk	-	-	-	-
Napes Ashini	-	464	-	-
Centauro (MX)	-	156,574	165,659	118,679
Central NL	-	-	-	-
Calvin's Landing	-	-	-	-
Lake Michael	-	-	-	-
Jeanette Bay	-	-	-	-
Michelin	-	-	-	-
Michelin South	-	381	-	-
Lobstick	-	253,696	49,158	65,285
Rambler South	**49,991**	267,367	94,997	103,845
Lazyman	-	103,116	10,445	84,556
Big Easy	**14,334**	164,965	79,355	23,464
Pope's Hill	**72,928**	24,892	2,608	-
Red Wine Mountains	-	1,313	1,232	-

	January 31, 2010	October 31, 2009	July 31, 2009	April 30, 2009
CMB	2,500	153,661	2,511	151,150
Double Mer	418	40,277	4,480	18,104
Straits	-	38,067	4,436	17,004
Mount Benedict	32	84,334	598	15,600
Snegamook	3,281	10,607	1,559	5,548
Tukialuk	-	11,873	-	3,162
Hudson Bay	464		-	-
Napes Ashini	969	4,462	112	-
Centauro (MX)	-	769,138	475,453	34,254
Central NL	-	2,796	-	-
Calvin's Landing	-	123,625	72,864	9,075
Twentieth Brook	-		99,070	10,797
Lake Michael	-	9,169	-	8,733
Jeanette Bay	381	7,874	-	5,058
Michelin	15,975	1,023	113	910
Rambler South	-	137,577	-	-
Lazyman	-	56,080	-	-
Lobstick	-	1,160	14,447	-
Rambler South	-		33,033	-

Rare Earth Element (REE) Properties

The company carried out compilation work and a re-evaluation of existing exploration projects, for rare earth elements in Labrador, in the spring of 2010. Interest was rising in these elements due to increased demand and supply concerns relating to China, which supplies most of the REEs in the world.

During the course of this work three properties were noted to have REE potential: 1) The Pope's Hill property (PH) on the Trans Labrador Highway (TLH), approximately 100 km to the west of Happy Valley –

Goose Bay; the RWM, which covers the second highest heavy rare earth element (HREE) lake sediment value in Labrador in the government database, in the southern Red Wine Mountains, approximately 30 km from a road to the east of the Churchill Reservoir; and the Straits (ST) property on the Straits of Belle Isle in southern Labrador. The properties are 100% owned by Silver Spruce, subject to a 1 % NSR on the ST properties. The acquisition of the first two properties was announced in a News release on May 6, 2010 and the results of re-evaluation of ST data originally aimed at uranium was released on May 27, 2010. Compilation maps showing the property locations and data on the properties, plus pictures of the Pope's Hill area can be viewed on the company website www.silverspruceresources.com. The properties are described individually below.

Analyses on the 2006 PH samples were by a REE package (Group 4B REE) carried out at the ACME Laboratories facility in Vancouver, BC after sample preparation at Eastern Analytical in Springdale, NL.

REE analyses in 2010 were done at the Activation Laboratories (Actlabs) facility in Ancaster, Ontario after sample preparation at their facility in Goose Bay using their Code 8 REE package which consists of a lithium borate fusion and analysis by either ICP or ICP-MS. In addition, on the Straits property, analysis was carried out for U^3O^8 and Nb^2O^5 by XRF. Values were checked by Actlabs using internal standards.

Planned Work - 2011

Exploration planned for 2011 includes a regional radiometric / high resolution magnetic and VLF-EM airborne survey along the entire 100 km long PH trend with follow up ground work on the results of these surveys, plus detailed gridding, prospecting / geology, geochemistry on the original PH property and the recently optioned MRT property. All information is being compiled to plan limited ground follow up on both the RWM and ST properties in order to maintain the properties in good standing.

Impairment

No impairment is indicated and no write offs are required due to the early stage nature of these projects and the ability to raise money on them for further exploration.

POPE'S HILL (PH) – 100 % OWNED

Property Description

The PH trend extends across the Pope's Hill area, approximately 100 km from Goose Bay on the TLH, along and parallel to the Churchill River. The original property, staked in May 2010, consisted of 62 claims (1,550 ha). A total of 1297 claims (324 km^2), coincident with the original claim group, were acquired to protect the on-strike extensions to the east and southwest of the mineralized zone and strongly anomalous lake sediment values in La and Ce with values up to 690 ppm against a background of 30 ppm. The REE mineralization is believed to be associated with a regional shear zone in the gneisses which extends for 60 km to the northeast and 40 km to the southwest of the highway and the original showings (News Releases, October 28, and May 6, 2010). Another 360 claims were acquired on the eastern extension of the trend to both the east and west of the MRT property (News Release - January 27, 2011). The claims cover lanthanum/cerium lake sediment anomalies in the Newfoundland government database plus structural features defined by government geological mapping and are contiguous with claims already held either as 100% owned properties or as 50/50 JV properties. The 100% owned property, with the newly staked claims included, now totals 1,708 claims (approx. 425 km^2).

Prospecting/Geology

Uranium, thorium and REE mineralization was located by the President of Silver Spruce, Lloyd Hillier, in 2006 while prospecting for uranium. SSE's work in 2006 gave values up to 0.46% zirconium, 0.22% niobium, and 7.9% (TREE + yttrium) with HREEs up to 15% of the total rare-earth component. Three samples gave values > 1% (TREE + yttrium), including two (2) samples > 5%. Samples anomalous in REEs also showed elevated thorium values with the highest thorium and REE values coincident (News Release

May 6, 2010). No further work was carried out in 2006 and the property was not staked until spring 2010, when interest in REEs peaked.

A one day prospecting and sampling program using scintillometers to locate radioactive mineralization was carried out by a four man SSE crew in mid September, 2010 with a total of 31 samples taken from bedrock and locally derived, angular float boulders. The samples were selected using high radioactivity with scintillometer readings from 1,000 to 7,500 cps which appear to be associated with thorium rich phases.

Thirty-one samples taken in September, 2010 (see news release dated Oct. 28, 2010) gave anomalous TREE+Y values with 16 > 5%, and 5 > 10% with a high value of 24% TREE+Y. TREE+Y values varied from a low of 0.07% to a high of 24.07% averaging 5.73% for the 31 samples, which included 7 "host rock" samples, with values 0.4% or lower. Two of the 5 highest values (> 10 %), were outcrop samples while the other three were from locally derived, angular float. Samples are mostly rich in light rare earth elements (LREE), but the more anomalous values give higher values in heavy rare earth elements (HREE) up to 7.5% percent of the REEs. Individual high values for the elements, all in sample 941432, were: La – 5 %, Ce – 9.7 %, Pr – 1.08 %, Nd - 3.85 %, Sm – 0.70 %, Eu – 213 ppm, Gd – 0.56 %, Tb – 828 ppm, Dy – 0.47 %, Ho – 875 ppm, Er – 0.23 %, Tm – 283 ppm, Yb – 0.14 %, Lu – 175 ppm, with a Y value of 2.11 % for TREE+Y of 24.07 %. In this sample LREEs were 20.34 % (92.6 % of the TREEs) and HREEs were 1.63 % (7.4 % of the TREEs) for a total of 21.97 % REEs. Other significant values in this sample included: Nb – 911 ppm, Zr – 604 ppm, Th – 0.63 % and U – 461 ppm. High values in the other elements associated with the more highly anomalous REEs were: U – 261 ppm, Ta – 90.6 ppm, Zr – 2.33 %, and Nb – 0.59 %.

The anomalous trend has been traced over a 7 km strike length extending to the east, approximately 4 km, and to the west, approximately 3 km, from the MP showing – the bedrock pit. The highest REE values are in a dark grey to black sub-metallic to glassy mineral, with another mineral showing as reddish brown spots, in veins which are variably non-magnetic to moderately magnetic. All of the REE bearing samples are also weakly to moderately radioactive with significant Th content (up to 0.7 %) and minor uranium values (up to 461 ppm but generally < 100 ppm). Overburden depths are not great (estimated at 2-3 m maximum) however outcrop is limited away from the road. One sample taken on the TLH where radiometrics showed anomalous counts per second, 30 km to the east of the original group, gave 0.3 TREE+Y. A summary of the REE and associated values is attached in Table 1.

Rock units hosting the REE mineralization are mapped as granitic to mafic gneisses of late Paleoproterozoic age, with some pegmatites. Linear monzonite bodies, possibly related to a major structure, lie just to the north and south of the MP mineralized area paralleling the highway to the northeast. Syenites and/or granitic units of peralkaline affinity have also been noted.

Geophysics

Ground geophysical surveys, consisting of 73 line km of magnetic and VLF-EM, focused on the original 62 claim block, which covers the 7 kilometre long trend along and just to the north of the TLH, was carried out in December, 2010 (News releases Dec. 30, 2010, Jan. 6, 2011). The surveys included GPS controlled magnetics, with readings taken every 2 seconds and VLF-EM with readings at 12.5 m spacing. Radiometric surveys, also at 12.5 m spacing, were attempted over selected areas, covering the magnetic and VLF-EM anomalies. The radiometric survey was limited in extent due to the Christmas season and inclimate weather and covered small areas (4 lines) in the area of the MP showing and an area further to the east (2 lines). The rare earth mineralization is variably non magnetic to magnetic and is associated with thorium/uranium making the samples radioactive and therefore responsive to radiometric surveys. It also occurs as veins and disseminations, which may also be shear hosted and the shear systems, may respond to the VLF-EM survey.

Preliminary results show a number of linear magnetic anomalies crossing the property in an ENE direction with VLF-EM anomalies coincident with, or marginal to, the magnetic highs with others in the magnetic low areas. A VLF-EM anomaly, between magnetic high zones, possibly indicating a shear system, occurs

coincident with the anomalous REE samples in the bedrock pit (MP showing) on the side of the TLH extending along strike to the east and west. Radiometric results were inconclusive due to the limited area covered and the inclimate weather however radiometric anomalies were defined particularly in the MP showing area.

Diamond Drilling

A contract for 1,000 m of drilling was given to Cabo Drilling of Springdale, NL in January, 2011 (News release – Jan. 27/11). The drilling program, carried out in February, was designed to test REE+Y mineralization in the bedrock pit (the MP showing) over a strike length of approximately 300 m. Approximately 750 m in 7 holes were completed by February 22 (News Release February 22, 2011) with an additional 2-3 drill holes planned for the program. The drilling targeted VLF-EM anomalies thought to represent shear systems, magnetic anomalies which could reflect the variably magnetic REE+Y mineralization and bedrock and float samples in the pit which were located in the fall of 2010. One hole tested another target close to the pit, approximately 300 m further to the west. Extreme cold weather slowed the drilling considerably.

Core samples from all holes have been sent to the laboratory. Results will be reported as received.

