

*Consolidated Financial Statements*

**SILVER SPRUCE RESOURCES INC.**

*A Development Stage Company*

*April 30, 2010 and 2009*

# **SILVER SPRUCE RESOURCES INC.**

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# **SILVER SPRUCE RESOURCES INC.**

## **Consolidated Financial Statements**

**For the three and six months ended April 30, 2010 and 2009**

**(Unaudited)**

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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  
June 29, 2010

# SILVER SPRUCE RESOURCES INC.

## Consolidated Balance Sheets

(Unaudited)

|  | April 30<br>2010 | October 31<br>2009 |
|--|------------------|--------------------|
|  | \$               | \$                 |
| <b>ASSETS</b>                              |                  |                    |
| Current                                    |                  |                    |
| Cash and cash equivalents                  | 410,700          | 28,278             |
| HST and other receivables                  | 74,706           | 298,437            |
| Refundable staking deposits                | 59,883           | 13,833             |
| Prepaid expenses                           | 14,603           | 33,470             |
|  | <b>559,892</b>   | 374,018            |
| Mineral properties (Notes 6 and 9)         | 6,699,493        | 6,374,641          |
| Capital assets (Note 7)                    | 130,357          | 151,363            |
| Mexican VAT receivable                     | 182,238          | 182,714            |
| Investments                                | 11,738           | 14,600             |
|  | <b>7,583,718</b> | 7,097,336          |
| <b>LIABILITIES</b>                         |                  |                    |
| Current                                    |                  |                    |
| Accounts payable and accrued liabilities   | 184,822          | 310,474            |
| Current portion of long-term debt (Note 8) | 8,964            | 8,964              |
|  | <b>193,786</b>   | 319,438            |
| Long-term debt (Note 8)                    | 1,494            | 5,976              |
|  | <b>195,280</b>   | 325,414            |
| <b>SHAREHOLDERS' EQUITY</b>                |                  |                    |
| Share capital (Note 10)                    | 21,145,590       | 20,931,594         |
| Warrants (Note 11)                         | 471,011          | 123,977            |
| Contributed surplus (Note 13)              | 6,338,772        | 6,086,182          |
| Deficit                                    | (20,566,935)     | (20,369,831)       |
|  | <b>7,388,438</b> | 6,771,922          |
|  | <b>7,583,718</b> | 7,097,336          |

Nature of operations and going concern (Note 1)

Commitments and Contingencies (Notes 6, 9, 16)

APPROVED BY THE BOARD OF DIRECTORS

"Lloyd Hillier" Director

"Gordon Barnhill" 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 April 30, |            | Six months ended April 30, |            |
|--|------------------------------|------------|----------------------------|------------|
|  | 2010                         | 2009       | 2010                       | 2009       |
|  | \$                           | \$         | \$                         | \$         |
| <b>Revenue</b>   |                              |            |                            |            |
| Foreign exchange gain  | -                            | -          | -                          | 108,222    |
| Unrealized gain in market value of investments                       | -                            | 5,875      | -                          | 10,375     |
| Other income   | <b>46,698</b>                | 175,589    | <b>46,698</b>              | 175,589    |
| Interest income  | <b>42</b>                    | 3,404      | <b>42</b>                  | 11,949     |
|  | <b>46,740</b>                | 184,868    | <b>46,740</b>              | 306,135    |
| <b>Expenses</b>  |                              |            |                            |            |
| Abandonment of mineral properties (Note 6)                           | -                            | 8,865      | -                          | 8,865      |
| Accounting and audit   | <b>1,865</b>                 | 54,422     | <b>14,603</b>              | 72,422     |
| Amortization   | <b>9,982</b>                 | 11,031     | <b>21,006</b>              | 22,345     |
| Consulting fees  | <b>27,996</b>                | 28,603     | <b>64,329</b>              | 53,935     |
| Corporate relations  | <b>8,490</b>                 | 9,159      | <b>14,924</b>              | 14,465     |
| Foreign exchange loss  | <b>7,293</b>                 | 1,404      | <b>6,404</b>               | -          |
| Legal  | <b>20,621</b>                | 25,945     | <b>20,438</b>              | 35,872     |
| Listing and filing fees  | <b>11,755</b>                | 17,077     | <b>18,994</b>              | 29,859     |
| Office and general   | <b>51,132</b>                | 66,695     | <b>71,432</b>              | 118,826    |
| Stock-based compensation   | <b>227,732</b>               | 318,721    | <b>227,732</b>             | 318,721    |
| Travel   | <b>3,476</b>                 | 7,320      | <b>16,910</b>              | 19,668     |
| Unrealized loss in market value of investments                       | <b>12</b>                    | -          | <b>2,862</b>               | -          |
| Wages and benefits   | <b>66,255</b>                | 52,315     | <b>115,790</b>             | 106,076    |
|  | <b>436,609</b>               | 601,557    | <b>595,424</b>             | 801,054    |
| Loss before income taxes   | <b>(389,869)</b>             | (416,689)  | <b>(548,684)</b>           | (494,919)  |
| Income taxes (recovery)  | <b>(256,964)</b>             | 6,723      | <b>(351,580)</b>           | 6,723      |
| Loss for the period  | <b>(132,905)</b>             | (423,412)  | <b>(197,104)</b>           | (501,642)  |
| Deficit, beginning of period   | <b>20,434,030</b>            | 11,076,389 | <b>20,369,831</b>          | 10,998,159 |
| Deficit, end of period   | <b>20,566,935</b>            | 11,499,801 | <b>20,566,935</b>          | 11,499,801 |
| Net loss per share - basic and diluted                               | <b>0.00</b>                  | 0.01       | <b>0.00</b>                | 0.01       |
| Weighted average number of shares<br>outstanding - basic and diluted | <b>68,716,887</b>            | 48,414,833 | <b>55,956,223</b>          | 48,417,665 |

See accompanying notes to the consolidated financial statements

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

|   | Three months ended April 30, |                  | Six months ended April 30, |                  |
|---|------------------------------|------------------|----------------------------|------------------|
|   | 2010                         | 2009             | 2010                       | 2009             |
|   | \$                           | \$               | \$                         | \$               |
| <b>OPERATING ACTIVITIES</b>                                     |                              |                  |                            |                  |
| Net loss  | (132,905)                    | (423,412)        | (197,104)                  | (501,642)        |
| Items not involving cash:                                       |                              |                  |                            |                  |
| Abandonment of mineral properties (Note 6)                      | -                            | 8,865            | -                          | 8,865            |
| Amortization  | 9,982                        | 11,031           | 21,006                     | 22,345           |
| Stock-based compensation  | 227,732                      | 318,721          | 227,732                    | 318,721          |
| Recovery of future income taxes                                 | (256,964)                    | -                | (351,580)                  | -                |
| Unrealized (gain) loss in market value of investments           | 12                           | (5,875)          | 2,862                      | (10,375)         |
|   | <b>(152,143)</b>             | <b>(90,670)</b>  | <b>(297,084)</b>           | <b>(162,086)</b> |
| Changes in non-cash working capital                             |                              |                  |                            |                  |
| (Decrease) increase in prepaid expenses                         | 7,401                        | (31,043)         | 18,867                     | 252,719          |
| (Decrease) increase in HST and other receivables                | 119,099                      | (202,617)        | 224,207                    | (218,206)        |
| Increase (decrease) in accounts payable and accrued liabilities | (5,204)                      | 70,275           | (125,650)                  | (340,809)        |
| Change in non-cash operating working capital                    | <b>121,296</b>               | <b>(163,385)</b> | <b>117,424</b>             | <b>(306,296)</b> |
|   | <b>(30,847)</b>              | <b>(254,055)</b> | <b>(179,660)</b>           | <b>(468,382)</b> |
| <b>FINANCING ACTIVITIES</b>                                     |                              |                  |                            |                  |
| Proceeds from issuance of shares and warrants                   | -                            | -                | 1,015,000                  | -                |
| Share issue costs   | (1,523)                      | -                | (90,534)                   | -                |
| Issuance of shares for mineral properties                       | 13,000                       | -                | 13,000                     | -                |
| Repayments of long-term debt                                    | (2,241)                      | (2,241)          | (4,482)                    | (4,482)          |
|   | <b>9,236</b>                 | <b>(2,241)</b>   | <b>932,984</b>             | <b>(4,482)</b>   |
| <b>INVESTING ACTIVITIES</b>                                     |                              |                  |                            |                  |
| Acquisition of short-term investments                           | -                            | -                | -                          | -                |
| Mineral properties expenditures - net                           | (266,552)                    | (275,394)        | (324,852)                  | (558,478)        |
| Purchase of capital assets                                      | -                            | (4,305)          | -                          | (12,714)         |
| Refund of refundable staking deposits                           | 5,950                        | 227,007          | 5,950                      | 252,557          |
| Purchase of refundable staking deposit                          | (6,200)                      | (4,550)          | (52,000)                   | (9,200)          |
|   | <b>(266,802)</b>             | <b>(57,242)</b>  | <b>(370,902)</b>           | <b>(327,835)</b> |
| Increase in cash and cash equivalents                           | (288,413)                    | (313,538)        | 382,422                    | (800,699)        |
| Cash and cash equivalents, beginning of period                  | 699,113                      | 1,318,885        | 28,278                     | 1,806,046        |
| Cash and cash equivalents, end of period                        | <b>410,700</b>               | <b>1,005,347</b> | <b>410,700</b>             | <b>1,005,347</b> |

Supplemental cash flow information (See Note 15)

See accompanying notes to the consolidated financial statements

# **SILVER SPRUCE RESOURCES INC.**

## **Notes to the Consolidated Financial Statements**

**For the three and six months ended April 30, 2010 and 2009**

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

While the financial statements have been prepared on the basis of accounting principles applicable to a going concern, adverse conditions such as ongoing operational losses cast doubt on the validity of this assumption. 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 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, 2009.

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, 2009.

# **SILVER SPRUCE RESOURCES INC.**

## **Notes to the Consolidated Financial Statements**

**For the three and six months ended April 30, 2010 and 2009**

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### **3. ACQUISITIONS**

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

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

### **4. 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 six months ended April 30, 2010 or 2009.

### **5. 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.

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

**SILVER SPRUCE RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended April 30, 2010 and 2009**

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**5. FINANCIAL RISK FACTORS (continued)**

**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 April 30, 2010, the Company had a cash and cash equivalents balance of \$415,200 (October 31, 2009 - \$28,278) to settle current liabilities of \$193,786 (October 31, 2009 - \$319,438). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

**c) Market risk**

*Interest rate risk*

The Company does not have any interest-bearing debt. They invest 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 six months ended April 30, 2010.

**d) Fair Value**

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

**SILVER SPRUCE RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended April 30, 2010 and 2009**

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**5. FINANCIAL RISK FACTORS (continued)**

**e) Sensitivity analysis**

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

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

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

|                           | <b>April 30,</b> | October 31, |
|---------------------------|------------------|-------------|
|                           | <b>2010</b>      | 2009        |
|                           | <u>\$</u>        | <u>\$</u>   |
| Mexican pesos:            |                  |             |
| Cash and cash equivalents | 7,249            | 14,391      |
| VAT receivable            | 182,238          | 182,714     |
| Accounts payable          | 3,965            | 35,303      |

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 \$1,174 (11,738 x 10%).

**SILVER SPRUCE RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
For the three and six months ended April 30, 2010 and 2009

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**6. MINERAL PROPERTIES**

|                      | April 30, 2010   |                |                           |                                   |                  |
|----------------------|------------------|----------------|---------------------------|-----------------------------------|------------------|
|                      | Opening          | Additions      | Refund of<br>Expenditures | Impairment<br>and<br>Abandonments | Closing          |
|                      | \$               | \$             | \$                        | \$                                | \$               |
| Uranium              |                  |                |                           |                                   |                  |
| Central Mineral Belt | 2,511,440        | 12,643         | (140,257)                 | -                                 | 2,383,826        |
| Double Mer           | 13,140           | 418            | -                         | -                                 | 13,558           |
| Straits              | 25,380           | 836            | -                         | -                                 | 26,216           |
| Snegamook            | 5,160            | 3,281          | -                         | -                                 | 8,441            |
| Mount Benedict       | 95,220           | 32             | -                         | -                                 | 95,252           |
| Tukialuk             | 14,820           | -              | -                         | -                                 | 14,820           |
| Napes Ashini         | 139,004          | 464            | -                         | -                                 | 139,468          |
| Lake Michael         | 3,420            | -              | -                         | -                                 | 3,420            |
| Jeanette Bay         | 3,600            | -              | -                         | -                                 | 3,600            |
| Michelin             | 1,023            | -              | -                         | -                                 | 1,023            |
| Lobstick             | 1,160            | 81,260         | -                         | -                                 | 82,420           |
| Michelin South       | -                | 381            | -                         | -                                 | 381              |
| Gold and Base Metals |                  |                |                           |                                   |                  |
| Big Easy             | -                | 23,464         | -                         | -                                 | 23,464           |
| Central Newfoundland | 599,955          | -              | -                         | -                                 | 599,955          |
| Centauro             | 2,767,662        | 119,648        | -                         | -                                 | 2,887,310        |
| Rambler South        | 137,577          | 130,011        | -                         | -                                 | 267,588          |
| Lazyman              | 56,080           | 92,671         | -                         | -                                 | 148,751          |
|                      | <b>6,374,641</b> | <b>465,109</b> | <b>(140,257)</b>          | <b>-</b>                          | <b>6,699,493</b> |

**SILVER SPRUCE RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
For the three and six months ended April 30, 2010 and 2009

**6. MINERAL PROPERTIES (continued)**

|                      | October 31, 2009  |                  |                               |                                   |                  |
|----------------------|-------------------|------------------|-------------------------------|-----------------------------------|------------------|
|                      | Opening           | Additions        | Staking<br>deposit<br>refunds | Impairment<br>and<br>Abandonments | Closing          |
|                      | \$                | \$               | \$                            | \$                                | \$               |
| Uranium              |                   |                  |                               |                                   |                  |
| Central Mineral Belt | 2,357,779         | 153,661          | -                             | -                                 | 2,511,440        |
| Double Mer           | 903,564           | 40,277           | (128,120)                     | (802,581)                         | 13,140           |
| Straits              | 833,024           | 38,067           | (40,484)                      | (805,227)                         | 25,380           |
| Snegamook            | 3,721,433         | 10,607           | -                             | (3,726,880)                       | 5,160            |
| Mount Benedict       | 2,730,283         | 84,334           | -                             | (2,719,397)                       | 95,220           |
| Tukialuk             | 53,091            | 11,873           | -                             | (50,144)                          | 14,820           |
| Napes Ashini         | 134,542           | 4,462            | -                             | -                                 | 139,004          |
| Lake Michael         | 28,197            | 9,169            | -                             | (33,946)                          | 3,420            |
| Jeanette Bay         | 36,890            | 7,874            | -                             | (41,164)                          | 3,600            |
| Michelin             | -                 | 1,023            | -                             | -                                 | 1,023            |
| Lobstick             | -                 | 1,160            | -                             | -                                 | 1,160            |
| Gold and Base Metals |                   |                  |                               |                                   |                  |
| Central Newfoundland | 597,159           | 2,796            | -                             | -                                 | 599,955          |
| Centauro             | 1,998,524         | 769,138          | -                             | -                                 | 2,767,662        |
| Calvins Landing      | -                 | 123,625          | -                             | (123,625)                         | -                |
| Twentieth Brook      | -                 | 140,203          | -                             | (140,203)                         | -                |
| Rambler South        | -                 | 137,577          | -                             | -                                 | 137,577          |
| Lazyman              | -                 | 56,080           | -                             | -                                 | 56,080           |
|                      | <b>13,394,486</b> | <b>1,591,926</b> | <b>(168,604)</b>              | <b>(8,443,167)</b>                | <b>6,374,641</b> |

During the year ending October 31, 2009 the Company acquired six new properties: Calvins Landing, Rambler South, Lazyman, Lobstick, Michelin, and Twentieth Brook. The Company determined that further exploration was not warranted for Twentieth Brook and Calvins Landing and these projects have been abandoned with related expenditures of \$263,828 written off as of October 31, 2009. Refer to (d) and (e) under Gold and Base Metals for further agreement disclosure.

In addition, the Company wrote down Uranium mineral properties by \$8,179,339 consisting of Double Mer, Straits, Snegamook, Mount Benedict, Tukialuk, Lake Michael and Jeanette Bay properties to reflect the results of its impairment analysis as of October 31, 2009. The Company reviewed the capitalized costs on its properties and recognized impairment in value based upon current exploration results and 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 an impairment may exist. Management's assessment of the properties' estimated current value is also based upon a review of other property transactions that have occurred in the same geographic area as that of the properties under review.

**SILVER SPRUCE RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended April 30, 2010 and 2009**

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**6. 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.
- 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) **Straits Property**  
On March 15, 2006, the Company entered into an option and royalty agreement on the Straits Property in the province of Newfoundland and Labrador. Terms of the agreement are as follows: \$12,000 upon execution of the agreement (paid) and \$12,000 on each of March 15, 2007 (paid) and March 15, 2008 (paid). In addition, a 1% NSR is payable derived from commercial production from the property. At any time during the agreement if the Company terminates the agreement, the claims described will be transferred back to the optionee at no cost to the Company. Any unpaid monies will be forfeited.
- d) **Snegamook Property**  
On June 27, 2006, the Company optioned the property from a Newfoundland prospecting group for payments totaling \$24,000 and 30,000 shares over a three-year period (all payments have been made and 30,000 shares have been issued) and a retention of 2% NSR.
- e) **Mount Benedict Property**  
The Company owns certain claims in this area of the province of Newfoundland and Labrador. The claims are subject to a 1% NSR payable on any production on certain of the claims.
- f) **Tukialuk Bay Property**  
The Company owns certain claims in this area of the province of Newfoundland and Labrador.
- g) **Jeanette Bay**  
The Company owns certain claims in this area of Newfoundland and Labrador.
- h) **Lake Michael**  
The Company owns certain claims in this area of Newfoundland and Labrador.

**SILVER SPRUCE RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended April 30, 2010 and 2009**

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**6. MINERAL PROPERTIES (continued)**

i) 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:

|  |                                    |
|--|------------------------------------|
| Year 1 (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 |

Gold and Base Metals

a) 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.

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

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

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

**SILVER SPRUCE RESOURCES INC.**  
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**6. MINERAL PROPERTIES (continued)**

c) Twentieth Brook

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

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

In November 2009 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 \$140,203 were written off as of October 31, 2009 based on an estimate of the best available information as at October 31, 2009.

d) Calvin's Landing

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

|  |  |
|--|--|
| Year 1 (on signing - paid February 2009) | \$4,000 and 40,000 common shares   |
| Year 2 (1st anniversary)                 | \$10,000 and 60,000 common shares  |
| Year 3 (2nd anniversary)                 | \$20,000 and 100,000 common shares                                       |
| Year 4 (3rd anniversary)                 | \$40,000 and 150,000 common shares<br>and a work commitment of \$300,000 |

In January 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 \$123,625 were written off as of October 31, 2009 based on an estimate of the best available information as at October 31, 2009.