						2010	POPES HILL		ROCK SAMPLES													
			Light	REE's						Heavy	REE's											
Sample	Y	La	Ce	Pr	Nd	Sm	Eu	Gd	Tb	Dy	Ho	Er	Tm	Yb	Lu	TREE + Y	Nb	Zr	Th	LREE	HREE	TREE
ID	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	%	ppm	ppm	ppm	%	%	%
553151	2506	3820	8930	986	3710	723	28.3	600	103	552	103	269	33.5	180	25.2	**2.26**	104	682	610	1.82	0.19	2.01
553152	654	5250	9720	947	3190	492	14.7	307	41.2	188	29.5	67	7.63	39.6	5.36	**2.1**	369	**2041**	576	1.96	0.07	2.03
553153	**15660**	**37500**	**78000**	8860	32600	6080	**144**	**4670**	**703**	**3930**	**712**	**1720**	**202**	**1020**	**134**	**19.19**	**4250**	878	**4320**	16.3	1.32	17.63
553154	151	375	770	79	288	52.7	3.37	42.8	6.9	36.9	6.8	17.1	2.16	12.3	1.68	0.18	51	**1801**	40	0.16	0.01	0.17
553155	5708	**17000**	**33900**	3450	**12100**	2180	53.9	**1690**	**276**	**1430**	**257**	**621**	**75.3**	**376**	46.8	**7.92**	1750	**4831**	**2100**	6.86	0.48	7.35
553156	46	388	715	68.6	231	31.9	3.07	18.2	2.4	11.9	2.1	5.5	0.73	4.3	0.6	0.15	23	**1448**	47	0.14	0.005	0.15
553157	48	168	319	30.8	107	17.8	1.65	13.4	2.1	11	2	4.9	0.63	3.4	0.45	0.07	22	292	74	0.06	0.004	0.07
553158	31	537	967	84.6	267	30.6	5.83	14.2	1.5	6.8	1.1	2.6	0.33	1.9	0.3	0.2	21	413	47	0.19	0.003	0.19
553159	55	213	416	41.6	146	24	3.63	15.5	2.1	11.2	2.1	6	0.92	6.8	1.32	0.09	12	**3418**	**1390**	0.08	0.005	0.09
553160	22	203	315	27.7	87.9	11.9	2.6	7	0.9	4.7	0.9	2.6	0.39	2.8	0.53	0.07	56	**2284**	321	0.06	0.002	0.07
553161	38	445	806	74.2	237	33.3	2.34	16.5	2	9.6	1.6	3.7	0.45	2.5	0.36	0.17	11	369	535	0.16	0.004	0.16
553162	28	1190	2230	219	729	90.9	6.57	35.2	2.5	9.3	1.1	2	0.24	1.4	0.24	0.45	19	**2310**	471	0.45	0.01	0.45
553163	59	2680	4900	455	1450	175	10.3	69.7	6.6	23	2.8	5.5	0.62	3.3	0.49	0.98	8	**3768**	**920**	0.97	0.01	0.98
553164	999	**11900**	**24500**	2450	8360	1160	24.5	613	74.4	331	49.8	109	12.8	67.9	9	**5.07**	**970**	**2456**	**1460**	4.84	0.13	4.97
553165	2770	**15700**	**30200**	2940	9840	1520	35.2	**1010**	142	730	**123**	302	37.3	209	29	**6.56**	**1790**	**4340**	**2000**	6.02	0.26	6.28
553166	4053	**18400**	**37200**	3750	**12800**	2070	50.2	**1440**	**208**	**1060**	**178**	420	50.7	272	36.5	**8.2**	**1660**	**2262**	**2300**	7.42	0.37	7.79
553167	2507	**15800**	**30700**	2980	9910	1510	36	970	137	684	**114**	277	35.5	196	28.1	**6.59**	**2080**	**5616**	**2200**	6.09	0.25	6.34
553201	4265	**15500**	**32400**	3380	**12000**	2030	49.4	**1470**	**219**	**1120**	**184**	439	52.5	**276**	38.1	**7.34**	**1550**	**1724**	**2100**	6.53	0.38	6.92
553202	4468	**16600**	**34000**	3510	**12300**	2100	52.9	**1520**	**222**	**1160**	**194**	464	56	**295**	39.4	**7.7**	**1680**	**1412**	**2210**	6.85	0.4	7.25
553203	3125	**48100**	**90800**	9220	**29900**	3900	**77.1**	**1980**	**236**	**1050**	**157**	355	41.7	227	31.9	**18.92**	**5880**	**4129**	**4820**	18.19	0.42	18.61
553204	706	**10000**	**20500**	2100	7320	1030	41.1	480	49.9	198	27.3	62.9	7.55	42.3	5.93	**4.26**	93	**23300**	**2450**	4.1	0.09	4.19
553205	4938	**20500**	**45300**	4860	**17300**	2840	**53.3**	**1910**	**278**	**1360**	**233**	**563**	67.6	**345**	45.4	**10.06**	**2470**	**1082**	**2790**	9.08	0.49	9.57
553206	43	1150	2080	179	517	56.2	3.84	23.3	2.5	12.1	1.9	4.9	0.61	3.6	0.57	0.41	54	**2391**	199	0.4	0.01	0.4
553207	254	4000	7500	679	2160	289	9.84	152	18	79.2	11.5	25	2.87	15.1	2.05	**1.52**	348	939	748	1.46	0.03	1.49
553208	250	**14600**	**26900**	2470	7630	830	22.4	283	23.5	77.9	8	14.8	1.62	8.2	1.15	**5.31**	68	**8385**	**5090**	5.24	0.04	5.29
941427	7371	**28100**	**68000**	7640	**28100**	4850	103	**3330**	**482**	**2320**	**387**	**891**	**99.4**	**471**	59	**15.22**	**3300**	903	**3870**	13.67	0.81	14.48
941428	1523	5400	9990	963	3260	531	17.3	397	59.3	325	58.2	144	17.7	97.4	13	**2.28**	440	689	795	2.01	0.11	2.13
941429	**11790**	**17000**	**35900**	3970	**14400**	2800	94	**2480**	**410**	**2290**	**429**	**1120**	**137**	**735**	**95.2**	**9.37**	570	286	**2300**	7.41	0.78	8.19
941430	4596	**20500**	**43300**	4680	**16400**	2630	49.8	**1770**	**242**	**1200**	**199**	480	58	**318**	43.8	**9.65**	**1280**	**6026**	**2330**	8.75	0.44	9.19
941431	276	**17200**	**29900**	2800	8390	825	46	218	20.7	73.6	9.6	20.9	2.35	12.6	1.73	**5.98**	4	**2505**	**3230**	5.91	0.04	5.95
941432	**21080**	**50000**	**97100**	**10800**	**38500**	6980	**213**	**5580**	**828**	**4670**	**875**	**2250**	**283**	**1400**	**175**	**24.07**	911	604	**6260**	**20.34**	**1.63**	**21.97**
941433	280	2890	5160	473	1430	156	6.63	63	8.6	50.2	10.1	29.7	4.25	25.8	4.16	**1.06**	10	**1260**	747	1.01	0.02	1.03
Average	**3134**	**12597**	**25419**	**2661**	**9239**	**1502**	**40**	**1037**	**150**	**782**	**137**	**334**	**40**	**208**	**27**	5.73	**995**	**2964**	**1855**	**5.14**	**0.28**	**5.42**
	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	%	ppm	ppm	ppm	%	%	%

Mineralogy

Mineralogy work on the REE minerals is being carried out by Dr. John Hanchar, P.Geo., Professor and Head of the Earth Sciences Department of Memorial University of Newfoundland, who is an expert in the study of REEs, and on the identification and characterization of the minerals carrying the REEs and students working with him. Preliminary mineralogical results which include thin section studies using cross polarized light and cathodoluminescence microscopy, powder X-Ray diffraction and scanning electron microscopy with energy dispersive spectroscopy, on some of the original 31 samples indicates that the REEs are associated with an alteration event, most likely potassic in nature, as shown by the strong microcline and other K rich feldspars. The predominantly granitic gneisses have been altered and mineralized with minerals such as titanite (sphene) and apatite carrying REE minerals, with other minerals such monazite, allanite and REE/iron rich pyroxenes also noted. Work is continuing with further results to be released as they become available.

The total strike length along the PH trend, of the 100 %, JV and optioned properties is approximately 100 km. No REE exploration has been carried out in the area. Compilation maps showing the property locations, the geophysical results and a picture of the bedrock pit can be viewed on the company website at www.silverspruceresources.com.

POPES HILL JV – 50 % INTEREST

Property Description

A total of 491 claims (approx. 123 km^2) in five licenses were acquired by staking on the southwest and northeast extensions of the PH trend, on November 6, 2010 as a 50/50 JV with Great West Minerals Group (GWMG) (News release Nov. 30, 2010). A Letter of Intent (LOI) has been signed and a joint venture exploration agreement is being crafted. GWMG will be the operator for this project with funding at 50/50 at least for the first year. The claims cover areas considered to be prospective for REE mineralization based on geology, geochemistry (lake bottom results – anomalous La and Ce) and structural features. Another license of 21 claims was staked in January to protect the eastern on-strike extension of the PH trend. It becomes part of the JV as it lies within the area of influence of the JV properties. This increases the number of claims now in the JV to a total of 512 claims (News release Jan. 27/11).

MRT PROPERTY – OPTION TO EARN 100 %

Property Description

The MRT property, located along and up to 3 km to the north of the Trans Labrador Highway (TLH), approximately 50 km to the east of the original Pope's Hill Property, 35 km from Goose Bay, consists of 59 claims (1,475 ha). It was optioned from two Innu Prospectors, Jean Pierre (Napes) Ashini and Raphael Dominic Riche in February, 2011 (News release February 17, 2011). Terms of the agreement to earn a 100% interest subject to a 2.5% NSR with a buyback of 1.5% for $1.5M, are as follows:

	Cash	**Shares**	**Work Commitment**
On signing:	$15,000	100,000	
1st anniversary	$25,000	150,000	
2nd Anniversary	$40,000	250,000	$250,000
Total	**$80,000**	**500,000**	**$250,000**

In addition, advance royalty payments of $10,000 per year are payable from the 4th anniversary on and there is an area of influence (AOI) of 2 km, from the existing property boundary, whereby any claims staked by either party become part of the agreement. A total of 119 claims in one licence have been staked within the AOI and they become part of the option.

Exploration
The property was acquired after prospecting by the vendors, located three (of 10) samples carrying significant REE values of 8.95%, 0.26% and 0.28% TREE+Y in an area never before evaluated for REEs. The highest value gives values of 2.79% La, 4.26% Ce, 0.4% Pr, 1.26% Nd and 0.11% Sm with 0.23% Th, 37 ppm U. Uranium values range from 1.1 to 747 ppm, averaging 113 ppm. Other REEs and Y are weakly anomalous. The samples were selected using a scintillometer to locate areas of higher radioactivity. A due diligence visit by the author in winter conditions (snow) in January, 2011 was not successful in duplicating the REE results with a maximum of 0.1 % TREEs +Y located in one sample, however significant U values were found in the three samples taken. The samples were also acquired using a scintillometer to locate areas of higher radioactivity. Values were, respectively, 0.825% U, 930 ppm Th; 234 ppm U, 72 ppm Th; and 744 ppm U, 288 ppm Th with U/Th ratios varying from 8 to 3. The due diligence samples were taken in the same general area as the REE anomalous samples acquired by the prospectors, however the actual sample locations were not duplicated due to snow and ice which covered the outcrops. The U/REE discovery lies in an area never before evaluated for either REEs or U, 1 km from the TLH, approximately 35 km from Goose Bay.

RWM

Property Description
The property consists of 32 claims (800 ha) covering the second highest heavy rare earth element value, > 80 ppm HREE (includes europium, terbium, ytterbium and lutetium), in the government database for Labrador. It lies in the southern Red Wine Mountains, approximately 30 km to the east of a road which provides access to the Churchill Reservoir area. SSE staked another eight claims (200 ha) tied on to the northeast to protect a coincident U/Th/K radiometric anomaly located by the REM airborne survey which extends off the former claim group. The property now consists of 40 claims (1000 ha) in two licences.

Summary
The highly anomalous lake sediment sample includes 210 ppm cerium, 240 ppm lanthanum, 11 ppm lutetium, 18 ppm rubidium, 48.9 ppm samarium, 12 ppm terbium, 14.5 ppm uranium and 62 ppm ytterbium plus elevated fluorine. Europium is background as are thorium and vanadium. Another lake sediment sample in the same area is also moderately anomalous in rare earth elements. The geological setting is described as late paleoproterozoic granite, quartz monzonite, granodiorite, syenite, and quartz diorite.

Exploration
Rare Earth Metals (REM) carried out an airborne radiometric / magnetic survey over the property as a due diligence for a possible option as part of the survey over their extensive property holdings, which include historic (Brinex) beryllium, niobium, REE and zirconium showings, located to the northeast of the RWM property in the Red Wine Mountains in July. The survey showed coincident U/Th/K anomalies in two areas of the claim group, in the southwest and northeast, underlain by magnetically low units, which are separated by a magnetically high area.

A field visit, using a helicopter, by REM located float material in the vicinity of the radiometric anomalies. Six grab samples of granite gneiss (2), granite, quartz syenite (2) and mafic volcanic (1) were taken in the area of the radioactive anomalies, three in the southwestern part and three along the north eastern margin of the property. All gave anomalous values in La > 100, high of 2,510 ppm; Nd > 100, high of 1,520 ppm; Ce > 200, high of 4,360 ppm; In addition anomalous values were also found in Th > 200, high of 3,480 ppm with two values > 2,000 ppm; and Zr > 1,500, high of 1,625 ppm against a background of 50 ppm. Two anomalous values were noted in Pr > 200, high of 449 ppm; and 1 anomalous value in Sm, 215 ppm against a background of 30 ppm, were also located. Rb and Y also gave elevated values > 100, high of 301 ppm Rb and 4 values > 100 ppm Y, high - 423 ppm. The highest and most coincident anomalous values were found in the mafic volcanic sample from the northeastern portion of the property. RA declined to option the property due to commitments on other claims in the area.

STRAITS (ST)

Property Description
The property consists of 499 claims (125 km^2) in a number of licences, including 82 claims acquired after all the existing data consisting of the SSE uranium associated work in 2007/08 and the government lake sediment results, was compiled (see ST summary in uranium section for further details). Lake, stream sediment and rock samples were originally analyzed for uranium primarily using an ICP technique which also gives values for other elements including La (lanthanum) and Th (thorium). No other REE, Y or other indicator elements were analyzed in the original ICP data.

Exploration Summary
The property covers uranium in lake sediment anomalies associated with a north-northwest trending fault structure in Proterozoic, metamorphosed, felsic volcanics, now orthogneiss. Exploration from 2007 to 2009 included lake, stream sediment and soil geochemistry, ground scintillometer surveys, prospecting, and geological mapping. Significant uranium showings were located in the south central part of the property near the coast. The "BB shot" showing gives grab sample values up to 67,439 ppm (6.7 %) U_3O_8 in outcrop along the contact of a weakly gneissic, fine-grained granite, and a pegmatite with associated magnetite and biotite. The "Bingo" showing, approximately 3 km from the BB shot, and also associated with the contact of the granite and orthogneiss, gave 17 anomalous values (>10 ppm U_3O_8) with a high value of 5,887 ppm (0.59%) U_3O_8, associated with uranophane staining. Uranium/thorium ratios averaged 5:1 in samples giving uranium values >250 ppm. Anomalous values in Th (to 6,810 ppm), Cu (to 2,720 ppm) and Pb (>5,000 ppm) were also found with the higher thorium values giving low uranium values. Since uranium was the target element the 2008 exploration defined areas of higher uranium potential to allow consolidation and downsizing (reduction) of the property to 423 claims (106 km^2).

Significant values in La and Th including rock sample values up to 3,908 ppm La, 6,810 ppm Th and values up to 903 ppm La in lake and 392 ppm La in stream sediment samples were located in the 2007/08 work. Lake sediments gave 33 samples with values > 200 ppm La including seven > 300 ppm against a background of 65 ppm with the highest 903 ppm La while Th gave only background values (< 20 ppm). Stream sediments gave 19 values > 100 ppm La including four > 200 at 208, 242**,** 342, and 392 ppm against a background of 50 ppm. Values for Th are low with only one sample giving 50 ppm (background 20 ppm). Rock samples gave three values > 1,000 ppm La with the highest 3,908 ppm (background of < 30 ppm). Nine samples gave Th values > 1,000 ppm, including four > 2,000 ppm and a high of 6,810 ppm. Strong correlation is noted between La and Th with the four samples that gave the highest La values also giving some of the highest Th values (see news release dated May 27, 2010).