**SILVER SPRUCE RESOURCES INC.**  
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**6. MINERAL PROPERTIES (continued)**

e) 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 (on signing - paid July 14, 2009;<br>on regulatory approval - August, 2009) | \$26,190<br>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             |

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 (on regulatory approval - Sept 8, 2009) | \$15,000 and 300,000 common shares<br>and a work commitment of \$100,000 |
| Year 2 (1st anniversary)                       | \$30,000 and 350,000 common shares<br>and a work commitment of \$150,000 |
| Year 3 (2nd anniversary)                       | \$50,000 and 400,000 common shares<br>and a work commitment of \$250,000 |

g) Big Easy

On April 28, 2010, the Company entered into an option on the Big Easy Property located in the 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 3.0% 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 (on signing - paid April 28, 2010;<br>on regulatory approval - May 7, 2010) | \$27,510<br>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 |

**SILVER SPRUCE RESOURCES INC.**  
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**7. CAPITAL ASSETS**

|                  | April 30, 2010 |                             |                   |
|------------------|----------------|-----------------------------|-------------------|
|                  | Cost           | Accumulated<br>Amortization | Net Book<br>Value |
|                  | \$             | \$                          | \$                |
| <b>Equipment</b> | <b>154,919</b> | <b>84,683</b>               | <b>70,236</b>     |
| <b>Computer</b>  | <b>60,702</b>  | <b>36,659</b>               | <b>24,043</b>     |
| <b>Vehicles</b>  | <b>107,819</b> | <b>71,741</b>               | <b>36,078</b>     |
|                  | <b>323,440</b> | <b>193,083</b>              | <b>130,357</b>    |

  

|           | October 31, 2009 |                             |                   |
|-----------|------------------|-----------------------------|-------------------|
|           | Cost             | Accumulated<br>Amortization | Net Book<br>Value |
|           | \$               | \$                          | \$                |
| Equipment | 155,006          | 77,499                      | 77,507            |
| Computer  | 60,702           | 28,842                      | 31,860            |
| Vehicles  | 107,819          | 65,823                      | 41,996            |
|           | 323,527          | 172,164                     | 151,363           |

**8. LONG-TERM DEBT**

|                        | April 30,<br>2010 | October 31,<br>2009 |
|------------------------|-------------------|---------------------|
|                        | \$                | \$                  |
| Chattel loan payments  | <b>10,458</b>     | 14,940              |
| Less: due in 12 months | <b>8,964</b>      | 8,964               |
| Long-term portion      | <b>1,494</b>      | 5,976               |

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

**9. MINERAL PROPERTY AGREEMENTS**

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

On June 2, 2008 Bayswater forfeited its option to acquire a 50% interest in the 34 mineral claims, and therefore the agreement was terminated.

**SILVER SPRUCE RESOURCES INC.**  
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**10. SHARE CAPITAL**

The share capital is as follows:

|   | <b>April 30,<br/>2010</b> | October 31,<br>2009 |
|---|---------------------------|---------------------|
|   | <b>\$</b>                 | <b>\$</b>           |
| Authorized  |                           |                     |
| An unlimited number of non-voting preference shares |                           |                     |
| An unlimited number of common shares                |                           |                     |
| Issued and outstanding:                             |                           |                     |
| 68,806,775 common shares                            | <b>21,145,590</b>         | 20,931,594          |

The following is a summary of share capital outstanding at April 30, 2010 and October 31, 2009:

|                                      | <b>April 30,<br/>2010</b> |                   | October 31,<br>2009 |            |
|--------------------------------------|---------------------------|-------------------|---------------------|------------|
|                                      | <b>Number</b>             | <b>\$</b>         | Number              | \$         |
| Opening balance                      | <b>52,526,007</b>         | <b>20,931,594</b> | 48,328,963          | 20,760,087 |
| Issued during the period:            |                           |                   |                     |            |
| Private placement                    | <b>16,080,768</b>         | <b>643,108</b>    | 3,150,000           | 191,023    |
| Acquisition of property              | <b>200,000</b>            | <b>13,000</b>     | 1,047,044           | 91,979     |
| Flow-through offering fees           | -                         | <b>(86,010)</b>   | -                   | (20,145)   |
| Share issue costs                    | -                         | <b>(4,522)</b>    | -                   | -          |
| Tax amount of renounced expenditures | -                         | <b>(351,580)</b>  | -                   | (91,350)   |
| Closing balance                      | <b>68,806,775</b>         | <b>21,145,590</b> | 52,526,007          | 20,931,594 |

- (a) During the six months ended April 30, 2010, the Company issued 200,000 shares for the acquisition of Lobstick property at \$0.065 based on the quoted market value of the shares on the date of issue. The Company also closed a brokered private placement 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 on December 24, 2009.
- (b) During the year ended October 31, 2009, the Company issued 1,047,044 shares for the acquisition of property; 10,000 shares at \$0.35, 537,044 shares at \$0.10, and 500,000 shares at \$0.07 based on the quoted market value of the shares on the date of issue. Also during the year the Company closed a brokered private placement of 3,150,000 flow-through units at a price of \$0.10 per unit consisting of one common share and one common share purchase warrant entitling the holder to purchase common shares at a price of \$0.15 for 18 months following the closing. Of the \$315,000 proceeds, \$123,977 was allocated to warrants.

**SILVER SPRUCE RESOURCES INC.**  
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**11. WARRANTS**

The following is a summary of warrants activity for the periods ended April 30, 2010 and October 31, 2009:

|   | April 30, 2010 |                                       | October 31, 2009 |                                       |
|---|----------------|---------------------------------------|------------------|---------------------------------------|
|   | Number         | Weighted average exercise price<br>\$ | Number           | Weighted average exercise price<br>\$ |
| Balance, beginning of period                  | 3,150,000      | 0.15                                  | 3,581,075        | 1.75                                  |
| Granted in connection with private placements | 15,615,385     | 0.10                                  | 3,150,000        | 0.15                                  |
| Expired during the period                     | -              | -                                     | (3,581,075)      | (1.75)                                |
| Balance, end of period                        | 18,765,385     | 0.11                                  | 3,150,000        | 0.15                                  |

Summary of warrants outstanding at April 30, 2010:

| Number of Warrants | Exercise price<br>\$ | Fair value of warrants<br>\$ | Expiry date       |
|--------------------|----------------------|------------------------------|-------------------|
| 15,615,385         | 0.10                 | 347,034                      | December 24, 2011 |
| 3,150,000          | 0.15                 | 123,977                      | November 21, 2010 |
| 18,765,385         |                      | 471,011                      |                   |

The grant date fair value of the warrants granted in the three months ended April 30, 2010 were estimated using the Black-Scholes option pricing model based on the following assumptions: 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. The weighted average fair value of the warrants granted was \$0.03.

**12. 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.

**SILVER SPRUCE RESOURCES INC.**  
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**12. STOCK OPTIONS (continued)**

Stock option activity for the periods ended April 30, 2010 and October 31, 2009 are summarized as follows:

|                            | April 30, 2010 |                  | October 31, 2009 |                  |
|----------------------------|----------------|------------------|------------------|------------------|
|                            | Number         | Weighted average | Number           | Weighted average |
|                            |                | exercise price   |                  | exercise price   |
|                            |                | \$               |                  | \$               |
| Balance, beginning of year | 8,796,000      | 0.54             | 6,543,150        | 0.77             |
| Granted                    | 3,694,230      | 0.09             | 2,690,000        | 0.15             |
| Expired                    | (251,000)      | (0.61)           | (437,150)        | (2.00)           |
| Balance, end of year       | 12,239,230     | 0.41             | 8,796,000        | 0.54             |

At April 30, 2010, outstanding options to acquire common shares of the Company were as follows:

| Exercise Price<br>\$ | Number of Outstanding Options | Weighted Average Remaining Contractual Life of Outstanding Options (years) | Grant date Weighted Average Fair Value per Option<br>\$ | Number of Exercisable Options |
|----------------------|-------------------------------|--|---|-------------------------------|
| 0.07                 | 769,230                       | 1.65   | 0.03  | 769,230                       |
| 0.12                 | 2,925,000                     | 4.99   | 0.08  | 2,925,000                     |
| 0.15                 | 2,690,000                     | 3.79   | 0.13  | 2,690,000                     |
| 0.30                 | 370,000                       | 0.41   | 0.16  | 370,000                       |
| 0.35                 | 2,920,000                     | 3.02   | 0.32  | 2,920,000                     |
| 0.50                 | 400,000                       | 1.57   | 0.48  | 400,000                       |
| 0.65                 | 60,000                        | 1.64   | 0.53  | 60,000                        |
| 0.65                 | 125,000                       | 1.82   | 0.53  | 125,000                       |
| 0.65                 | 50,000                        | 1.83   | 0.56  | 50,000                        |
| 0.83                 | 20,000                        | 2.85   | 0.67  | 20,000                        |
| 1.08                 | 160,000                       | 1.96   | 1.06  | 160,000                       |
| 1.40                 | 1,650,000                     | 0.39   | 1.09  | 1,650,000                     |
| 1.78                 | 100,000                       | 2.24   | 1.75  | 100,000                       |
|                      | 12,239,230                    | 3.05   | 0.33  | 12,239,230                    |

The weighted average fair value per option of options outstanding as at April 30, 2010 is \$0.41 (October 31, 2009 - \$0.45).

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:

**SILVER SPRUCE RESOURCES INC.**  
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**12. STOCK OPTIONS (continued)**

|                         | <u>April 30,<br/>2010</u> | <u>October 31,<br/>2009</u> |
|-------------------------|---------------------------|-----------------------------|
| Risk-free interest rate | <b>1.21% - 2.80%</b>      | 1.89% - 2.12%               |
| Expected life           | <b>2 - 5 years</b>        | 5 years                     |
| Expected volatility     | <b>154% - 203%</b>        | 148%                        |
| Expected dividend yield | <b>nil</b>                | nil                         |

Over the five year expected life of the stock options issued in the last three months ending April 30, 2010, these options can be exercised at a price of \$0.12.

Over the two year expected life of the stock options issued in the first three months ending January 31, 2010, these options can be exercised at a price of \$0.10 in the first year and \$0.15 in the second year.