A geochemical release (OF Lab 1538) by the NL government on June 30, 2010, on a high-density lake sediment and water survey in southeastern Labrador showed anomalous values in rare earth elements with TREE values in the 400 to 650 ppm range on the Straits property, some of the highest located in the survey. Background is less than 100 ppm TREE, including Y.

Twenty-six rock sample laboratory rejects which were anomalous in either La or Th, were analyzed for the full suite of REEs, yttrium (Y) and other indicator elements such as zirconium (Zr) and niobium (Nb). Values up to 2.48% total rare earth elements (TREE) plus yttrium, 2.2% zirconium, and 636 ppm niobium were located (News release July 26). Thirteen samples gave values > 0.1% TREE + yttrium, including five (5) > 0.4%. Samples were generally LREEs with percentages in the 85-90% range of LREEs from the samples analyzed. The minerals carrying the REEs are unknown at this time. Most of the high values were located in outcrop in the north central and north-eastern ends of the property, however, one sample in the southwestern part gave a value of 0.5 % TREE including yttrium. No follow up work has been carried out to date.

URANIUM - LABRADOR

Nunatsiavut Moratorium on Uranium Development

The Nunatsiavut Government (NG) instituted a 3 year moratorium on uranium mine development in their territory (Labrador Inuit Lands (LIL) in April 2008, until a comprehensive land use plan, which is under development is complete. Exploration is still allowed, however development is in question until the moratorium is lifted and most companies have opted to wait until it is lifted. The land use plan which had a target date for completion of April 1, 2011, has just been extended to September 30, 2011 indicating that the moratorium will not be lifted until after that date. Labrador Inuit Settlement Area (LISA) lands are jointly controlled by the NG and NL governments and are not subject to the moratorium. The Two Time zone and the western portion of the CMBNW JV property, and the Snegamook properties lie outside of the LIL/LISA lands on lands claimed by the Innu of Labrador and are therefore not affected by the moratorium. The Straits property in southern Labrador is outside of all of the present land claim areas.

The imposition of the moratorium combined with the current uranium price has made it difficult to raise money for uranium projects however the recent rise in prices has renewed interest in the Labrador uranium play especially with the recent announcement that Paladin Energy is buying Aurora Energy, and their Michelin / Jacques Lake deposits, with the intention of proceeding to production as soon as the moratorium is lifted. Most companies, including Silver Spruce, have had their uranium projects in Labrador on hold pending the resolution of the moratorium and an increase in the price of uranium. Continued positive news on the uranium price and moratorium front and the resultant availability of financing, could result in immediate re-activation of the projects.

THE CENTRAL MINERAL BELT (CMB)

The CMB had been the most active uranium exploration area in Canada, after the Athabasca Basin, up until late 2008. The first discovery of uranium in the CMB was made in 1951, prompting exploration up until the 1970's mainly by the British Newfoundland Exploration Company Limited (Brinex) and partners who discovered the Kitt's deposit in 1957, the Michelin deposit in 1968 and the Gear, Inda and Nash prospects in 1968/69. These properties, except Kitts, which is in an Exempt Mineral Land (EML), are now held by Aurora Energy / Fronteer Development, which has recently been sold to Paladin Energy. Brinex had developed a mining plan for the Kitts and Michelin deposits and had negotiated an associated uptake agreement with Consolidated Edison in the mid 1970's however a significant drop in uranium prices in the late 1970's caused the project to be shelved, the abandonment of uranium exploration in Labrador and the surrendering of the Brinex concessions in 1983 and 1985.

In 2003, the **Fronteer/Altius joint venture (now Aurora Energy / Paladin)** was formed to evaluate the iron oxide copper gold (IOCG) potential of the CMB. The potential for shear zone hosted uranium was noted at the Michelin and other deposits and with the increase in the price of uranium, emphasis was then placed on uranium as a commodity and blanket staking of Brinex showings was carried out. Airborne radiometric/magnetic surveys in 2004/2005 resulted in definition of the known showings plus the generation of new targets in the Michelin, Otter Lake and Jacque's Lake areas. On September 18th 2009, Aurora announced a positive preliminary economic assessment for the Michelin project which supports an open-pit and underground uranium mining operation at the Michelin and Jacques Lake deposits, and a milling facility at Michelin producing up to 3300 tonnes of uranium oxide (U_3O_8) per year. The deposits have measured and indicated resources of 35,000 tonnes of U_3O_8, plus 16,000 tonnes inferred resources, mostly requiring underground mining. An investment of C$1.05 billion is required with production ramping up to about 3000 tonnes per year. In a recent positive development in early 2011, Paladin Energy has purchased the Aurora Energy assets and intends to move to production as soon as the moratorium is lifted.

Crosshair Exploration and Mining (Crosshair) optioned the Moran Lake property where copper/uranium/magnetite/hematite/vanadium mineralized zones of the Moran Lake deposits, discovered and drilled by Shell Canada in the 1970's, are located. A N.I. 43-101 compliant resource, in the C Zone, Armstrong and Area 1 zones, of approximately 5.2 million lbs indicated and 5.8 million lbs inferred U_3O_8 was announced on August 7, 2008. In 2008, Crosshair purchased a 60 % interest in the CMBJV including the Two Time zone from Universal Uranium indicating their recognition of the potential of the area. The CMBJV properties now total 782 claims (195.5 km^2) in a number of licences which

Silver Spruce retains a 37.4 % interest. Exploration on their projects in the CMB except for those that require assessment expenditures has been curtailed due to the NG's moratorium on uranium development with the projects generally on hold pending higher prices, the resolution of the moratorium and better financing opportunities. Work has continued on evaluation of the vanadium resources, associated with the uranium, in the Moran Lake area

SILVER SPRUCE WHOLLY OWNED PROPERTIES (100%)

Silver Spruce (SSE) owns a 100% interest in 2388 claims (597 km^2)in Labrador outside of the CMB JV. These are 100% owned by SSE and include the following properties - Snegamook Lake (86 claims), Double Mer (219 claims), Straits (499 claims), Mount Benedict (776 claims), Tukialuk Bay (247 claims), Jeanette Bay (60 claims), and Lake Michael (57 claims). The Snegamook property was optioned from a Newfoundland prospecting group which retains a two percent Net Smelter Return (NSR). The Double Mer and Straits properties were staked in an arm's-length deal with a local prospector who retains a one-percent Net Smelter Return (NSR). The Mount Benedict property was acquired by staking and option with a 1% NSR payable on 592 claims of the original staked ground. Detailed descriptions of the properties and the exploration carried out on them are in the year end reports filed in January 2011.

The company's 100%-owned uranium properties in the eastern portion of the CMB include Mount Benedict, where the AT-649 and T- Super 7 showings are located, Tukialuk Bay, Jeanette Bay, and Lake Michael and the Double Mer property on the north shore of Lake Melville where seventy-six (76) grab samples gave values >500 ppm U_3O_8, with 42 >1,000 and 7 over the 95th percentile of 2,200 ppm and a maximum value of 0.43% U_3O_8 over a 10 km strike length of radiometric anomalies. No follow up trenching or drilling has been carried out.

All uranium and other analyses were done at the Activation Laboratories (Actlabs) facility in Ancaster, Ontario, after sample preparation at the Actlabs prep facility in Goose Bay. Uranium and other elements are analyzed by an ICP technique which gives good results for uranium values up to 1000 ppm.. If results in excess of 250 ppm uranium are encountered, follow-up by delayed neutron counting (DNC) is performed. A quality assurance/quality control (QA/QC) program, described on the Silver Spruce website, is in place to increase confidence in the results generated. The recent (2010) results for rare earths on the Straits property were analyzed by a rare earth package (Code 8 REE) at Activation Laboratories using either ICP or MS analysis plus analysis for U^3O^8 and Nb^2O^5 by XRF.

Impairment
All property expenditures have either been written down or off due to the NG moratorium and the inability to raise funds for further exploration over the past two years.

Planned Exploration
No work is planned for 2011 on any of the properties unless required to maintain them, pending resolution of the NG moratorium. A decision on exploration for REEs is pending on the Straits property (see REE property section) and this project is considered a potential JV property.

SNEGAMOOK LAKE (SN)

Property Description

The property, located just to the southeast of Snegamook Lake, consists of 86 claims (21.5 km^2), and is surrounded by the CMBNW JV property to the north, west and east and the Santoy (now Virginia Energy) "Fishhawk Lake" property to the south. The Company has earned a 100-percent interest subject to a two-percent NSR to the optionees. It is located outside of lands owned by the NG, on lands subject to the Innu Land Claim and it is not subject to the NG moratorium on uranium development.

Exploration

Exploration from 2006 to 2008 included: an airborne radiometric / magnetic survey, prospecting, lake sediment sampling, linecutting, RadonEx radon gas surveys, prospecting and diamond drilling (53 holes, 13,765.3 m). Prospecting and diamond drilling has located a two main areas of mineralization.

Snegamook Zone: along the Two Time trend, 1.3 km southeast of the Two Time Zone. 17 drill holes, intersected a 20 to 50 meter wide section of uranium bearing, brecciated and/or altered monzodiorite with moderate to strong chlorite, hematite and carbonate alteration, the same geological setting as the Two Time Zone. Four mineralized zones were traced over a strike length of 300 meters and to a vertical depth of 200 meters. The zones are shallow dipping (15 to 20 degrees west) and vary in width from five to 53 meters with grades ranging from 225 to 771 ppm U_3O_8. Individual one meter values range from 50 to 1,110 ppm U_30_8, with the widest section in SN-08-8 averaging 206 ppm U_30_8 (0.41 lbs/ton) over 73 meters, similar to values located in early drilling on the Two Time Zone. Higher grade zones, 0.11% (2.13 lbs/ton) U_30_8 over 3 m and 0.11% (2.22 lbs/ton) U_30_8 over 2 m, were located in SN-08-18. The zones appear to be disrupted to the south and down dip by steeply dipping fault structures that displace the basement gneiss, but remain open to the north. Additional drilling is required. Two drill holes (SN-08-18 and SN-08-20) tested a radon gas anomaly 500 meters to the south of the Snegamook Zone. They intersected nine meters (210 to 219 m) of 552 ppm U_3O_8 and five meters (191 to 196 m) of 224 ppm U_3O_8. Additional drilling is required.

Near Miss Showing: Sub-angular boulders and outcrop cover an area approximately 100 by 30 m, located approximately 4 km southwest of the Two Time showing. Values from 78 to 5000 ppm (0.008% to 0.5%) U_3O_8 in outcrop samples with good coincidence with RadonEx radon gas anomalies are found. Drilling gives erratic uranium mineralization over narrow widths in hematized, brecciated, granitic to monzodioritic units**.** Hematite microbreccias give individual one meter intervals grading from 113 to 2,117 ppm U_30_8 with the widest intersection averaging 213 ppm U_30_8 (0.43 lbs/ton) over 16 meters including one meter of 0.21% (4.23 lbs/ton) U_30_8. Mineralization is developed proximal to and along the contact with the Archean Gneiss, which dips shallowly to the east.

No exploration was carried out in 2009 or 2010, due to the price of uranium, the NG moratorium and budgetary restraints. Assessment reports are being completed allowing the property to be kept without further work for > 5 years. A claim renewal payment of $2,150 was paid in 2010. The project shows good potential which should be realized once prices return to higher levels.

Renewal fees for the 5th year have been paid and the claims remain in good standing.

DOUBLE MER (DM)

Property Description

The property consists of 219 claims (55 km^2), located in the Double Mer-Lake Melville area of Labrador, approximately 110 kilometres east of Happy Valley-Goose Bay. The property was acquired by staking in 2006 in an arm's length deal with a local prospector who retains a 1% net smelter return (NSR). The property lies entirely within LISA lands and covers strong uranium in lake sediment anomalies located by the NL government hosted in leucogranites of Helikian age.

Exploration

Exploration has included: an airborne radiometric/magnetic survey carried out in 2006, data compilation, prospecting, geological mapping, geochemistry (streams, soils) and ground geophysics (scintillometer/radon gas). The airborne survey resulted in 40 strong to moderate strength radiometric targets, in various lithologies and in magnetically low and high areas, selected for follow up.

In 2006, prospecting in the area of Zone A, located 10 rock samples giving values greater than 100 ppm U_3O_8, with a high value of 2,640 ppm uranium (0.33% U_3O_8) associated with high spectrometer readings (> 10 K cps), in the area of the trenches. The historical trenches and ddh's were relocated and found to be north of the east-west trending magnetic high associated with a radioactive trend on the radiometric maps. Geological mapping/prospecting, soil geochemistry and radon gas sampling and ground radiometric surveys over the higher priority airborne radiometric targets and anomalous U values in lake sediments was carried out in 2008. Two styles of uranium mineralization are noted – pegmatite hosted (primary) and structurally-controlled (secondary) in structural traps, in the form of breccia and/or mylonite zones, developed in the polydeformed gneisses. A 10 km long, linear, east-west to east-northeast trending, anomalous radiometric zone (Anomalies DM-1 to 17), gives seventy-six (76) samples with values > 500 ppm U_3O_8, with 42 > 1,000 and 7 over the 95th percentile of 2,200 ppm with a high of 4,281 ppm (0.43%) U_3O_8. Uranium in soil values, up to 208 ppm (background < 10 ppm) and radon gas anomalies occur over mineralization, over widths up to 30 meters, associated with short, steep, scarps characterized by breccia units. Mineralization is also noted in a highly deformed, white, recrystallized, quartz pegmatite up to 40 meters wide, but generally 5-10 m, which can be traced over a 300 m strike length. Further work is required to define these showings which have both strike and width potential.

The regional surveys show areas of uranium potential which require ground follow up by trenching and drilling. The property has been consolidated / reduced with the claims over areas showing potential in good standing for at least the next year. Renewal fees for the 5th year have been paid and the claims remain in good standing.

STRAITS (ST)

Property Description

The property, located in the Barge Bay-Henley Harbour area, on the Straits of Belle Isle, approximately 300 kilometres southeast of Happy Valley-Goose Bay, consists of 499 claims (125 km^2) after consolidation and recent staking for REE potential (see section on REE properties). The original claims were staked in an arm's length deal with a Newfoundland prospector who retains a 1% net smelter return (NSR). The property lies outside of the aboriginal land claims of both the Inuit and Innu of Labrador and covers government uranium in lake sediment anomalies, with copper values, associated with a north-northwest trending fault structure. The area had not been explored prior to the SSE work.

Exploration

Exploration included: an airborne radiometric/magnetic survey which gave 21 significant radiometric targets; compilation; remote sensing; and ground field work, which included prospecting, lake sediment and soil geochemistry, and geological mapping. Mineralized areas were defined by prospecting and lake sediment geochemistry in three areas 1) the central portion of the claim group, along a northeast trending structure with offsetting northwest trending structures, over a 7 km strike length with a high value of 0.16 % U_3O_8; 2) in the northeastern part of the group, a northeast trending zone with host rocks - aplites and mafic intrusives (gabbros), gneisses and pegmatites; and 3) in the western portion of the group, a linear, north-south trending zone of large, irregular, pegmatite dikes with erratic values up to 2650 ppm (0.26 %, 5.2 lbs/ton) U_3O_8. Uranium/thorium ratios were good (minimum of 3 to 1) in most areas. In 2008 stream sediment, radon gas, soil geochemical, and ground scintillometer surveys were carried out in conjunction with prospecting, geological mapping and compilation which evaluated radiometric and lake sediment anomalies and prospecting discoveries. The two most significant showings were in the south central part of the property near the coast. The "BB shot" showing, with scintillometer values up to 34,000 cps

(background < 200 cps), gave values up to 67,439 ppm (6.7 %) U_3O_8 in outcrop along the contact of a, weakly gneissic, fine-grained granite, and a pegmatite with associated magnetite and biotite. The "Bingo" showing, approximately 3 km from the BB shot, and also associated with the contact of the granite and orthogneiss, gave 17 anomalous values (>10 ppm U_3O_8) with a high value of 5,887 ppm U_3O_8, associated with uranophane staining. Three other anomalous areas were also defined: Area 1 - In the south-west, in uranium bearing pegmatites; Area anomalous uranium in soil values are coincident with airborne radiometric anomalies. The mineralized zones are narrow, to a maximum of 1-2 m wide, but generally 1 m or less. Uranium/thorium ratios averaged 5:1 in samples giving uranium values >250 ppm. Anomalous values in Th, Cu (to 2,720 ppm) and Pb (>5,000 ppm) were also found with the higher thorium values giving low uranium values. The property is considered lower priority for uranium due to the narrow width of the mineralized zones and the thorium association; however the Th association also increases the REE potential of the area.

Regional surveys show areas of uranium and REE potential which require further ground follow up. The property has been consolidated with the claims retained over the areas of highest potential in good standing for at least the next year or so. Renewal fees for the 5th year have been paid and the claims remain in good standing.

MOUNT BENEDICT (MB)

Property Description

The property has been reduced to 776 claims (194 km^2), located in the Benedict Mountains area, near the coast, approximately 180 kilometres northeast of Happy Valley-Goose Bay and 30 to 70 km to the south of Makkovik. The claims are 100% owned by Silver Spruce, subject to a one percent Net Smelter Return (NSR) to the optionee on 532 of the original claims, some of which have been dropped. It is located in part on Labrador Inuit Land (LIL), with the remaining part on Labrador Inuit Settlement Area (LISA) lands. The property covers government uranium in lake sediment anomalies hosted in felsic plutonic rocks of the Benedict Mountains Intrusive Suite, with some felsic supracrustal units of the Aillik Group, the host for the Michelin deposit located to the southwest of the property.

Exploration

Exploration has included: compilation, airborne radiometric/magnetics, prospecting, geological, geochemical, geophysical and radon gas surveys, stream sediment geochemistry, line cutting, environmental baseline and archeological studies, followed by diamond drilling. Two significant uranium prospects, the AT-649 and the T Super 7, have been located in the northern part of the property.

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

Diamond drilling in 2008 (1,262.9 m in nine holes - MBAT-08-1 to 9), which due to NG government requirements had to stay 50 m away from the brook, defined a zone of low grade uranium mineralization hosted in a sheared to mylonitic, brecciated and fractured, felsic intrusive, a monzonite to monzodiorite, which carries extensive chlorite and carbonate alteration plus magnetite and hematite with minor pyrite. It is located along the contact between a monzonitic unit of the Mount Benedict Intrusive Suite and

orthodioritic units of the Tran Labrador Granitoid Belt. The zone varies from 4 to 16 meters in width giving U_30_8 values of up to 598 ppm (1.2 lbs/ton) over one meter. Intersections include: 4.3 m of 0.025% (0.5 lbs/ton) U_30_8 in DDH MBAT-08-2, from 50.6 to 54.9 meters, at a vertical depth of 40 meters; MBAT-08-6 - 8 m at 0.021% (0.41 lbs/ton) U_30_8 from 88 to 96 m. Drill holes MBAT-08-1, 3, 5, 8 and 9 gave insignificant values. Drilling tested the zone, which appears to be shallow dipping to the southeast, along a strike length of 150 meters and to a vertical depth of 75 meters. Drill intersections are approximately 80% to 90% of the true width. The zone remains open along strike and to depth. The main mineralized zone in the brook has not been tested due to environmental regulations.

The **T Super 7 zone** is located 4.8 kilometres to the south-west of the AT-649 Zone. The 2008 drill program consisted of seven holes (MBS7-08-1 to 7) totaling 968 meters which tested high grade uranium mineralization in bedrock carrying values from 500 ppm to over 1.0% (20 lbs/ton) U_30_8. Weak mineralization over good widths was intersected as follows: MBS7-08-5 - 66 m in a northeast trending, mylonite zone carrying two separate mineralized zones: 27 m (5-32 m) at 138 ppm U_30_8 and 22 metres (44-66 m) at 278 ppm U_30_8, separated by a 12 meter wide, barren, mylonitized felsic unit. The zone is a highly altered (hematite/carbonate/chlorite, silicificied), mylonitized, sheared to brecciated, hematized felsic intrusive or volcanic unit. An eight meter wide, higher grade section, from 51 to 59 meters graded 444 ppm U_30_8. True thickness cannot be determined however geological mapping indicates a minimum strike length of 300 meters that remains open along strike to the northeast and southwest. Radon gas surveys give strong anomalies over a minimum 750 meter strike length coincident with the trend of the zone. The style of mineralization is similar to the AT-649 prospect and is developed along a major northeast trending structure which trends through, and is associated with, the AT-649 mineralization. Other drill holes also intersected mineralization over narrow widths. Hole MBS7-08-4, targeting specialized granites, intersected a three meter (14-17 m), sheared, biotite rich zone, that gave 520 ppm U_30_8. Hole MBS7-08-3 intersected minor uranium mineralization with a best intersection of one meter (44-45 m) of 316 ppm U_3O_8. Drill hole MBS7-08-6 intersected base metal mineralization at the top of the hole, collaring in a brecciated to sheared leucogranite with coarse disseminated galena, sphalerite, pyrite and purple fluorite before passing into a more biotite rich phase of granite at 4.5 meters down hole. No significant uranium mineralization was encountered in holes MBS7-08-1, 2, 6 or 7.

Anomalous **stream sediment** values carrying uranium, gold, molybdenum, lead, nickel, copper and zinc were located. The highest U anomaly, with values up to 397 ppm, is located in the northeastern part of the property, and is coincident with the AT 649 and T S7 showing areas, as a 5 to 6 kilometre, circular anomaly with elevated lead, molybdenum and silver values. Four circular coincident molybdenum, silver, copper, and locally lead anomalies, varying from 3 to 5 kilometres in diameter, also appear to be aligned at the intersection of northeast and northwest trending faults in the southeast part of the property. Strong pyrite-sericite alteration in a felsic unit with elevated Mo and Cu values, was located in the central part of the property suggesting that high level porphyries may be present. Gold (Au) values up to 47 ppb were clustered in the southwestern portion of the property. No follow up on the regional geochemistry has taken place.

TUKIALUK BAY (TB)

Property Description

The property totals 247 claims (62 km^2) in one block on LIL lands, along the Labrador coast in the Tukialuk Bay area, to the east of the Mount Benedict property and approximately 60 km to the south of Makkovik. They are contiguous with claims held by Mega Uranium.

Exploration

Strong uranium stream sediment geochemical anomalies, with most occurring in the central part of the claim group, coincide with anomalous lead (Pb), molybdenum (Mo), copper (Cu) and silver (Ag) values. The area is underlain by weakly foliated to massive medium to coarse grained, biotite rich, granites with accessory fluorite carrying weakly anomalous uranium values in the 100 ppm range with high thorium /

uranium ratios. Anomalous Th and La values also indicate REE potential which will be evaluated. The property has been consolidated to those areas showing the highest potential and it remains in good standing for the next year with no further work required.

JEANETTE BAY (JB)

Property Description
The property, totaling 60 claims (15 km^2), is located along the Labrador coast in the Jeanette Bay area, in LISA and LIL lands, to the east of Mount Benedict and approximately 85 km to the southeast of Makkovik. They are contiguous with claims held by Mega Uranium.

Exploration
Exploration included stream sediment sampling and prospecting. A strong, coincident, uranium-lead-molybdenum stream sediment geochemical anomaly, with U values up to 103 ppm, is found in the NW along the contact between mid Paleoproterozoic foliated granodiorites and Late Paleoproterozoic massive granites, similar to the geological setting at the AT-649 U zone on the MB property. Radioactivity was noted in outcrop, however no sampling was carried out. Other uranium anomalies (to 43 ppm) were located in the western section and several gold anomalies (to 33 ppb) occur on the eastern and central parts of the property. Anomalous radioactivity is noted in the northwestern portion of the property, coinciding with the anomalous U, Pb, and Mo stream sediment values. The property was reduced to 60 claims which can be retained for the next year.

Impairment
The property expenditures were written down by $41,164 at year end 2009. The remaining $3,600 has been written down during the three month period ended January 31, 2011, for accounting purposes.

LAKE MICHAEL (LM)

Property Description
The property, totaling 57 claims (1 km^2) is located, mainly in LISA lands, along the Labrador coast in the Lake Michael area, to the southeast of the Mount Benedict property and approximately 75 km to the SE of Makkovik.

Exploration
Exploration has consisted of stream sediment sampling and prospecting. A moderate strength, coincident uranium-molybdenum-copper stream sediment geochemical anomaly was defined in the south central part of the property, a flat area with extensive bog cover masking the underlying bedrock. It is underlain by Late Paleoproterozoic intrusive quartz monzonite and granodiorite, and early Mesoproterozoic gabbro and amphibolite. Moderate radioactivity is noted in the southwestern part of the property but it is non coincident with the U-Mo-Cu stream sediment values. No follow up has been carried out.
The property was reduced to retain claims showing the most potential for the next year.

Impairment
Property expenditures were written down by $33,946 at year end 2009. The remaining $3,420 has been written down during the three month period ended January 31, 2011, for accounting purposes.

LOBSTICK (LS)

Property Description and Summary of Work
The 1,062 claim (265 km2) property), located in the Churchill reservoir area of south central Labrador, was acquired by option and staking in October of 2009 after uranium mineralization was discovered by Innu prospectors Jean Pierre Ashini and Raphael Riche in the felsic volcanics/tuffs, during prospecting surveys supported by the company. The company carried out lake sediment surveys, airborne geophysical surveys

(magnetics, radiometrics and VLF-EM) and follow up prospecting over anomalous areas in 2010. Airborne radiometric anomalies with coincident anomalous lake sediment values were found to be coincident with boulder fields composed of intrusive rocks carrying 2 to 3 times background values in counts per second (cps). No significant mineralization, either uranium or REEs was located in outcrop or float.

Impairment
Given the results which did not indicate any significant potential on the property, the option was terminated and the property returned to the vendors with the costs of $254,856 written off as of October 31, 2010.

JV PROPERTIES (37% SSE / 63% CXX) - CENTRAL MINERAL BELT JV (CMBJV)

The CMBJV properties consist of 782claims (195.5km^2), after consolidation, in the Central Mineral Belt (CMB) of Labrador. The properties are proximal to the Michelin, Moran Lake and other uranium showings under exploration/development by Aurora (now Paladin) and Crosshair and are located, to the west of and inland from, the coastal Postville-Makkovik area of Labrador, approximately 150 kilometres northeast of Happy Valley-Goose Bay. The properties were acquired by staking in 2005/06 to cover Newfoundland and Labrador government uranium in lake sediment anomalies, hosted in volcanic, sedimentary and plutonic rocks, with potential for unconformity style deposits similar to those in the Athabasca Basin, iron oxide copper gold deposits such as Olympic Dam, shear hosted style uranium deposits such as the Michelin and granite hosted deposits such as the Rossing Mine in Namibia. Silver Spruce's original joint venture partner, Universal Uranium, earned a 60% interest in the CMBJV in March 2007 by spending $2 million under an option agreement signed in the spring of 2006. UUL sold its 60% interest to Crosshair Exploration and Mining in May 2008, for 10 M Crosshair shares plus $500,000, with UUL retaining a 2% NSR on the 60%. Crosshair has taken over the operatorship of the JV.