**13. CONTRIBUTED SURPLUS**

The following is a summary of contributed surplus activity:

|                                     | <u>April 30,<br/>2010</u> | <u>October 31,<br/>2009</u> |
|-------------------------------------|---------------------------|-----------------------------|
|                                     | \$                        | \$                          |
| Balance, beginning of year          | <b>6,086,182</b>          | 4,125,531                   |
| Employee stock - based compensation | <b>227,732</b>            | 316,150                     |
| Issuance of options                 | <b>24,858</b>             | -                           |
| Expiry of warrants                  | -                         | 1,644,501                   |
| <b>Balance, end of year</b>         | <b>6,338,772</b>          | 6,086,182                   |

**14. RELATED PARTY TRANSACTIONS**

Included in accounts payable and accrued liabilities as at April 30, 2010 is \$48,536 (October 31, 2009 - \$60,000) 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 six month period April 30, 2010, 2,925,000 stock options were granted to directors, officers and employees of the Company (October 31, 2009 – 2,690,000).

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 six month period ended April 30, 2010, \$302 (October 31, 2009 - \$2,944) was paid to the hardware store and \$9,337 (October 31, 2009 - \$98,231) 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.

**SILVER SPRUCE RESOURCES INC.**  
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**15. SUPPLEMENTAL CASH FLOW INFORMATION**

|   | <b>April 30,<br/>2010</b> | October 31,<br>2009 |
|---|---------------------------|---------------------|
|   | \$                        | \$                  |
| Cash and cash equivalents                                 |                           |                     |
| Cash  | <b>\$ 410,700</b>         | \$ 28,278           |
| Cash equivalents  | -                         | -                   |
|   | <b>410,700</b>            | 28,278              |
| Interest paid in the year                                 | -                         | -                   |
| Income taxes paid in the year                             | -                         | 6,723               |
| Non-cash investing and financing activities:              |                           |                     |
| Acquisition of mineral properties for share consideration | <b>13,000</b>             | 91,979              |
| Expiry of warrants  | -                         | 1,644,501           |

**16. 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:

|             | <b>Cash (CAD)</b> | <b>Cash (USD)</b> | <b>Shares</b> |
|-------------|-------------------|-------------------|---------------|
| <b>2010</b> | 180,000           | 150,000           | 1,381,831     |
| <b>2011</b> | 350,000           | -                 | 1,200,000     |
| <b>2012</b> | 50,000            | -                 | 950,000       |
| <b>2013</b> | 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 three years:

|      | \$            |
|------|---------------|
| 2011 | 9,900         |
| 2012 | 9,900         |
| 2013 | 825           |
|      | <b>20,625</b> |

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.

**SILVER SPRUCE RESOURCES INC.**  
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**17. 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 6.

The Companies interest in joint venture is summarized below:

|                                    | <b>April 30,<br/>2010</b> | October 31,<br>2009 |
|------------------------------------|---------------------------|---------------------|
|                                    | <u>\$</u>                 | <u>\$</u>           |
| <b>Balance Sheet</b>               |                           |                     |
| Mineral properties                 | <b>2,513,940</b>          | 2,511,440           |
| <b>Statement of Operations</b>     | -                         | -                   |
| <b>Statement of Cash Flow</b>      |                           |                     |
| Cash used for investing activities | <b>2,500</b>              | 153,661             |



*This document provides management's discussion and analysis (MD&A) for our financial condition as at, and results of operations for the quarter ended April 30, 2010. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and notes for the year ended October 31, 2009 and the unaudited interim consolidated financial statements and notes for the first quarter ended January, 2010. **This MD&A has been prepared as of June 25, 2010 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](http://www.silverspruceresources.com) or through the SEDAR website at [www.sedar.com](http://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, but recently diversifying into gold/silver projects in Mexico and precious, base metal and rare earth minerals (REE) projects in Newfoundland and Labrador. The Company has consolidated its uranium projects in Labrador where it retains interests in approximately 7,000 claims totaling 1,750 square kilometers, mainly in the CMB, making the Company the second largest landholder in one of the world's premier emerging uranium districts. Projects include: the CMB joint venture with Crosshair Exploration and Mining, in which SSE retains a 40% participating interest, and its 100% owned properties - Snegamook, Mount Benedict, Tukialuk Bay, Jeannette Bay, Lake Michael, Double Mer, Straits and Lobstick. Exploration on these projects has been curtailed due to the current price of uranium, the Nunatsiavut government's moratorium on uranium mine development in Labrador and the difficulty in financing uranium projects especially 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<sub>3</sub>O<sub>8</sub> inferred, the first discovery in the CMB of Labrador since the 1970's, of which SSE retains 40%, and other drill-ready opportunities.

The Company also has gold/silver projects in Mexico (Centauro) and Newfoundland and Labrador (Rambler South, Lazyman and Big Easy). The projects are all road accessible thereby reducing exploration costs dramatically. The technical aspects of this M. D. and A. have been approved by Peter M. Dimmell, P.Geol. 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 policies and procedures are posted on the Company's website.

The Company has sufficient funds to maintain operations and fund its exploration projects for the next year to allow the projects to move forward. The Company raised \$700,000 in flow thru funds and \$300,000 in hard dollars in December 2009, to allow it to carry on its exploration work in Newfoundland and Labrador and for working capital in 2010. As of April 30, 2010, cash reserves totaled \$415,200.

A commitment to prudent budgeting, an excellent property portfolio, a uranium discovery with defined resources and three REE projects in Labrador, makes Silver Spruce a leading junior explorer. Further financing will be undertaken in 2010 to allow the Company to move its projects forward into 2011.

## SELECTED QUARTERLY INFORMATION

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

|  | April 30,<br>2010 | January 31,<br>2010 | October 31,<br>2009 | July 31,<br>2009 |
|--|-------------------|---------------------|---------------------|------------------|
|  | \$                | \$                  | \$                  | \$               |
| Income                                     | 46,740            | 803                 | Nil                 | 22,400           |
| Net (loss)                                 | (132,905)         | (64,199)            | (8,430,085)         | (439,945)        |
| Net (loss) per share<br>-basic and diluted | (0.00)            | (0.00)              | (0.17)              | (0.01)           |
|  |                   |                     |                     |                  |
|  | April 30,<br>2009 | January 31,<br>2009 | October 31,<br>2008 | July 31,<br>2008 |
|  | \$                | \$                  | \$                  | \$               |
| Income                                     | 184,868           | 122,797             | 41,796              | 64,114           |
| Net (loss)                                 | (423,412)         | (78,230)            | (3,767,844)         | (1,014,821)      |
| Net (loss) per share<br>-basic and diluted | (0.01)            | (0.01)              | (0.08)              | (0.02)           |

For the three months ended April 30, 2010, the Company had revenue of \$46,740 (April 30, 2009 - \$184,868). In 2009 this amount was receivable from Quebec regarding the Hudson's Bay Property (Note \$147.5k now received); in 2010 the \$46k represents the refund from the JEA program for the 20B property; since 20B was written-off as of October 31, 2009, this refund was included in other income.

For the three months ended April 30, 2010 the Company had expenses totaling \$437,030 (April 30, 2009 - \$601,557). Accounting fees have decreased to \$1,865 this quarter (April 30, 2010 - \$54,422) due mainly to the over-estimating of accruals; however, fees have decreased significantly since April 30, 2009 due to less activity and more efficiencies. Office and general expenses have decreased to \$51,132 this quarter (April 30, 2010 - \$66,695) due to less activity and more efficiencies. Stock-based compensation has decreased to \$227,732 this quarter (April 30, 2010 - \$318,721) due to issuance of 2,490,000 stock options in Q2-2009 at fair value of approximately \$0.13 and issuance of 2,925,000 stock options in Q2-2010 at fair value of approx \$0.08.

## EXPENDITURES ON MINERAL PROPERTIES

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

|                         | April 30, 2010 | January 31, 2010 | October 31, 2009 | July 31, 2009 |
|-------------------------|----------------|------------------|------------------|---------------|
| <b>CMB</b>              | 10,143         | 2,500            | 153,661          | 2,511         |
| <b>Double Mer</b>       | -              | 418              | 40,277           | 4,480         |
| <b>Straits</b>          | 836            | -                | 38,067           | 4,436         |
| <b>Mount Benedict</b>   | -              | 32               | 84,334           | 598           |
| <b>Snegamook</b>        | -              | 3,281            | 10,607           | 1,559         |
| <b>Makkovik River</b>   | -              | -                | -                | -             |
| <b>Tukialuk</b>         | -              | -                | 11,873           | -             |
| <b>Hudson Bay</b>       | -              | -                | -                | -             |
| <b>Napes Ashini</b>     | -              | 464              | 4,462            | 112           |
| <b>Centauro (MX)</b>    | 118,679        | 969              | 769,138          | 475,453       |
| <b>Central NL</b>       | -              | -                | 2,796            | -             |
| <b>Calvin's Landing</b> | -              | -                | 123,625          | 72,864        |

|                        |                |               |                |                |
|------------------------|----------------|---------------|----------------|----------------|
| <b>Twentieth Brook</b> | -              | -             | -              | <b>99,070</b>  |
| <b>Lake Michael</b>    | -              | -             | <b>9,169</b>   | -              |
| <b>Jeanette Bay</b>    | -              | -             | <b>7,874</b>   | -              |
| <b>Michelin</b>        | -              | -             | <b>1,023</b>   | <b>113</b>     |
| <b>Michelin South</b>  | -              | <b>381</b>    | -              | -              |
| <b>Lobstick</b>        | <b>65,285</b>  | <b>15,975</b> | <b>1,160</b>   | -              |
| <b>Rambler South</b>   | <b>103,845</b> | <b>26,166</b> | <b>137,577</b> | <b>14,447</b>  |
| <b>Lazyman</b>         | <b>84,556</b>  | <b>8,115</b>  | <b>56,080</b>  | <b>33,033</b>  |
| <b>Big Easy</b>        | <b>23,464</b>  | -             | -              | -              |
| <b>Genex</b>           | -              | -             | -              | <b>(8,365)</b> |