Exploration, from mid 2006 to early 2008, consisted of a helicopter-borne radiometric/magnetic survey, a limited airborne gravity survey over part of the CMBNW property, prospecting using scintillometers, lake sediment, soil and radon gas geochemistry, ground scintillometer surveys, geological mapping, and trenching and diamond drilling on the CMBNW property only. Seventeen high priority airborne radiometric anomalies were selected for follow up in late 2006. Ground follow up in late August to September 2006, located the Two Time zone on the CMBNW property, the only significant new uranium zone to be defined in the CMB since the Brinex days in the 1960's to 1980's.

Given the problems of the global financial crisis in 2008 / early 2009 and the resulting budgetary restraints the NG uranium moratorium and the price of uranium, only limited exploration, required to keep the properties in good standing, was carried out by Crosshair, as operator, in consultation with SSE, in 2009, aimed at consolidating, reducing and retaining those properties which showed the most potential. This continued in 2010 with a total of approximately $230,000 expended. SSE declined to participate in the 2010 program and was diluted according to the formula in the JV agreement. The company retains an approximate 37.4 % interest in the CMBJV at the end of 2010.

Work by JV operator, Crosshair, in 2009/ 2010 resulted in the discovery of three new uranium prospects on the CMB JL (2) and CMB NE (1) JV properties with values up to 0.46% , 0.28% and 0.1% U_3O_8 in selected grab samples from the three showings (News release Feb. 8/11).

Planned Exploration
The 2011 exploration program is planned to consist of prospecting/sampling, trenching and drilling on the three new prospects and the Two Time uranium deposit on the CMB-NW property which remains open along strike and to depth. The properties are discussed individually in the following sections.

Impairment Issues
Crosshair paid 10 M shares plus 7.5 M warrants plus $500,000 for Universal Uranium's 60 % interest in the CMB JV (worth approx. $ 6 M). This put a value, based on the stock and cash only, of SSE's portion of the JV properties at approximately $ 4 M. Consolidation (regrouping), reducing and abandonment of claims that show little promise, has been carried out by Crosshair in consultation with SSE. No write down in the value of the properties in the CMBJV, unless abandoned, is indicated at this time since the Two Time zone has significant intrinsic value and the other properties have exploration ongoing. The NG moratorium may be lifted in 2011 and it is likely that Paladin will move ahead with development of the Michelin/Jacques Lake project once it is lifted. Any infrastructure developments will improve the economics of further exploration and development for all properties in the CMB.

A number of properties have been reduced or dropped and the exploration expenditures on them will be either partially or fully written off. As of October 31, 2010 $304,182 has been written off. No write down was recorded for the three months ended January, 31, 2011, however impairment issues will continue to be examined quarterly and if required further write downs will be taken.

CMB Northwest (CMBNW)

Property Description
The CMBNW property, in the north-western portion of the CMB, now consists of 579 claims (145 km^2) acquired by staking in 2006. It is located almost entirely on lands covered by the Innu land claim, outside of the NG moratorium area, approximately 110 km to the west of Postville.

Exploration
Exploration consisted of compilation, airborne radiometric/magnetic and air gravity surveys, prospecting, line cutting, stream, lake sediment and soil geochemistry, geological mapping, and geophysical (RadonEx) surveys, trenching/stripping, diamond drilling and a resource calculation on the Two Time (TT) zone completed in April, 2008. Prospecting outside of the TT area located significant mineralization, uranium bearing hematite breccia zones, along a number of linear trends in the northeastern and southeastern portions of the property. Five samples with values > 0.5% U_3O_8 (10 lbs/ton) and 31 with values > 0.1% U_3O_8 (2 lbs/ton) were located associated with major east-northeast (ENE) or north-northwesterly (NNW) trending structures, the most significant of which is a 12 km long east-northeast trending suture which extends across the Snegamook property, approximately 2.5 km south of the TT zone, to an area of the highly anomalous lake sediment values. Another area, trending ENE and giving values up to 0.93% U_3O_8 (18.6 lbs/ton) in float boulders and 0.4% U_3O_8 (8 lbs/ton) in outcrop is located in the south eastern portion of the group.

Two Time Zone
The TT Zone was discovered during ground follow up of the regional radiometric survey in the fall of 2006, to the south of the Kanairiktok River as a 50 m long cliff outcrop which gave rock sample values up to 0.26 % U_3O_8. The zone was drilled in December 2006 with drilling continued through 2007 with the definition drilling program completed in December 2007. A total of 11,190.6 meters in 41 holes in three different phases, were completed. Forty of these holes (1-23 and 25-41), for a total of 10,922.6 meters, tested the TT Zone. Scott Wilson Roscoe Postle Associates (SWRPA) prepared a Mineral Resource estimate for the TT Zone using drill hole data available as of February 4, 2008. The drill hole database includes 40 diamond core holes (holes 1-23 and 25-41) totaling 10,928 metres, plus five surface trenches. The Mineral Resources are contained within eight zones, D101 though D108. At a cut-off grade of 0.03% U_3O_8, Indicated Mineral Resources are estimated to total 1.82 million tonnes grading 0.058% U_3O_8 containing **2.33 million pounds U_3O_8**. Inferred Mineral Resources are estimated to total 3.16 million tonnes grading 0.053% U_3O_8 containing **3.73 million pounds U_3O_8.** A set of cross sections and plan views were interpreted to construct three-dimensional wireframe models at a cut-off grade of 0.03% U_3O_8, and a minimum true thickness of four metres. These criteria reflect a potential underground bulk-mining scenario. High U_3O_8 grades were cut to 0.3% U_3O_8 prior to compositing to two metres. Variogram parameters were interpreted

from two-metre composited assay values. Block model U_3O_8 grades within the wireframe models were estimated by ordinary kriging. Classification into the Indicated and Inferred categories was guided by the drill hole density, interpreted variogram ranges, and the apparent continuity of the mineralized zones. See Table 1, following, for details. The full report is available on SEDAR as filed on June 13, 2008.

TABLE 1

INDICATED MINERAL RESOURCES

LENS	Tonnage (tonnes x 1,000)	Grade (% U_3O_8)	Contained Metal (lbs U_3O_8 x 1,000)
D103	1,010	0.070	1,560
D101	500	0.039	430
D102	310	0.049	340
TOTAL	1,820	0.058	2,330

INFERRED MINERAL RESOURCES

LENS	Tonnage (tonnes x 1,000)	Grade (% U_3O_8)	Contained Metal (lbs U_3O_8 x 1,000)
D103	1,090	0.062	1,480
D104	180	0.035	140
D105	1,160	0.049	1,240
D106	120	0.045	120
D107	120	0.041	110
D108	490	0.058	640
TOTAL	3,160	0.053	3,730

Notes:

1. CIM definitions were followed for mineral resources.
2. The cut-off grade of 0.03% U_3O_8 was estimated using a U_3O_8 price of US$65/lb and assumed operating costs.
3. Grade-shell wireframes at 0.03% U_3O_8 and a minimum true thickness of four metres were used to constrain the grade interpolation.
4. High U_3O_8 grades were cut to 0.3% prior to compositing to two-metre lengths.
5. Several blocks less than 0.03% U_3O_8 were included for continuity or to expand the lenses to the four metre minimum true thickness.

The zone has been traced over a strike length of approximately 475 metres, from 2+75 N to 2+00 S, remaining open to the north and south along strike and to depth. The host for the mineralization is an altered, brecciated and fractured intrusive, monzodiorite to diorite, with extensive chlorite, carbonate and hematite alteration. Best values included: DDH CMB-07-6 on Line 0+50 S, at a 50 degree dip, 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. Hole 19 which gave the widest zone of mineralization, 199 m of 0.026% U_3O_8, was stopped in mineralization due to mechanical difficulties.. The orientation of the mineralization appears to be near vertical to steeply dipping. Modelling of the drill data shows the zone has strike and depth continuity and it remains open along strike and to depth indicating that it should continue to the southwest, plunging at 30 to 50 degrees.

Impairment

The TT zone, which has defined resources, plus other, as yet, evaluated showings gives the property significant value, especially as uranium prices continue to rise. No write down of exploration costs is contemplated at this time however impairment issues will continue to be evaluated quarterly.

Planned Exploration
Crosshair is planning further exploration on the CMBNW property in 2011 with budgets to be determined in the 1st quarter of the year. No decision on funding by SSE has been made pending receipt of the budget proposal.

CMB East (CMBE)

Property Description
The CMBE JV property consists of 12 claims (3 km^2) after consolidation, located in the central – eastern portion of the CMB on LISA lands, 25-35 km to the southeast of Postville.

Exploration
Exploration consisted of an airborne radiometric/magnetic survey which showed one high priority target, and prospecting. Two significant mineralized areas were discovered: a subcrop of siliceous, hematitized, microgranite which gave 1.0% U_30_8 , from a single sample in an area of high scintillometer values and an outcrop of hematitized granite which gave 0.28 % U_30_8, 0.6 % Mo, and >100 ppm Ag. Exploration in 2009 included prospecting, geological mapping and lake sediment geochemistry. A value of 2.19% U_3O_8 was obtained in re-sampling of the strongly altered and mineralized granitic float discovered in 2007. The area is proximal to airborne magnetic features that may be associated with Fronteer's (now Paladin's) Jacques Lake deposit, located approximately 11 kilometres to the southwest.

Ground geochemistry and further prospecting / mapping over the uranium zones was carried out in 2010 however results were disappointing with no significant mineralization located.

Impairment
The property was dropped when it came due and all expenditures were written off as of October 31, 2010.

CMB Jacques lake (CMBJL)

Property Description
The property (165 claims - 41 km^2) lies in the central part of the CMB on LIL lands, 15 to 25 km to the south of Postville and to the west of the Jacques Lake property of Aurora/Fronteer (now Paladin).

Exploration
Exploration by SSE included: an airborne radiometric/magnetic survey which found four high priority targets, prospecting and a lake bottom survey which gave values from high background (30 ppm or less) to 217 ppm with two anomalous areas defined. Geological mapping, prospecting and sampling programs were carried out by JV operator Crosshair Exploration in 2009 and 2010 to evaluate targets generated by earlier airborne geophysical and ground geochemical surveys (News release Feb. 8/11). Two new U prospects, South Brook (SB) and Running Man (RM), were located. Forty-six (46) rock samples from the SB prospect, which is outlined by anomalous float and bedrock for approximately 3.5 kilometres (km), gave results ranging from 0.03% to 0.46% U_3O_8, averaging 0.11%. The RM prospect, located approximately 5.5 km southeast of the SB Showing, consists of a 2 km long, linear airborne radiometric anomaly. Twenty one (21) rock samples gave values from 0.03% to 0.28% U_3O_8.

Impairment
No write down in the value of the property is indicated at this time due to the recent results and the early stage exploration however impairment issues will continue to be examined quarterly.

Planned Exploration
Both the SB and RM targets require significant follow-up exploration. Exploration in 2011 is in the budget process by Crosshair. SSE participation will be determined after these budgets are presented and discussed.

CMB Northeast (CMBNE)

Property Description
The property consists of 38 claims (9.5 km^2) located in the central–eastern portion of the CMB on LISA lands.

Exploration
Exploration from 2006-2007 by SSE consisted of an airborne radiometric/magnetic survey and limited prospecting follow up. In 2009 and 2010, Crosshair carried out follow up prospecting and biogeochemistry surveys based on the radiometric survey results, resulting in the discovery of two new uranium showings: 1) Big Bear - hosted in altered granitic rocks with grab sample values from 0.02 to 0.10% $U_3O_{8,}$ averaging 0.06%, in a 1.25 kilometre long corridor of anomalous bedrock radioactivity near the contact of Aphebian-age, Aillik Group, felsic volcanic units and Helikian felsic intrusive; 2) JJ, located two kilometres to the west-southwest of Big Bear, magnetite-pyrite mineralization in felsic volcanic units that gave an assay of 0.127% U_3O_8 in one bedrock sample, associated with a cluster of airborne radiometric anomalies which occur at the intersection of interpreted faults, near the contact of Archean-age basement rocks and Aphebian-age felsic volcanic units of the Aillik Group.

Impairment
No write down in the value of the property is indicated at this time due to the recent results and the early stage exploration however impairment issues will continue to be examined quarterly.

Planned Exploration
Exploration in 2011 is in the budget process by Crosshair. SSE participation will be determined after the budgets are presented and discussed.

PROJECTS – GOLD/BASE METAL

The Company's property portfolio includes one precious metal project, Big Easy (BE) in eastern Newfoundland and one precious/base metal exploration project, the Rambler South, (RS) in north-eastern Newfoundland. These are 100 % owned, subject to option agreements as described in the summaries following.

Drill core from the RS property was sawed in half using a diamond saw with one half of the core retained and the other half sent for analyses. Standard QA/QC techniques are carried out. Analyses were carried out at either Eastern Analytical Laboratories in Springdale, NL, a recognized local laboratory, or Accurassay Laboratories in Thunder Bay, ON, after sample prep at their Gambo, NL preparation facility. Samples were analysed for gold by fire assay (1/2 assay tonne) using an atomic absorption finish plus either an ICP- 11 or ICP 30/31 technique for other elements. Elements above the detection limit of the ICP for Pb, Zn and Ag were re-analysed for "ore grade" values using an Atomic Absorption technique. In the drilling, duplicates were taken from the pulps every 20th sample with check and metallics assays on selected samples. The Brass Buckle samples were analyzed at Inspectorate Exploration and Mining Services in Vancouver, BC. for gold by fire assay and an ICP-31 technique for other elements including Te. The composite grab samples and the check samples from the Krissy trenching were analyzed at Eastern Analytical Laboratories. The metallics analysis were done by Accurassay laboratories of Gambo NL and Thunder Bay, ON.

RAMBLER SOUTH (RS) - OPTION TO EARN 100 %

Property Description
The property totals 101 claims (2,250 ha) and was optioned from Northeast Exploration Services, Krinor Resources Inc. and Peter Dimmell (PMD) (News release July 16, 2009). Terms of the option to earn a 100% interest subject to a 2.5% NSR, with a 1.0% buyback for $1.5 M, are: total payments of $95,000 ($45

K paid), issuance of 1.05M shares (650 K issued) and a work commitment of $500,000 by the end of the second year. In addition, a yearly advance royalty payment, deducted from future NSR payments, of $10,000 per year, is payable from the 4th anniversary on. The property is road accessible via the Gull Pond Resource Road which extends past the old Rambler mine site, cutting through the northern portion and extending to the southern part of the property along the Brass Buckle trend. PMD acquired the first claims in the Rambler South property by staking the Krissy Trend after the discovery of visible gold in the "Krissy" boulder while accompanied by his daughter Krista, during prospecting in 1992.

Exploration

Exploration in 2009 included: line cutting, soil geochemistry and prospecting on the Krissy trend grid, limited prospecting and sampling on the Brass Buckle zone and diamond drilling on the Krissy – trench 2 area (L22 E) and on the SB showing. The drilling, which took place from September 6 to 23, was designed to test the strong gold in till anomaly in the SB area and the Krissy, shear hosted, gold zone. A total of 542 m in 7 holes, 5 (RS-09-1 to 5) on the SB target and 2 (KT-09-1, 2) on the Krissy zone (L 22 E area), were completed. Exploration in 2010 included further diamond drilling on the SB gold zone in March and compilation/report writing, line cutting, soil geochemistry, prospecting, and geological mapping on the Krissy trend. Exploration on the Krissy trend evaluated VLF-EM anomalies (Fraser filter), which define the shear system and possible associated shears. Prospecting in the Line 24 E area located visible gold (VG) and a chip sample over 0.7 m at approximately 23+80 E which gave 12 g/t Au and values up to 25.3 g/t Au in a grab sample on L 24 E. Prospecting in the Line 16 to 17 E area located the shear system which carries recrystallized quartz veins, similar to the Krissy and AD boulders to the north (up ice) of the VG bearing boulders (see news release dated July 29, 2010), however only weak gold values were associated. Limited prospecting and sampling primarily for Te mineralization along the Brass Buckle trend was also carried out.

All gold mineralized zones, from north to south, the **Krissy**, **SB** and **Brass Buckle**, are structurally related. Gold mineralization at the **Krissy** and **Brass Buckle** zones, both of which have visible gold, is associated with sulphide rich quartz veins emplaced along shear zones and related to the intrusion of linear quartz porphyry bodies. Values vary from background (100 ppb or less) to 12.5 g/t / 1.5 m - Krissy channel and 65 g/t over 1 m (including 280 g/t over 0.25 m) – Brass Buckle - DDH. The host rocks are the Pacquet Harbour Group (PHG), mainly mafic volcanic units, the host for the gold rich Rambler deposits located to the north, which are cut by intrusive units – the Burlington Granodiorite to the west and a number of quartz porphyry dikes thought to be related to the Cape Brule Porphyry, to the east.

The **SB** gold in till anomaly is related to shearing along the southern contact of the northeasterly trending "tongue" of Burlington Granodiorite (BG) that cuts the PHG to the northeast of Gull Pond. Four till exploration programs from 1989 to 2007, defined a gold in till anomaly, with gold grain counts up to 200 grains and background values < 10 grains with many at 0 grains, 3.5 km long and up to 1.5 km wide to the southeast of the "tongue". The source area, which was defined in 2007 gives gold grain counts up to 1360 grains with 96 % pristine, and lies along the south side of the "tongue" and is related to a chlorite/biotite altered shear zone, with quartz breccia, in the mafic volcanic units of the PHG. The gold in the tills is very fine (generally 20-30 micron) free gold with a strong chlorite association. The mineralized zones are described further below.

Krissy Zone

Gold mineralization, including visible gold, at the Krissy zone, is associated with sulphide rich quartz veins emplaced along a shear zone, up to 5+ m wide, related to the intrusion of linear quartz porphyry bodies. Significant values include: 12.5 g/T / 1.5 m in a channel sample in the trench 95-2 area near L 22 E, and 9.96 g/T over 0.51 m in drill hole KT-09-1 also near L 22 E. The Krissy boulder, an approximate 200 kg boulder of recrystallized quartz with pyrite and visible gold in an altered/sheared sericitic volcanic / porphyry unit, located on L 17 E, and the AD boulder which also carries visible gold and is located 25 m to the north of the Krissy boulder, are approximately 500 m to the west of the Trench 2 area and across the ice

direction. Two drill holes on L 17 E, drilled in the 1990s, are located to the south of the recently defined Krissy shear and the shear zone has not been tested by drilling up ice of the VG bearing boulders.
Two short holes (KT-08-1,2), approximately 20 m apart, totaling 85 m in 2009, tested the Krissy zone in the vicinity of Trench 2 on L 22 E. Both intersected the Krissy shear, carrying gold mineralization in foliated / sheared quartz porphyry and hornfelsed mafic volcanics of the PHG and both carry recrystallized quartz veins with associated pyrite, chalcopyrite and minor galena over widths of a few metres. One speck of visible gold (approximately 1 mm), was noted in Hole KT-09-1, associated with the quartz veining and strong pyrite mineralization. Significant values from this area include: 12.5 g/t /1.5 m in a channel sample in the trench 2 area near L 22 E, and 4.23 g/t over 1.4 m, including 9.96 g/T over 0.51 m, in DDH KT-09-1. Significant assays from the 2009 drilling are given in the table following.

Significant Assay values
Krissy Zone – DDHs KT-09-1, 2

Hole #	From (m)	To (m)	Length (m)	Au (g/t)	Ag (g/t)	Cu (%)	Zn (%)
KT-09-1	7.45	9.1	1.65	2.75	3.3	0.2	nsv
incl.	8.37	8.88	0.51	6.85	8.0	0.47	nsv
KT-09-2	10.75	13.95	3.2	0.45	0.6	0.05	nsv
incl.	10.75	11.0	0.25	1.99	0.7	0.04	nsv
and	23.76	24.9	1.14	0.39	0.5	0.03	nsv
incl	24.4	24.68	0.28	1.03	0.5	0.02	nsv

Note: ND – non detect; NSV – no significant values; Ag - 0.5 g/t is detection limit;

A soil geochemical survey in the fall of 2009 targeted the Krissy shear and parallel structures as defined by VLF-EM. Gold in soil anomalies were confined to the Krissy shear zone, over an 800 m strike length, from 17 E, 1+12.5 N, up ice from the, visible gold bearing, Krissy boulder, to 25 E, 2+75 N. Background is < 5 ppb Au and anomalous gold values were from 16 to 193 ppb Au, with the two highest values, 125 and 193 ppb on Lines 24 and 25 E respectively, in an area that had received no exploration follow up and which remains open to the east. The highest value in the vicinity of the Trench 2 area, site of the 2009 drilling, was 74 ppb on L 21 E. Copper background values were < 10 ppm and good coincidence of copper with gold was noted on the Krissy shear, with the Trench 2 area (22 E) giving values of 117 and 129 ppm, 21 E - 90 ppm and 25 E - 202 ppm Cu. Anomalous copper values were also located along a linear VLF-EM anomaly to the north of the Krissy shear, extending over 1 kilometre strike length from 12 to 22 E, with a number of values > 50 ppm and highest values, 241 ppm on 17 E, 175 ppm on 20 E and 124 ppm on 22 E. No significant gold values were associated. This area has never been prospected or otherwise evaluated and the source remains unexplained.

Prospecting along the Krissy trend in 2010, located visible gold and values to 25.3 g/T Au from two separate sub outcrop samples in the L 24 E area, where the shear zone is at least 10 m wide, and a new boulder with visible gold, which gave an assay value of 1.68 g/T Au, located approximately 25 m to the north of the Krissy boulder, on L 17 E. Recrystallized quartz veins in mafic volcanics, giving values of up to 259 ppb Au with elevated copper values in the 300-500 ppm range, were located in the line 17 E area to the north of the Krissy boulder and behind the only drill hole which tested the area in 1995. Recrystallized quartz veins and associated sericite schists, along the Krissy trend, gave values from 5 ppb (non detect) to 25.3 g/T with 6 samples giving values > 1 g/T and 9 giving values > 100 ppb Au (News release July 29, 2010). The Krissy boulder, an approximate 500 lb boulder composed of recrystallized quartz vein with pyrite and visible gold in an altered/sheared sericitic volcanic unit, located on L 17 E, 500 m to the west of the Trench 2 area and across the ice direction, has never been sourced.

Eleven stream sediment samples were taken in conjunction with prospecting along the brook that drains into Big Rambler Pond at its southwest tip, A strong VLF-EM anomaly is located along the western end of the

grid on L 18 W to 3 E. The only significant bedrock exposure was a slightly sericitized mafic volcanic near L 15 E. No significant values were located.

A trenching program consisting of 5 trenches and a number of pits, was carried out in the Lines 23-24 E and L 16-17 E areas in September 2010 over a strike length of approximately 800 m. The Krissy shear was exposed in all trenches over a 800 m strike length with the zone remaining open to both the east and west along strike. The Krissy shear averages 4 to 5 m wide and carries variable recrystallized quartz veining comprising 5% to 20% of the zone. Host rocks are mafic volcanics intruded by quartz porphyries, both of which are highly sheared. The porphyry unit(s) become less prominent to the west, where the shear zone is bounded to the north by a massive gabbro unit. Trenches were also attempted on lines 19, 20 and 25 E however boggy ground and deep overburden prevented the exposure of outcrop.

Visible gold was noted in the eastern most portion of Trench 1 (L 24 E area), further to the east from where found in the prospecting.

Channels samples were taken at approximate 5 m intervals and varied from 0.35 to 6.8 m in length with individual samples from 0.1 to 1.6 m in length for a total of 107 samples. The shear zone was exposed in all trenches as a sericite schist with foliated / sheared mafic volcanics, in contact with quartz porphyry, carrying variable amounts of recrystallized quartz veins with associated pyrite, copper (chalcopyrite, chalcocite, bornite) and lead (galena) mineralization (news releases Oct. 14 and July 29, 2010).. Quartz porphyry content diminishes to the west where the foliated units are mostly chlorite schists with minor, narrow, recrystallized quartz veins with minor scattered sulphides, pyrite and chalcopyrite, and magnetite and the northern contact of the shear zone is a massive gabbro unit. The shear system is boudinaged throughout with “pinch and swell” structures along the trend, giving “pods” of more intensive alteration, quartz veining and mineralization separated by areas with little alteration, veining or mineralization. Significant gold values, with visible gold noted, were located in the eastern area from 23+43 to 24+30 E in trenches 1 to 3, over a strike length of 90 m, although the shear system continues to both the east and west. Previous work located significant gold mineralization in the L 22 E area with values up to 12.5 g/T over 1.5 m in channels and 9.96 g/T over 0.5 m in drilling. A gold-in-soil value of 193 ppb on L 25 E indicates that the system continues to the east however trenching was unsuccessful in exposing bedrock since overburden was too deep (> 3 m) and water inflows were heavy. The shear system dips to the north at approximately 70-80 degrees and minor fold structures, in trench 1, indicate a near vertical plunge for the “pods” of mineralization. Significant gold values are summarized in the table following.

In the western area, 600-700 m to the west, trenches 4 and 5 exposed the shear zone on 17 E and 16+50 E respectively. The shear has a width of approximately 4-5 m, and carries narrow recrystallized quartz veins mainly on the north side (hanging wall) adjacent to the massive gabbro. Only weakly anomalous gold values were encountered with the highest values in trench 4 – 91 ppb Au over 0.2 m in a quartz vein and 72 ppb Au over 1 m in mixed chlorite schist and quartz veining. Dip is to the north at approximately 70-80 degrees and small fold structures indicate a steep plunge of 70-80 degrees to the east. These trenches lie up ice of the Krissy and AD boulders, both of which carry VG associated with sulphides in recrystallized quartz veins and host sericite schists. The source for these boulders, which would be expected to lie along this shear zone given the results to the east, remains unknown.

Six selected composite grab samples were taken from the trenches on the Krissy trend (T1 A,B; T1C;T3C;T4C;T5C). They were all recrystallized quartz vein material varying from sulphide (pyrite, chalcopyrite and chalcocite/bornite, galena) rich to minor sulphide to no visible sulphides. The highest gold value, 65.8 g/T was found in sample T1A which had approximately 40 % pyrite in the quartz veining, with 0.91 % Cu and 28.4 g/T Ag associated. Sample T1B, which had approximately 10 % pyrite and some galena gave 13.4 g/T Au, 0.42 % Pb and 10.4 g/T Ag. Sample T1C which carried only minor pyrite (2-3 %) gave 7.8 g/T and 2.9 g/T Au on duplicate samples with elevated copper in the 700 ppm range and Ag at 11.9 g/T in the original sample. Samples T3C and T4C gave insignificant results for gold and other

elements while T5C, with quartz veining and some associated magnetite, gave 363 ppb Au with insignificant values in other elements.

Duplicate analysis of 5 pulps from the channel samples from every 20th sample showed good order of magnitude correlation with duplicate values both higher and lower than the original values. One sample (42386) gave the most deviation, 746 ppb in the original and 112 ppb in the duplicate. This one variance in values in the check samples is not considered to be significant given that visible gold (VG) is known in the system. The sampling, although limited in scope, appears to indicate that gold is associated with pyrite, and copper and lead mineralization, although free gold is also present in the system as shown by the variable results in some of the duplicate samples.

Metallics assays were carried out on 13 selected rejects (coarsely crushed material) from the channel samples from the Krissy trenching, which varied from low to high values, as a check on the original results to evaluate the gold nugget affect. Results showed reasonable correlation with the original values with some higher and some lower. No significant nugget affect was demonstrated.