|                         | <b>April 30, 2009</b> | <b>January 31, 2009</b> | <b>October 31, 2008</b> | <b>July 31, 2008</b> |
|-------------------------|-----------------------|-------------------------|-------------------------|----------------------|
| <b>CMB</b>              | <b>151,150</b>        | -                       | <b>133,164</b>          | <b>8,673</b>         |
| <b>Double Mer</b>       | <b>18,104</b>         | <b>17,693</b>           | -                       | -                    |
| <b>Straits</b>          | <b>17,004</b>         | <b>14,227</b>           | <b>542,340</b>          | <b>167,284</b>       |
| <b>Mount Benedict</b>   | <b>15,600</b>         | <b>63,663</b>           | <b>193,287</b>          | <b>647,048</b>       |
| <b>Snegamook</b>        | <b>5,548</b>          | <b>3,500</b>            | <b>594,028</b>          | <b>1,002,286</b>     |
| <b>Makkovik River</b>   | -                     | -                       | <b>5,684</b>            | <b>862,711</b>       |
| <b>Tukialuk</b>         | <b>3,162</b>          | <b>8,711</b>            | <b>118,075</b>          | <b>4,397</b>         |
| <b>Hudson Bay</b>       | -                     | <b>7,346</b>            | <b>48,184</b>           | <b>2,019</b>         |
| <b>Napes Ashini</b>     | -                     | -                       | <b>71,795</b>           | <b>376,569</b>       |
| <b>Centauro (MX)</b>    | <b>34,254</b>         | <b>890,045</b>          | <b>904,024</b>          | <b>252,025</b>       |
| <b>Central NL</b>       | -                     | <b>2,797</b>            | <b>118,944</b>          | <b>63,304</b>        |
| <b>Calvin's Landing</b> | <b>9,075</b>          | <b>1,040</b>            | -                       | -                    |
| <b>Twentieth Brook</b>  | <b>10,797</b>         | <b>16,277</b>           | <b>28,197</b>           | -                    |
| <b>Lake Michael</b>     | <b>8,733</b>          | <b>436</b>              | <b>36,890</b>           | -                    |
| <b>Jeanette Bay</b>     | <b>5,058</b>          | <b>2,816</b>            | <b>7,874</b>            | -                    |
| <b>Michelin</b>         | <b>910</b>            | -                       | <b>1,023</b>            | <b>113</b>           |
| <b>Rambler South</b>    | -                     | -                       | -                       | <b>14,447</b>        |
| <b>Lazyman</b>          | -                     | -                       | -                       | <b>33,033</b>        |
| <b>Lobstick</b>         | -                     | -                       | <b>1,160</b>            | -                    |
| <b>Rambler South</b>    | -                     | -                       | <b>137,577</b>          | -                    |
| <b>Lazyman</b>          | -                     | -                       | <b>56,080</b>           | -                    |
| <b>Genex</b>            | -                     | -                       | -                       | <b>(8,365)</b>       |

## **PROJECTS – GOLD/BASE METAL**

The Company's property portfolio includes three precious metal only and one precious/base metal exploration projects. The precious metal properties are Centauro in Chihuahua State, northern Mexico, Lazyman in south central Newfoundland, the Big Easy property in eastern Newfoundland and the Rambler South gold/copper project in north-eastern Newfoundland. These projects are 100 % owned, subject to option agreements as described in the summaries following.

Analyses for Newfoundland samples were carried out at either Eastern Analytical in Springdale, NL, a recognized local laboratory, or Accurassay Laboratories in Thunder Bay, ON, after sample prepping at their Gambo, NL, preparation facility. Samples were analysed for gold by fire assay 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. Samples from the Centauro, MX, property were analyzed at the Actlabs facility in Ancaster Ontario using either a fire assay or neutron activation technique for gold plus an ICP technique for other elements and a cold vapour for mercury. Sample preparation for Centauro samples was carried out by Minerales Laboratories in Mazatlan, MX, or the Sonora preparation laboratory of Actlabs in Hermosillo, MX, both associated with or approved by Actlabs. Check analyses are done as required at either of these laboratories.

Drill core was sawed in half using a diamond saw, by SSE personnel, with one half of the core retained and the other half sent for analyses. All samples were analyzed for Au by fire assay plus an ICP technique (11 elements at EA, 31 elements at AC) for other elements. Standard QA/QC techniques as described on the SSE website are carried out..

## MEXICO

### CENTAURO (100% SSE)

The Centauro Property is a contiguous block of eight claims (2904 hectares), located in the southern part of Chihuahua State, just to the north of Durango State, approximately 25 km to the west of Highway 45, the four lane, main, north-south toll highway in Mexico. The property is subject to an option agreement with a Mexican geologist whereby Silver Spruce can earn a 100% interest subject to a 3% Net Smelter Return (NSR) with a 2% buyback for US\$2 million. The property agreements have been registered with the General Bureau of Mining of the Exploration Agreement in Mexico. The option is subject to payment by Silver Spruce of US\$375,000 and 1,325,000 common shares of Silver Spruce over four years (three years paid). Advance royalties of US\$50,000 per year, starting on the fifth anniversary, and a “finder’s fee” totalling C\$9,600 plus 165,470 shares or cash equivalent over four years (three years paid) are also payable by Silver Spruce to maintain the property in good standing. The agreement is currently being re-negotiated as the final payment of \$150,000 US plus 600,000 shares, due on May 14, 2010, was deemed too high given the results to date.

The surface rights are owned by ranchers who live in the area. Exploration and development agreements have been signed with the land owners.

The property shows good potential for epithermal and/or “Carlin style” gold/silver mineralization with extensive silicification and argillitization of a limestone conglomerate unit over an area of 2.5 by 1 kilometre. Soil geochemistry shows anomalous values in gold, silver, mercury, barium, arsenic, thallium and antimony associated with the silicified mesa “cap” over the 2.5 km strike length of the zone. Outcrops containing realgar, orpiment and stibnite, in a black silicified conglomerate, are located in the northern part of the zone, where some of the highest soil values were located. Base metal values are low to non-anomalous throughout. Highly anomalous Hg values, coupled with the anomalous Au, Ag, As and Sb and the low base metal values indicate that the system should be above the “boiling zone” and therefore the zone of deposition for epithermal “bonanza gold” veins, the main exploration target.

A diamond drilling program, totalling 3960 m in 14 holes (CEN-08-1 to 14), was carried out in 2008, testing the alteration zone over a 2.3 kilometre strike length and 1 kilometre across the zone. The highlight was a gold/silver intersection, associated with strong silicification, of 7.5 m at 1.93 g/t Au and 64 g/t Ag, at the top of hole CEN-08-10, in a 92.1 metre zone, from 3 to 95.1 m, which assayed 237 ppb Au and 8.4 g/t Ag. The mineralized zone is oxidized so values may be enhanced, however fine grained acanthite, a silver bearing mineral, and native gold were identified. The widest anomalous gold intersections were located in holes 10 (as above) and hole 7, which gave 50 metres of 284 ppb Au and 2.4 ppm Ag, from 9.0 to 59.0 metres including 4.34 g/t Au and 13.4 g/t Ag over 2 metres from 55.2 to 57.2. Mineralized/altered zones – mainly pyrite/kaolin with some silicification associated with faults and shears were intersected in all holes. Rock units encountered include sedimentary units – limestone conglomerates, sandstones to siltstones, mafic volcanics and mafic intrusives – that are weakly to intensely altered throughout. Alteration consists of propylitization, decarbonatization, argillitization (kaolinite) and silicification. All of the widely-spaced drill holes, except CEN-08-8 and 12, intersected elevated gold and silver values over appreciable widths indicating that the system has good potential to host a significant gold/silver deposit.

Results for indicator elements, arsenic, mercury antimony, thallium and barium, show all holes to be anomalous. Weak to moderate association with gold/silver was noted with antimony, barium and thallium through most of the holes. The presence of strongly anomalous mercury indicates that the drilling is still testing high in the system with the most significant potential remaining untested at depth.

The property is dominated by a thick sequence of conglomerates with a calcareous mud to sand matrix, interbedded with calcareous siltstones and sandstones which dip moderately to the west. On the silicified Mesa, the conglomerates are decalcified, silicified and brecciated. The alteration system is separated into three distinct packages: a) **unaltered, basal calcareous conglomerate** and associated calcareous sediments which outcrop to the west and north of the Centauro Mesa, and which, with the altered units following, comprised the original sedimentary sequence; b) **decalcified / weakly**

**silicified, polymictic conglomerate** altered through hydrothermal activity but containing clasts which are coherent and have similar lithologies and size as the calcareous conglomerates. These units are cut by kaolin veins (as secondary injection of kaolin) and show moderate argillic alteration. The contact between the basement conglomerates and the decalcified conglomerates is relatively sharp; and c) **silicified breccias** characterized by extreme silicification and brecciation of the original conglomerate. This unit is extremely resistant to erosion and outcrops along the top of the Centauro Mesa and to the east and northeast of the mesa. All units are crosscut by hornblende-bearing porphyritic diorites and andesitic subvolcanic units. The diorites are fresh to intensely altered and are crosscut by fresh andesites (displaying a defined chilled margin) which outcrop to the west of the Mesa. This suggests several episodes of igneous activity, both before and after epithermal / hydrothermal activity.

The plumbing system for the alteration on the Centauro Mesa appears to not be directly below the mesa, as originally thought but may be located to the northeast for the following reasons: 1) poorly to unaltered calcareous conglomerate (basement) was intersected in all drill holes at depth under the mesa; 2) silicification and alteration appear to dip shallowly to the northeast; 3) strong silicification is also exposed further to the east (E silica zone); 4) silica breccia fabrics dip consistently to the northeast; and 5) argillic alteration intensifies to the northeast.

The 2008 core was re-logged in 2009 in conjunction with geological mapping to better define and constrain the alteration and mineralized system and then followed by a second phase, diamond drilling program which tested the area to the north (L 6 area) and to the north east of the mesa.

Field mapping defined the area to the north of the mesa and to the east of CEN-08-1, the northernmost drill hole in the 2008 program, as an area of prime interest. Strongly silicified zones in the calcareous siltstones and limestone conglomerates carry breccia veins with antimony (stibnite), and disseminated arsenic (realgar and orpiment) mineralization over an area at least 400 m across strike. DDH CEN-08-1 was located further to the west and did not test this area in 2008. Gold in soil geochemical anomalies were strongest on Line 6 in this area and the highly anomalous mercury values in both the soils and rock samples indicate that we are still very high in the system, most likely above any bonanza vein system.

Skarn mineralization as calc-silicates, with garnet, epidote, hematite and minor copper mineralization, indicating that buried porphyries may exist to the north of Centauro, has been noted to the west of El Pozo, to the south and east of Juan Pablo, the two hills just to the north of Centauro mesa. This area had never been tested by drilling prior to the SSE work.

The regional structural style is indicative of classic Mexican, Basin and Range geometry, and it is reasonable to assume that extensional features, favorable loci for intrusions and conduits for hydrothermal fluids, trending approximately North-South, exist between topographic highs. It is likely that one of these extensional features exists to the east of the Centauro mesa and this is a target for further drilling.

Diamond drilling has defined a significant area of gold mineralization, extensive alteration (argillitization and silicification) in the area.

A total of 1,864.5 meters were drilled in the 2009 drill program, 705 m in six drill holes (CEN-09-15,16,16A, 17,18,19) in the north area on Line 6 and 1,159.5 m in nine holes (CEN-09-20,21,22,23,24,25,26,26A,27) in the northeast area.

#### North Area

Holes CEN-09-15, 16, 16A, 17 to 19 were completed on the North Zone testing Au-Ag-As soil anomalies associated with epithermal style, highly altered (silicified and argillic) sedimentary units carrying pyrite, realgar, orpiment, arsenopyrite and stibnite in outcrop. All holes intersected wide sections of intense epithermal alteration and pervasive pyritic mineralization, with some arsenic mineralization noted (News releases Sept. 10 and Dec. 8, 2009). The upper portions of most holes are highly oxidized / gossaneous over intervals of up to 80 meters. The only hole in the north area, prior to the 2009 drilling, was CEN-08-1 which was drilled on L 6 further to the west. In the 2009 program, drill-holes CEN-09-15,16,16A,18 and 19 were drilled to the southwest (240 degrees), as a fence along Line 6, while CEN-09-17 was drilled perpendicular to the line to evaluate a possible fault (see section on website). The drill-holes targeted a wide (600 x 200 m) area anomalous in gold-silver-mercury-arsenic-antimony. CEN-09-15, collared at the base of El Pozo hill, cut 82 meters of a highly sheared, gossanous unit before passing into unaltered calcareous polymictic conglomerate. CEN-09-16, collared 100 m to the southwest of hole #15, was lost in bad ground and was re-started as CEN-09-16A a few meters from the original collar. The upper portion of the hole, from 0 to 36 m, was sheared to gossanous diorite after which a wide

section, from 36 to 148 m, of sheared, decalcified, and locally silicified, conglomerate and mafic dikes were intersected. Sulphides, pyrite and arsenopyrite, averaging 5 to 7%, are disseminated throughout the zone. Local silicified zones are vuggy with botryoidal quartz carrying realgar, an arsenic mineral. CEN-09-17 intersected 94 meters of sheared, sulphide bearing intrusive before intersecting fresh polymictic conglomerate carrying weak decalcified zones associated with sheared sections. CEN-09-18 intersected 84 meters of highly sheared, locally silicified, sulphide bearing (pyrite and arsenopyrite), diorite and mafic dikes before being lost in bad ground, which prevented further drilling. CEN-09-19 cut similar units and was lost at 156 meters also in bad ground.

All holes gave wide zones of anomalous gold/silver/mercury/arsenic/antimony associated with alteration including decalcification and silicification associated with shearing, which is sometimes gossanized. The strong, pervasive mercury geochemical signature encountered that the drilling, which tested to a maximum of 100 m vertical, is too high in the system for “bonanza style” gold-silver epithermal veins and deeper holes are required to properly test the system.

Results from the 2009 drilling are being combined with 2008 drill results to create a more accurate geological picture of the area in order to try to vector in on the source of the strong epithermal fluid flow. A summary of analytical results for the 2009 holes which tested the north area in the vicinity of L 6, are provided in Table 1 below.

| Hole       | From | To    | Length | Au (ppb) | Ag (ppm) | Hg (ppb) | As (ppm) | Sb (ppm) | Ba (ppm) |
|------------|------|-------|--------|----------|----------|----------|----------|----------|----------|
| CEN-09-15  | 12   | 82.9  | 70.9   | 145      | 6.5      | 21853    | 1098     | 202      | 695      |
| CEN-09-16A | 36   | 148.4 | 112.4  | 125      | 7.5      | 20008    | 968      | 124      | 2911     |
| CEN-09-17  | 27   | 37.5  | 10.5   | 50       | 4.7      | 9374     | 907      | 70       | 559      |
| "          | 104  | 114   | 10     | 42       | 2.7      | 7193     | 395      | 44       | 1856     |
| CEN-09-18  | 6    | 84    | 78     | 71       | 5.3      | 13167    | 2241     | 95       | 735      |
| CEN-09-19  | 6    | 90    | 84     | 51       | 5.9      | 8123     | 1216     | 147      | 1092     |
| "          | 96   | 129   | 33     | 67       | 5.9      | 14323    | 1439     | 104      | 640      |

Using minimum grade of 25 ppb Au; background values Au < 5 ppb, Ag < 0.3 ppm; Hg < 150 ppb; As < 50 ppm; Sb < 10 ppm; Ba < 50 ppm;

### Northeast Area

The eastern extension of the silicified zone intersected in drill hole CEN-08-10, which gave 1.93 g/t Au and 64 g/t Ag over 7.5 m in a zone of 92.1 metres, from 3 to 95.1 m, which assayed 237 ppb Au and 8.4 g/t Ag at the top of the hole (news release dated December 9, 2008), was tested by the remainder of the 2009 drilling. Geological mapping indicates that this area is part a large, 4 by 2 km zone of epithermal alteration consisting of decalcification and argillic alteration, capped by silicified breccias, which indicates the alteration may be focused in the valley to the northeast of the silicified Centauro mesa. A total of 1,159.5 m in nine holes (CEN-09-20 to 27) was drilled in the northeast area..

Holes CEN-09-20, 21 and 24 were drilled at 500 m intervals to the east of the auriferous zone in CEN-08-10 to test the eastern extension of the large alteration zone in the alluvium-covered valley. Holes 20 and 21 intersected wide sections (100 to 150 m) of intense silicification, argillic alteration and decalcification with associated high indicator element (Sb, As, Hg) geochemistry. Hole 24 showed similar alteration but without the decalcification. Drill holes CEN-09-22 and 23, drilled 250 and 500 meters respectively, to the north of drill hole CEN-08-10, intersected 30 to 50 meter sections of intense silicification, argillic alteration and decalcification before passing into unaltered polymictic conglomerate. Analytical results show narrow intervals of anomalous gold and silver and wide sections anomalous in Sb-As-Hg. The width of alteration noted in holes 22 and 23 is significantly narrower than that intersected in hole 10, indicating the probable existence of a fault or feeder between the holes. CEN-09-25 tested a separate silicified breccia zone located 3 km to the east of the main mesa, outcropping from the alluvium, near the La Diana ranch. This hole cut 22 meters of intense alteration (silicification, argillic alteration, decarbonatization) before passing into unaltered red sandstone. The silicified breccia locally contains anomalous arsenic and antimony. Drill holes CEN-09-26, 26A and 27 were collared less than 100 meters from CEN-08-10. Holes 26 and 26A were lost at 57.5 and 48 meters respectively, however both intersected intensely silicified breccias with lesser pervasive argillic alteration. Analytical results show narrow 3 meter intervals anomalous in gold and silver within wide intervals anomalous in arsenic, antimony and mercury. Hole CEN-09-27 cut 98.2 meters of alteration before passing into unaltered polymictic conglomerate. Analytical results gave 34.4 m at 231 ppb gold, 5.7 ppm silver, 22,700 ppb mercury, 1130 ppm arsenic and 272 ppm antimony. The highest gold value in this section is 1.2 m of 1,050 ppb gold and 15.2 ppm silver.

Although the 2009 drilling to the northeast of the mesa failed to intersect significant gold mineralization, thick intervals of intense epithermal style alteration continue into the valley to the northeast. The alteration is highly anomalous in As-Sb-Hg, most likely sourced from the area to the north or northeast of the drilled area. The highly anomalous indicator element geochemistry, especially mercury (Hg) indicates that we are still above the probable source area of the epithermal alteration.

The table below gives the significant analytical results for the drilling in the northeast area.