SB GOLD IN TILL ANOMALY

In September, 2009, drill holes RS-09-1 to 5, totaling 457 m, tested the presumed source area for the gold in till anomaly with four holes drilled at approximate 50 m intervals over a 150 m strike length and 1 hole, # 5, under Hole # 1 (News Releases Sept. 30 and Oct. 22, 2009). Gold values of 5.9 g/t over 0.8 metres in RS-09-1 and 1.3 g/t over 17.5 m in RS-09-3 are hosted in a quartz breccia, with recrystallized quartz fragments, cemented by fine grained chlorite/biotite which carries disseminated pyrite and minor chalcopyrite and 2.3 g/t over 1.85 m in RS-09-04 associated with the chloritized mafic volcanic units.

A follow up drill program, totaling 889 m in 11 holes (RSSB-10-6 to 16), designed to further test the near surface extent of the SB gold zone, was carried out in March 2010. Drill holes RSSB-10-6 to 13 tested a 160 m strike length at approximately 20 to 30 m intervals, with holes RSSB-13 to 15 drilled under holes RSSB-10-6, 7 and 12. DDH RSSB-10-16 was drilled perpendicular to the assumed trend of the SB zone to test a possible fault structure offsetting the north-northeast trending Burlington Granodiorite (BG) contact. All holes intersected variably chloritized, pillowed to hyaloclastic, mafic volcanics of the Pacquet Harbour Group (PHG) along the contact with the BG. Shearing is variable however the contact zone between the PHG and the BG is strongly sheared with some gouge noted. Shearing (foliation) extends a maximum of a few metres into the BG. The widest gold intersection was 3.5 g/t over 3 m including a high value of 6.5 g/t over 1.5 m, in RSSB-10-13 (News Release April 27, 2010). Other significant intersections include: 2.7 g/t Au over 1.5 m in RSSB-10-7 and 1.1 g/t over 1.5 m in RSSB-16. Unlike the 2009 drilling, no chlorite/biotite/quartz breccia was intersected, with the mineralization hosted in chloritized mafic volcanic units. Weak gold values in the 100 to 300 ppb range over up to 1.5 m were noted in the chloritized volcanics in other drill holes. No significant gold values were noted in the BG. Silver with minor copper mineralization, grading 149.6 g/t Ag and 0.05% copper over 1.5 m from 45.5 to 47 m, was located in a quartz vein in RSSB-10-11 however the silver results are considered to be suspect as the drill bit was damaged in this area and silver solder is used in the drill bits. Only background values in Au and Zn were noted. This zone if real is considered to be separate from the SB gold zone.

The SB gold zone has been traced over a 125 m strike length with erratic gold values. It is assumed that the source area for the gold in till anomaly is a shear zone along the BG contact however, given the results of the drilling, it is possible that the source lies either in a shear zone within the BG body, in crosscutting shears which offset the BG and extend into the mafic volcanic of the PHG or in the mafic volcanic units but dipping to the west into the BG.

Significant Assay Values - Krissy Trend Channel samples - 2010

Trench #	Location	Length	Au	Ag	Pb	Cu
		m	g/t	g/t	ppm	ppm
T1	24+25 E	0.3	8.94	2.1	210	341
T1	24+20 E	0.6	17.12	21.2	14303	2313
incl.		0.25	38.49	29.1	19900	2964
T1	24+14 E	0.7	5.73	0.5	85	134
incl.		0.5	7.51	0.5	86	141
T1	24+10 E	3.9	5.73	1.66	263	227
incl.	“	3.1	7.3	1.95	330	335
incl.		1.9	9.88	1.62	301	149
T1	24+05 E	2.5	4.41	3.16	227	416
incl.		0.5	14.44	8.05	612	409
T1	24 E	4.6	5.2	1.6	45	522
incl.		2.0	10.29	3.15	37	942
incl.		1.1	15.81	4.5	44	1176
T1	23+94 E	2.9	3.5	3.48	193	160
incl.		2.1	4.5	4.44	258	157
incl.		0.4	5.47	17.3	1276	418
and incl.		1.1	6.59	1.92	20	99
incl.		0.5	12.86	3.5	27	113
T1	23+89 E	3.2	2.98	1.69	27	236
incl.		1.8	4.73	2.73	15	186
incl.		0.9	7.66	4.8	9	228
T1	23+84 E	0.5	3.69	2.14	53	585
T1	23+80 E	0.3	5.59	12.8	753	1082
incl.		0.1	8.55	31.8	365	1477
T2	23+55 E	0.3	11.55	10.7	372	245
T3	23+43 E	0.5	2.94	0.5	14	66

Note: ND - non detect; NSV - no significant values; Ag - 0.5 g/t is detection limit; lengths reported are approximately 80-90 % true widths

Brass Buckle
The Brass Buckle zone was discovered during prospecting / geological mapping by Corona Corporation in the late 1980's. Drilling has tested the Brass Buckle zone (13 holes) with significant but narrow gold intersections, up to 65 g/t over 1 m (incl. 280 g/t / 0.25 m) noted. Due diligence work by SSE personnel in 2009 noted visible gold in both the Brass Buckle and Brass Buckle South zones. Two selected grab samples and three channel samples over an approximate 10 m strike length, were taken from the surface exposure of the Brass Buckle quartz-pyrite vein, along the contact between a quartz porphyry unit and mafic volcanics of the Pacquet Harbour Group. The channel cuts, taken at 5 m intervals varied from 0.5 to 0.7 m long. Samples were analyzed for gold (Au), tellurium (Te) and 30 other elements. The two grab samples taken approximately 5 m apart assayed 573.3 g/T Au, 60 g/T Te , 23.6 g/T Ag and 84.3 g/T Au, ND for Te, 73.2 g/T Ag. The three channel samples gave values of 25.3, 248.9 and 189.1 g/T Au, 94, 45 and 17 g/T Te and 31.7, 15 and 2.1 g/T Ag respectively. Bismuth (Bi) was elevated with values from < 100 to 598 ppm indicating that the Te may be associated with the gold as a bismuth telluride.

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

Planned Exploration
A diamond drilling program to test the mineralized shear system mainly in the Line 24/25 E area is planned for the late winter / early spring of 2011 prior to the anniversary of the option agreement. The exploration will be funded out of existing flow through funds.

BIG EASY (BE) - OPTION TO EARN 100 %

Property Description
The 121 claim (30 km^2) property, located near Thorburn Lake in east-central Newfoundland, was optioned from prospectors Alex Turpin and Colin Kendall (News Release April 27, 2010). The option agreement, to earn a 100% interest subject to a 3% NSR with a 1.5% buyback for $1.5M, is: $20,000 plus 350,000 shares on signing (paid); 1st anniversary – $30,000 plus 400,000 shares; 2nd anniversary - $30,000 plus 500,000 shares; 3rd anniversary - $30,000 plus 350,000 shares. A yearly, advance royalty payment, deducted from future NSR payments, of $20,000 per year, is also payable from the 4th anniversary on.

Exploration
The altered / mineralized zone was found in the mid 1990's during follow up of an anomalous lake sediment value of 10 ppb Au in Henry's Pond and has been staked and worked periodically since that time. Historic work has given grab sample values up to 196 ppb gold and unexplained soil sample values up to 370 ppb Au. In 2008 Cornerstone carried out three days of exploration including rock sampling and Terraspec analysis. Values up to 403 ppb Au and 4.6 ppm Ag in rock samples were located and muscovite, chlorite and opal were identified, indicating an argillic to sub-prophyllitic alteration setting. Further exploration was recommended however the option was terminated when priorities changed in the company.

Thirty Seven (37) rock samples taken by the vendors, most from angular boulders or rubbly outcrop are intensely silicified, are argillicly altered and carry finely disseminated sulphides (mainly pyrite). The silicified sandstone and conglomerates are locally vuggy, and carry banded cherty to chalcedonic quartz. The mean and high values for the samples are: Au - 248 ppb with a high value of 997 ppb (1 g/t Au); Ag - 9.9 ppm with a high value of 145 ppm (145 g/t Ag). Fifteen (15) of the 37 samples gave values > 100 ppb including three (3) > 900 ppb Au. In silver (Ag), ten (10) samples gave > 10 ppm with five (5) > 20 ppm (20 g/t Ag). These results show that the extensive alteration zone consistently hosts anomalous gold and silver values with the highest Ag grades located to the north of Bottle Pond and Henry's Pond in the north central part of the property. Gold values were highest near the north end of Henry's Pond and near the northern extent of the alteration zone.

Property evaluations in early 2010, included fourteen (14) due diligence samples taken during the evaluation of the alteration zone and associated mineralization. All samples were subcrop to angular float of silicified sandstone and conglomerate that contained finely disseminated pyrite. All samples were anomalous in gold, with values up to 118 ppb and most were anomalous in silver with values up to 14 ppm and arsenic (up to 303 ppm). A train of angular boulders/rubbly outcrop has been traced over a strike length of 1.7 km and widths of 200–500 metres. The north and south extensions of the zone are lost under thick till cover.

The property is underlain by variably altered, Precambrian age, Musgravetown Group sandstones and conglomerates and lies in a favorable geological setting similar to other alteration zones on the Burin and Avalon Peninsulas, where numerous occurrences of epithermal style alteration, some carrying gold mineralization, such as Hickey's Pond and the Stewart, are documented. The results to date indicate that the property has the potential to host a low to intermediate sulphidation gold/silver epithermal deposit.

In 2010, SSE carried out a trenching/pitting program from July 12 – July 20, targeting an area where prospecting had located an extensive area of Au/Ag anomalous angular boulders of silicified conglomerate. Seven (7) trenches, ranging from 20 to 60 meters in length, were excavated along a 700 meter strike length and the trenches were washed, mapped and channel sampled across the trend of the mineralization, as defined by the mapping when bedrock was exposed. A total of 121 samples were taken over lengths varying from 0.5 to 2 meters. Overburden varies from less than 1 meter to greater than 6 meters. The first two trenches, both 45 to 60 meters long, failed to reach bedrock due to extensive till cover. Five trenches (#'s 3 to 7), all 10 to 50 meters in length, exposed a zone 700 m long by 75 m wide of epithermal style alteration consisting of intense silicification and pyritization, with some clay alteration (kaolinite ?). Bedrock in trenches 3, 4, 6 and 7 consists of intensely sheared to brecciated, silicified and pyritized conglomerate/sandstone, cut by banded quartz veins which range from a few millimeters to 20 centimeters. Pyrite is ubiquitous through the zone occurring as disseminated grains, blebs and micro stringers, ranging from 2% to 25% and averaging 5%. Bedrock in Trench 5 is white to grey, cherty to chalcedonic, quartz, over 4 m wide, which carries minor disseminated pyrite and is cut by a 1.5 m white quartz vein. Analyses confirm the zone is anomalous in precious metals and some indicator elements (News Release Aug. 26, 2010). Gold (Au) values range from 30 to 2083 ppb with a mean value of 71.7 ppb. The highest gold value, 2.08 g/T over 0.7 m, is in silicified sediments cut by a 1.5 m quartz vein in Trench 5. Silver (Ag) values range from 1.9 to 13.4 ppm with a mean value of 3.55 ppm. Arsenic (As) values range from 50 to 860 ppm with a mean value of 130.2 ppm. Molybdenum (Mo) values range from 7 to 262 ppm with a mean value of 28.4 ppm. Anomalous aluminum, bismuth, and potassium values are also noted in the altered zone. Five rock samples acquired outside the altered area gave values < 10 ppb gold.

The mean values for the anomalous channel samples are listed below.

Au ppb	**Ag** ppm	**Al** %	**As** ppm	**Bi** ppm	**K** %	**Mo** ppm
71.71	3.55	6.45	130.20	4.48	1.74	28.44

Prospecting located highly altered (silicified) conglomerate units 150 meters to the south of trench 6 (the southernmost trench) however the boggy terrain makes trenching impossible in this area. Large angular, altered (silicified) boulders, similar to bedrock uncovered in the trenching, have been located up to 1 kilometre to the north of the trenched area. Additional follow up is planned for this area.

Grid cutting and an IP/Resistivity survey to determine the margins and orientation of the zone, and to indicate areas of higher potential was carried out in late September and early October, 2010.

The time domain IP survey covered 7 lines (173 to 189 N) spaced mostly 200 m apart for a total of 8.9 line kilometres using a dipole-dipole array and an electrode spacing of 75 m to n=6. It covered the altered

(silicified)/mineralized area, defined by prospecting and trenching surveys carried out in the summer (see News Releases dated October 14, August 6 and July 29, 2010), which extends in a north-northwesterly direction, over an area of > 1 km by 300 to 500 m wide, narrowing to the north and south. Ponds in the central portion of the grid made it impossible to survey in these areas. Results were interpreted by Gerard Lambert, a geophysical consultant with excellent knowledge of IP surveying. His conclusions are: 1) Results indicate nine shallow (i.e., 25 m depth or so) anomalous IP features, all of which are of the "non-conductive" type, indicating disseminated to stringer sulphides, which extend through the altered / mineralized area, in a north to north-northeast direction and 2) The IP anomalies appear to be grouped to form two linear trends, one of which falls along the corridor of silicification in the central portion of the grid which appear to show potential for outlining a significant pyritized zone.

Further geological evaluation of the altered / mineralized zone indicates that the epithermal style, banded quartz veins that crosscut the bedding are found in the central and northern part while the more sinter-like banded zones, which appear to parallel bedding, occur exclusively in the southern portion of the zone. Some quartz breccias, where the banded, sinter-like veins are broken up, occur in the southernmost portion of the zone. Dr. Greg Arehart, the Head of the Department of Geological Sciences and Engineering at the University of Nevada in Reno, and a recognized expert in epithermal and Carlin-type gold deposits, visited the property in October in company with the VP Exploration. He has also been provided with data from the exploration to date. He comments: *"Given the limitations of the exposure, the geology is clearly permissive of an epithermal system of significant size (>700 m of known strike length), and the geochemical signature is also consistent with epithermal mineralization. Some of the exposures appear to be near-surface sinter deposits, suggesting that we are seeing the top of the system. Additional geologic, geochemical, and geophysical work is needed to more clearly outline and understand this system"*.

Impairment
No impairment is indicated for the property as it is newly acquired and has demonstrated significant potential based on the early stage exploration, however impairment issues will continue to be tested and the property will be written down or off if circumstances require it.

Planned Exploration
A diamond drilling program to test the alteration system and the IP chargeability/resistivity anomalies is planned for late winter / early spring of 2011 prior to the anniversary of the option agreement. The exploration will be funded out of existing flow through funds.

OTHER PROPERTIES / PROJECTS

The Company continues to evaluate properties and opportunities under a "general exploration" budget. These projects/properties/opportunities include various commodities in various parts of the world, mainly Newfoundland and Labrador, generally where the Company already has assets. Other projects may be generated from this work and information will be released as they are acquired. An example of the projects generated includes the Napes Ashini grubstake arrangement with an Innu Prospector, Napes Ashini and his associates. The Company provides transportation, other logistical support and geological expertise to this group, led by Napes, who is using historical knowledge gained from his ancestors to evaluate prospective sites throughout their traditional areas. This project, which has had some success in generating areas of interest (ie Lobstick U and MRT REE/U properties) will be continued, albeit at a lower level, in 2011.

General exploration costs are expensed as spent unless they result in the acquisition of a property when they are then capitalized against the property.

MANAGEMENT

Lloyd Hillier - President & CEO, Director, Chairman
Mr. Hillier is the owner and operator of Hillier's Trades Limited which provides hardware and supplies to communities in Labrador. They also own and operate tractors and trailers, a construction division and apartments in Goose Bay. Mr. Hillier has been a director of Silver Spruce since inception in May 1996.

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

Peter Dimmell, BSc, P.Geo. - VP Exploration, Director
Mr. Dimmell is a geologist and prospector who has been involved in mineral exploration in Canada, the United States and overseas for 42 years. He is a past president and a life member of the Prospectors and Developers Association of Canada, and is a past Chairman and a director of the Newfoundland and Labrador Chamber of Mineral Resources, a member and past councillor of the Geological Association of Canada, a life member of the Canadian Institute of Mining, Metallurgy and Petroleum, and an associate member of the Association of Applied Geochemists. He is also currently a director of three other public companies: Pele Mountain Resources Inc, VVC Exploration Corp. and Atocha Resources Inc.

LIQUIDITY, FINANCINGS AND CAPITAL RESOURCES

Operating Activities
The Company had a net cash outflow from operating activities of $467,815 for the three months ended January 31, 2011 (January 31, 2010 - $148,813).

Financing Activities
The Company had a net inflow of $3,328,896 the three months ended January 31, 2011, generated by $3,490,753 (January 31, 2010 - $1,015,000) in gross proceeds from issuance and exercise of shares, warrants and options. This was offset in part by share issuance costs of $159,616 (January 31, 2010 - $89,010).

Investing Activities
The Company had a net outflow of $168,586 from investing activities for the three months ending January 31, 2011 (January 31, 2010 - $104,101). Of this amount in the current year $148,794 was invested in mineral property exploration activities (January 31, 2010 - $58,301).

Liquidity
The Company had cash and cash equivalents of $2,908,782 as at January 31, 2011 (January 31, 2010 - $699,113). The change in non-cash operating working capital as at January 31, 2011 was a cash outflow of $247,830 (January 31, 2010 - $3,872). The exploration budget for 2011 is $1,500,000. $100,000 has been allocated for Rambler South, $200,000 for Big Easy, $1,000,000 for the Popes Hill with Popes Hill JV, and the remainder of $200,000 for the other uranium and REE projects and general exploration. This activity will be funded from the existing flow through funds which were raised in December, 2010. Working capital is sufficient to support the planned exploration expenditures and to allow the Company to maintain its operations and properties for at least the next year.

Capital Resources
The Company's authorized capital consists of an unlimited number of common and preference shares without par value. At January 31, 2011, the Company had 106,065,305 issued and outstanding common shares (January 31, 2010 - 68,606,775).

RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities as at January 31, 2011 is $24,67 (October 31, 2010 - $127,705) owing to directors of the Company for consulting related services rendered. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

During the three month period ended January 31, 2011, 2,000,000 stock options were granted to directors, officers and employees of the Company (January 31, 2010 – Nil).

Rent and certain building materials required by the Company for its operations are purchased from a hardware store controlled by an officer and director of the Company. During periods of exploration management and employees of the Company stay at a hotel controlled by an officer and director of the Company. During the three month period ended January 31, 2011, $9 (January 31, 2010 - $302) was paid to the hardware store and $24,639 (January 31, 2010 - $9,337) was paid to the hotel and included in mineral properties on the balance sheet.

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

COMMITMENTS

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

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

	Cash	Shares
2011	330,000	800,000
2012	30,000	500,000
2013	30,000	350,000

The Company leases its head office in Bridgewater under an operating lease. Future lease payments aggregate $18,150 and include the following amounts payable over the next three years:

	$
2011	7,425
2012	9,900
2013	825
	18,150

FINANCIAL INSTRUMENTS

Fair Value

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

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

RISKS AND UNCERTAINITIES

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

Recent acquisitions in Labrador - Popes Hill and the MRT property, and on the island of Newfoundland, Rambler South and Big Easy, are road accessible keeping exploration costs relatively low. Plans are to move forward on these projects using flow through funds acquired in 2010 and available matching government funding where available and as required.

CURRENT MARKET CONDITIONS

The Company's main focus until recently has been uranium. Demand for uranium is forecast to outstrip supply over the next 10 years or so growing at an annual rate of approximately 2 % per year. Much of this demand will come from expanding nuclear power requirements of developing economies with 130 new reactors expected to be constructed over the next 15 years (IAEA report), representing a 30 percent global increase in reactors. China has announced plans to build 27 new nuclear reactors by 2020, and India has announced plans to build 17 new nuclear reactors by 2012. This rate of expansion compares with the USA, which built over 100 nuclear power plants in 15 years between 1965 and 1980 (IAEA). Uranium supply is constrained by a lack of new mine production and declining world inventories. World requirement of uranium oxide (U_3O_8) is about 77 kilotons per annum (ktpa), while current mine production accounts for 48ktpa. The balance, 29ktpa, comes from inventory - primarily the down-blending of weapons grade uranium which has greatly diminished over the past years. Mine output is expected to increase to 54 ktpa over the next three to five years, leaving a significant supply gap to be filled by new production (IAEA). Cameco's 2005 annual report estimated that uranium fuel consumption will reach 217 ktpa by 2015. The long term outlook remains positive for uranium, which is currently trading at around US$65/lb on the term market with spot prices firming up recently to over $70/lb although affected recently by the problems with Japan's nuclear power plants. Market pressures remain strong for the long term and the sentiment is that the long term uranium price should increase over the next few years.

The main areas of uranium potential defined by regional work, and some drilling, over the past few years will be maintained for the next year or so without requiring significant exploration expenditures. This will allow the Company to maintain its properties until the end of the Nunatsiavut Government moratorium which will hopefully be at the end of September, 2011.

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

The fundamentals for REE's and gold/silver are strong and it is for this reason that the Company is emphasizing these commodities. The demand for REEs and other commodities is expected to continue to

rise as the global economy expands. The Company's REE and gold/silver/base metal/projects are mainly road accessible and therefore relatively cheap to explore. No emphasis is placed on exploration for base metals however any discoveries made on our properties are in good locations for future development.

The impairment of the exploration assets in Labrador has been carefully considered and it is felt that at this point there is a continued general impairment of the 100 % owned properties in the CMB since the moratorium continues and financing is difficult to impossible to obtain at this point. For the most part the properties can be maintained until prices, and the global economic climate, returns to normal. As properties are abandoned, they are written off and those projects showing impairment were written down or off at year ends 2008, 2009 and 2010. Impairment issues will continue to be evaluated each quarter with impairment totally $7,020 being recorded during the three months ended January 31, 2011.

The market cap of the Company has risen significantly in the last quarter due mainly to the REE projects and the PH property in particular. The global economic situation appears to be getting better and the share prices in junior explorers such as ourselves is increasing, especially for those companies with significant REE assets. Impairment issues related to Market Capitalization will continue to be evaluated quarterly and further write downs or write offs will be taken if required.

OUTLOOK

The Company maintained its 2010 exploration program, to a similar level as 2009, but down from the high level of 2008 to approximately $700,000, including drilling on the Rambler South project, with the funding met from existing cash resources.

The company completed both flow through and hard dollar financings in September and December 2010, with approximately $1.6 M in flow through and $219 K in hard dollars raised. These financings, in concert with return of staking deposits, JEAP payments and warrant and options being exercised will allow the company to maintain exploration programs in 2011 as described in the previous sections.

A property portfolio with REE, and precious metal properties and a uranium discovery with defined resources, plus other significant uranium projects, make Silver Spruce a leading junior explorer. The company is poised for short term success in REE's and precious metals and longer term success in uranium exploration and development.

MULTILATERAL INSTRUMENT 52-109 DISCLOSURE

Evaluation of disclosure controls and procedures

The Corporation has established and maintains disclosure controls and procedures over financial reporting. The certifying officers have evaluated the effectiveness of the issuer's disclosure controls and procedures as of July 31, 2009 and have concluded that such procedures are adequate and effective to ensure accurate and complete disclosures in interim and annual filings.

Internal controls over financial reporting

Management is responsible for the establishment and maintenance of a system of internal controls over financial reporting. This system has been designed to provide reasonable assurance that assets are safeguarded and that the financial reporting is accurate and reliable.

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

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

FUTURE ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board ("AcSB") recently confirmed the convergence of Canadian GAAP with IFRS for publicly-listed companies to use IFRS, effective for the Company for interim and annual financial statements beginning on November 1, 2011. The change date will require the restatement for comparative purposes of amounts reported by the Company for interim periods and for the year ended October 31, 2011. The Company has developed and commenced the execution of an IFRS implementation plan (the "plan") to prepare for this transition. This plan has three distinct phases:

- Phase 1 - Scoping and Planning;
- Phase 2 - Design and Build; and
- Phase 3 – Implement and Review.

The Company has completed Phase 1 of the implementation plan, identifying key areas of change between Canadian GAAP and IFRS and grading the impact the difference between each accounting standard will have on the Company. While a detailed analysis of this impact will be completed in Phase 2 of the plan, the initial key areas of significance include:

- Exploration and development expenditures;
- Impairment;
- Share-based compensation;
- Accounting for income taxes; and
- First-time adoption of International Financial Reporting Standards (IFRS 1).
-

The Company is currently in the process of completing Phase 2 of the plan which it commenced during the third quarter of 2010. Phase 2 involves a "deep dive" into IFRS standards that impact the Company, such that management can make decisions as to accounting policy choices, as well as system, process and control changes.

Business combinations

In January 2009, the CICA issued Section 1582, "Business Combinations", replacing Section 1581 of the same name. The new section will apply prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Section 1582, which provides the Canadian equivalent to International Financial Reporting Standard 3, Business Combinations (January 2008), establishes standards for the accounting for a business combination. Section 1582 requires business acquisitions (including non-controlling interests and contingent consideration) to be measured at fair value on the acquisition date, generally requires acquisition-related costs to be expensed, requires gains from bargain purchases to be recorded in net earnings, and expands the definition of a business. As Section 1582 will apply only to future business combinations, it will not have a significant effect on the Company's financial statements prior to such acquisitions.

CHANGE IN ACCOUNTING POLICIES

The Company has adopted the following recommendations of the CICA Handbook:

Goodwill and intangible assets

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3064, Goodwill and intangible assets, replacing Section 3062, Goodwill and other intangible assets and Section 3450, Research and development costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section is applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company adopted the new standards for its fiscal year beginning November 1, 2008. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062.The adoption of this Section had no impact on the consolidated financial statements.

Consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests", which together replace the existing Section 1600, "Consolidated Financial Statements", and provide the Canadian equivalent to International Accounting Standard 27, "Consolidated and Separate Financial Statements (January 2008)". The new sections will be applicable to the Company for the year ended October 31, 2011. Section 1601 establishes standards for the preparation of consolidated financial statements, and Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The adoption of these new sections had no impact on its consolidated financial statements.

Credit risk and the fair value of financial assets and financial liabilities

In January 2009, the Emerging Issues Committee ("EIC") concluded that an entity's own credit risk and the credit risk of the counterparty should be taken into accounting in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC-173 is applicable retrospectively without restatements of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for period ending on or after the date of the issue of the Abstract (January 20, 2009). Retrospective application with restatement of prior periods is permitted but not required. Early adoption is encouraged. The application of incorporating credit risk into the fair value should result in entities re-measuring the financial assets and financial liabilities as at the beginning of the period of adoption with any resulting difference recorded in retained earnings except when derivatives in a fair value hedging relationship accounted for by the short cut method (difference is adjusted to the hedged item) and for derivatives in cash flow hedging relationship (differences are recorded in accumulated other comprehensive income). The adoption of this EIC had no impact on the consolidated financial statements

Financial statement concepts

Effective for financial statements relating to fiscal years beginning on or after October 1, 2008, CICA Handbook Section 1000 ''Financial Statement Concepts'' was revised to remove material that omitted the recognition of assets that might not otherwise meet the definition of an asset and to add guidance from the International Accounting Standards Board's (IASB) ''Framework for the Preparation and Presentation of Financial Statements'' that helps distinguish assets from expenses. The adoption of this section had no impact on the consolidated financial statements.