**Summary of Significant Analytical Results – 2009 Drilling – Northeast Area**

| Hole No.   | From | To   | Width (m)   | Au_ppb     | Ag_ppm     | Hg_ppb        | As_ppm       | Sb_ppm     |
|------------|------|------|-------------|------------|------------|---------------|--------------|------------|
| CEN-09-20  | 57   | 63   | 6.0         | 60         | 2.9        | 1,207         | 1,405        | 143        |
| CEN-09-22  | 3    | 8.7  | 5.7         | 143        | 8.3        | 8,687         | 1,055        | 539        |
| CEN-09-23  | 9    | 10.5 | 1.5         | 67         | 0.4        | 20,300        | 169          | 142        |
| CEN-09-26  | 33   | 52.1 | 19.1        | 73         | 1.3        | 10,451        | 1,003        | 335        |
| CEN-09-26A | 33   | 36   | 3.0         | 57         | 0.5        | 100,000       | 1,550        | 121        |
| CEN-09-26A | 39   | 42   | 3.0         | 107        | 1.5        | 7,960         | 1,540        | 713        |
| CEN-09-27  | 9    | 43.4 | <b>34.4</b> | <b>232</b> | <b>5.7</b> | <b>22,672</b> | <b>1,126</b> | <b>272</b> |
| CEN-09-27  | 82.8 | 84.4 | 1.6         | 118        | 4.4        | 9,010         | 455          | 37         |
| CEN-09-27  | 90   | 92   | 2.0         | 52         | 1.9        | 97            | 196          | 22         |
| CEN-09-27  | 96   | 98.2 | 2.2         | 102        | 3.1        | 3,840         | 614          | 27         |

*Using minimum grade of 50 ppb gold*

*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, has visited the Centauro Property and, as a consultant to Silver Spruce, has been provided with all data from the exploration. He comments: “The drill results are encouraging, considering the difficulty of testing such a large area with abundant alluvial cover. Additional geochemical and geophysical data will allow refinement of the exploration model in this highly prospective geological setting. The anomalous trace element values in the drilling coupled with the elevated precious metals is a good indication that the system is large and robust. Indications are that we are above the main precious metal zone, due to the very high Hg values with somewhat lower As, Sb and precious metals. This pattern suggests that minimal erosion has occurred since metal deposition and that the precious metal horizon is likely to be several hundred meters below the paleo-water table and the present day surface.”*

The 2009 budget for diamond drilling was approximately \$400,000 which was funded from existing cash reserves. The property has demonstrated potential at depth and gold prices are robust. The property option, which required the final option payment of \$150,000 US plus 600,000 shares on May 14, is now being renegotiated. The company has completed data compilation and is actively looking for a joint venture partner to continue the work on this prospective property. No write down in the value of this property is indicated at this time however impairment issues will continue to be evaluated quarterly.

The drilling plan, plus a summary of significant drill intersections, the soil geochemical results, rock sample values, compilation maps and photos of the drill sites and an aerial photo of the Centauro mesa are shown on the Silver Spruce website at [www.silverspruceresources.com](http://www.silverspruceresources.com).

## **NEWFOUNDLAND**

### **CNL - CENTRAL NEWFOUNDLAND (100% SSE)**

The property has been reduced to 310 claims (7750 ha) in one contiguous block located in central Newfoundland, to the southwest of Grand Falls-Windsor. It covers areas with potential for base and precious metals, based on geochemistry, geology and prospecting. The claims were acquired by Silver Spruce under the terms of an option agreement with ASK Prospecting and Guiding, which gives them a two percent Net Smelter Return (NSR), with a one percent buyback for \$1 million. The option agreement can be terminated at any time at no cost to the Company, by transferring the claims to ASK. There are no aboriginal land claims in the area.

Exploration which consisted of prospecting, basal till sampling over VLF-EM conductive targets, trenching, lithochemical analysis of rock samples and diamond drilling (7 holes in 830.1 m), which tested the 15 km NE/SW trend of felsic to intermediate-mafic volcanic units in 2008, is described in the year end reports, dated March 2009 which are filed on SEDAR.

The property has been consolidated and reduced to the area of highest potential with the surrounding ground dropped or abandoned. No exploration was carried out in 2009 and none is planned for 2010, pending availability of financing. Assessment credits are sufficient to hold the area of highest potential for another year. No write down in the value of this property is indicated at this time as the main part of the property remains in good standing, however impairment issues will be evaluated in each quarter.

Maps showing the property, with basal till, trench, rock, HMC and 2007/early 2008 lithochemical results, plus the drill hole locations are shown on the Silver Spruce website at [www.silverspruceresources.com](http://www.silverspruceresources.com).

### **TWENTIETH BROOK (OPTION TO EARN 100%)**

The option on the property was terminated in December 2009 and the expenditures were written off.

### **CALVINS LANDING (OPTION TO EARN 100%)**

The option on the property was terminated and the property returned to the vendors (News release Feb. 25/10). The exploration expenditures were written off.

### **LAZYMAN PROPERTY (OPTION TO EARN 100 %)**

The property which totals 114 claims (2,850 ha), located near the Head of Bay D'Espoir, southern Newfoundland, approximately 20 kilometres northeast of the village of Milltown, was optioned from prospectors Alex Turpin and Colin Kendell in July 2009 (see news release July 19, 2009). Gold / arsenic mineralization in outcrop gives values from background (100 ppb or less) to 11.4 g/t gold.

Structurally related gold mineralization in altered, sheared metasediments and stockwork quartz veins was discovered in the summer of 2009 by prospecting. Host rocks are the Baie d'Espoir Group (BEG), mainly siliciclastic marine sediments and locally minor intermediate and felsic volcanics of Cambro – Ordovician age. Thirty seven (37) rock samples were taken from outcrops of either arsenopyrite bearing sheared sediments or quartz veins, 36 from the Lazyman Showing and a single sample from an outcrop 2 kilometres to the west. Thirty one (31) give values > 0.1 g/t gold, with 18 > 0.5 g/t and 10 > 1 g/t gold. The remaining 6 samples give values < 1 g/t. At the Lazyman showing, gold mineralization occurs in sheared, arsenopyrite bearing, sedimentary units and in stockwork quartz veins exposed in outcrop over an area approximately 300 by 60 meters. Values from background (<100 ppb) to 11.4 g/t gold are noted, surrounded by bog with the mineralization open in all directions. Fifteen due diligence samples taken by SSE gave Au values from 5 to 1,309 ppb with all samples taken from areas away from the higher grade, quartz veins.

A drill program, totaling 422 m in five holes, LZ-10-1 to 5, carried out in March 2010, was designed to test sheared, arsenopyrite bearing, sedimentary units and stockwork quartz veins carrying arsenopyrite in outcrop over an area of approximate 200 meters in strike length. Arsenopyrite bearing sedimentary units and stockwork quartz veins, similar to that on surface were intersected however, results were disappointing with the highest value 1.2 g/t Au over 1.5 m in drill hole LZ-10-3 (see news release dated April 27, 2010). Weakly anomalous values from 100 to 300 ppb Au over up to 1.5 to 2 m were intersected in other drill-holes.

Check analyses are being carried out with results pending. All data on the drilling will be compiled once all assays have been received. A decision on further exploration on the property will be made once all data has been received and compiled.

Maps showing the location of the optioned claims plus a plan map of the drilling can be viewed on the company website at [www.silverspruceresources.com](http://www.silverspruceresources.com).

### **RAMBLER SOUTH PROPERTY (OPTION TO EARN 100 %)**

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) with TSX-V acceptance received on September 2 (News release September 10, 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, issuance of 1.05M shares 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 has been optioned to five different companies over the past 17 years and exploration by these companies and PMD/Krinor/NE Exploration has enhanced the property potential with each exploration phase. The property is road accessible via the Gull Pond Resource Road which, extends past the Rambler mine site, cutting through the northern portion and extending to the southern part of the property along the Brass Buckle trend.

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. Five due diligence samples taken by Silver Spruce personnel prior to the option gave Au values from 15 to 13,563 ppb with the high value taken from the Krissy trend in the same area as the high channel sample value.

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 carried out from 1989 to 2007, with all samples processed by Overburden Drilling Management of Nepean, ON, 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 assumed source area, defined in 2007 by ODM using close spaced (50 m) sampling, with gold grain counts up to 1360 grains with 96 % pristine, 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. No previous trenching or drilling tested the probable source area of the SB gold in till anomaly.

Exploration in 2009 consisted of compilation, rehabilitation of the Krissy grid, soil geochemistry and prospecting, along the Krissy Trend, followed by diamond drilling on the Krissy Trend and linecutting and diamond drilling on the SB gold in till anomaly. No work, except a due diligence visit by company personnel, took place on the Brass Buckle trend. The drill program, which took place from September 6 to 23, 2009, 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 target, were completed.

## **SB Gold in Till Anomaly**

Four till exploration programs carried out from 1989 to 2007, with all samples processed by Overburden Drilling Management of Nepean, ON 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" of BG. The assumed source area, defined in 2007 by ODM using close spaced (50 m) sampling, with gold grain counts up to 1,360 grains with 96% pristine, associated with chlorite, lies along the south side of the "tongue". The till anomaly is also not cut off to the northeast and may continue along the BG contact. The gold in the tills is very fine (generally 20-30 micron) free gold with a strong chlorite association (ODM report).

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 dated 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 or 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 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 were drilled over 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. As described in a news release dated April 27, 2010, 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. 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. Other 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. Only background values in Au and Zn were noted. This zone 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.

The significant mineralized sections are shown on the table following.

**Significant Assay values**  
**SB Zone – DDH's RS-09-1 to RS-10--16**

| <b>Hole #</b> | <b>From (m)</b> | <b>To (m)</b> | <b>Length (m)</b> | <b>Au (g/t)</b> | <b>Ag (g/t)</b> | <b>Cu (%)</b> | <b>Zn (%)</b> |
|---------------|-----------------|---------------|-------------------|-----------------|-----------------|---------------|---------------|
| RS-09-1       | 52.4            | 53.2          | 0.8               | 5.87            | 0.5             | nsv           | nsv           |
| RS-09-2       | 75.2            | 76            | 0.8               | 0.43            | 0.5             | nsv           | nsv           |
| RS-09-3       | 64.5            | 82            | 17.5              | 1.4             | 0.5             | nsv           | nsv           |
| incl.         | 80.6            | 81.3          | 0.7               | 10.7            | 0.5             | nsv           | nsv           |
| RS-09-4       | 22              | 23            | 1                 | ND              | 0.5             | 0.09          | 0.35          |
| and           | 68.45           | 70.3          | 1.85              | 2.53            | 0.5             | nsv           | nsv           |
| and           | 80              | 84.5          | 4.5               | 0.14            | 0.5             | nsv           | nsv           |
| RS-09-5       | 91.46           | 92.5          | 1.04              | 0.35            | 0.5             | nsv           | nsv           |
| RSSB-10-6     | 34.5            | 36            | 1.5               | 0.5             | 0.5             | nsv           | nsv           |
| RSSB-10-7     | 16.5            | 18            | 1.5               | 0.5             | 0.5             | nsv           | nsv           |
| and           | 25.5            | 27            | 1.5               | <b>2.7</b>      | 1.8             | 0.06          | nsv           |
| and           | 36.5            | 38            | 1.5               | 0.5             | 0.5             | nsv           | nsv           |
| RSSB-10-11    | 45.5            | 47            | 1.5               | nsv             | <b>149.6</b>    | 0.05          | nsv           |
| RSSB-10-13    | 73.5            | 76.5          | 3                 | <b>3.5</b>      | 0.5             | nsv           | nsv           |
| including     | 75              | 76.5          | 1.5               | <b>6.2</b>      | 0.5             | nsv           | nsv           |
| and           | 102.1           | 102.7         | 0.6               | <b>1.5</b>      | 0.5             | nsv           | nsv           |
| RSSB-10-14    | 91.5            | 93.4          | 1.9               | 0.5             | 0.5             | nsv           | nsv           |
| and           | 121.5           | 122.7         | 1.2               | 0.46            | 0.5             | nsv           | nsv           |
| RSSB-10-16    | 23.5            | 24.6          | 1.1               | 0.4             | 0.5             | nsv           | nsv           |
| and           | 42              | 43.5          | 1.5               | <b>1.1</b>      | 0.5             | nsv           | nsv           |

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

### **Krissy Zone**

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 during prospecting in 1992. 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 in width, related to the intrusion of linear quartz porphyry bodies. Two short holes (KT-08-1,2), approximately 20 m apart, totaling 85 m, tested the Krissy zone in the vicinity of Trench 2 on L 22 E. Both intersected the Krissy shear in foliated / sheared quartz porphyry and hornfelsed mafic volcanics of the PHG. Both carry recrystallized quartz veining 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 and gold mineralization was intersected in both holes. Significant values 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. Two metallics analyses of core rejects from the drilling gave the following results: 42298 - EA – 5008 ppb, AA metallics – 7508 ppb; and 42299 – EA - 9480 ppb, AA metallics – 13,469, an increase of 40% plus, indicating that free gold is present and that the regular fire assay results may understate the gold values in the zone. Using the metallics analyses, the grade of the gold intersections in KT-09-1 goes from 6.85 g/t over 0.51 m to 9.96 g/t over 0.51 m in a zone that runs 4.23 g/t over 1.4 m. In addition, the Krissy boulder, an approximate 500 lb boulder composed of recrystallized quartz veins 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.

Significant assays 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, carried out in the fall of 2009, contemporaneous with the drilling program, targeted the Krissy shear and parallel structures as defined by VLF-EM (see map on website). VLF-EM Fraser Filter anomalies from a survey carried out by West Coast Ventures in 1988, were used to target the soil geochemistry. Detailed (12.5 m interval) soil samples were taken over the linear anomalies on the southern part of the Krissy grid, on Lines 12-25 E. 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 has 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.

### **Brass Buckle Zone**

The Brass Buckle zone was discovered by Corona Corporation in the late 1980's. Drilling has tested the Brass Buckle zone (13 holes) with significant but narrow gold intersections noted Brass Buckle - 65 g/t over 1 m (incl. 280 g/t / 0.25 m). Due diligence work by SSE personnel in 2009 noted visible gold in both the Brass Buckle and Brass Buckle South zones. No samples were analyzed.

### **2010 Exploration**

Exploration planned for 2010 includes: compilation and report writing, line cutting, soil geochemistry, prospecting, geological mapping and possible trenching on the Krissy zone and compilation, soil geochemistry, prospecting and geological mapping on the Brass Buckle zone. Estimated budget is in the \$200,000-\$250,000 range which will be funded out of existing flow through funds.

### **BIG EASY (BE) (OPTION TO EARN 100 %)**

The 121 claim (30 km<sup>2</sup>) 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); 1<sup>st</sup> anniversary – \$30,000 plus 400,000 shares; 2<sup>nd</sup> anniversary - \$30,000 plus 500,000 shares; 3<sup>rd</sup> 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 4<sup>th</sup> anniversary on.

Thirty Seven (37) rock samples have been taken by the vendors, most from angular boulders or rubbly outcrop. They are all intensely silicified, and show argillic alteration and finely disseminated sulphides (mainly pyrite). Samples of silicified sandstone and conglomerates are locally vuggy, with banded cherty to chalcedonic quartz. The mean and high values 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). The results are encouraging and show that the extensive alteration zone consistently hosts anomalous gold and silver values. The highest Ag grades were 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.

The area of alteration / mineralization was first located 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 rock grab sample values up to 196 ppb gold and unexplained soil sample values up to 370 ppb Au. The property was optioned from the vendors in 2008, and this company 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.

Property evaluations by Guy Mac Gillivray, Senior Geologist and Peter Dimmell, VP Exploration for Silver Spruce, included fourteen (14) due diligence samples and an examination of the alteration zone and the 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 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.

### **Planned work**

A phased exploration program to include trenching / pitting to expose outcrop, line cutting, an IP survey, soil geochemistry and diamond drilling if warranted, to test the large alteration zone, is planned for the 2010 and into 2011.

### **OTHER PROPERTIES / PROJECTS**

The Company continues to evaluate properties and opportunities under a "general exploration" budget. These projects/properties/opportunities include various commodities in various parts of the world, generally where the Company already has assets. 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 their ancestors to evaluate prospective sites throughout their traditional areas. This project, which has had some success in generating areas of interest, (see Lobstick summary) will be continued, albeit at a lower level, in 2010.

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

## 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 Labrador in April 2008, until they develop a comprehensive land use plan, which is under development at this time. Exploration is still allowed, however development is in question until the moratorium is lifted. The moratorium issue has recently been addressed by the Premier of the NG, who indicates that the land use plan is progressing however the moratorium will stay with little chance that it will be lifted prior to the planned end in April 2011. Labrador Inuit Settlement Area (LISA) lands are jointly controlled by the NG and NL governments and are not subject to the moratorium. LI Lands (LIL), comprise approximately 10% and Labrador Inuit Settlement area Lands (LISA) comprise 30%, for a total of 40% of Silver Spruce's properties in Labrador. The Two Time zone and the western portion of the CMBNW, the Snegamook and the Lobstick properties lie outside of the LIL/LISA lands on lands claimed by the Innu people of Labrador and are therefore not affected by the moratorium. The Straits property in southern Labrador is outside of all of the land claim areas.

The imposition of this moratorium combined with the current uranium price has made it difficult to raise money for uranium projects and the problems in the global markets in general have made it almost impossible to raise money for uranium exploration in Labrador. Most companies, including Silver Spruce, have put their uranium projects in Labrador on hold for the near term pending the resolution of the moratorium issue and an increase in the price of uranium. While the properties are essentially on care and maintenance, positive news on the uranium and / or moratorium front could result in immediate re-activation of the projects.

### THE CENTRAL MINERAL BELT (CMB)

The CMB has 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). A mining plan for the Kitts and Michelin deposits and an associated uptake agreement with Consolidated Edison was completed 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 their concessions in 1983 and 1985.

In 2003, the **Fronteer/Altius joint venture (now Aurora Energy)** was formed to evaluate the iron oxide copper gold (IOCG) potential of the CMB. The potential of the shear zone hosted uranium was noted at the Michelin and other deposits and with the increase in the price of uranium, emphasis was then placed on uranium as a commodity 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 Jacques's Lake areas. On September 18<sup>th</sup> 2009, Fronteer announced a positive preliminary economic assessment for the Michelin project which supports a robust 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<sub>3</sub>O<sub>8</sub>) per year. The deposits have measured and indicated resources of 35,000 tonnes of U<sub>3</sub>O<sub>8</sub>, plus 16,000 tonnes inferred resources, mostly requiring underground mining. An investment of C\$1.05 billion (\$980 million) is required with production ramping up to about 3000 tonnes per year. They note that the moratorium is in place until March 2011, and expiry of this will coincide with completion of a land use planning assessment being undertaken jointly by the Nunatsiavut and Newfoundland-Labrador governments.

**Crosshair Exploration and Mining** (Crosshair) optioned the Moran Lake property in the winter of 2005 and flew an airborne survey the following summer. Crosshair's main target is the copper/uranium/magnetite/hematite mineralized zones of the Moran Lake A, B and C deposits, discovered and drilled by Shell Canada in the 1970s, which are peripheral to large gravity anomaly possibly representative of an Olympic Dam type target. A 43-101 compliant resource, in the C Zone, Armstrong and Area 1 zones, of approximately 5.2 million lbs indicated and 5.8 million lbs inferred U<sub>3</sub>O<sub>8</sub> was announced on August 7, 2008. In 2008, Crosshair purchased a 60 % interest in the Two Time zone and the CMBJV (with Silver Spruce) from Universal Uranium indicating their recognition of the potential of the area. Exploration on their projects in the CMB, except for those in the JV that require assessment expenditures, has been curtailed due to the problems associated with the NG's moratorium on uranium mining. The projects are on hold pending higher prices, the resolution of the moratorium issue and better financing opportunities.

## SILVER SPRUCE WHOLLY OWNED PROPERTIES (100%)

Silver Spruce (SSE) owns a 100% interest in 3812 claims in Labrador (Approx. 953 km<sup>2</sup>) 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 (505 claims), Mount Benedict (1587 claims), Tukialuk Bay (247 claims), Jeanette Bay (60 claims), Lake Michael (57 claims), Michelin (91 claims) and Lobstick (1042 claims). The Snegamook Lake 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.

The summaries have been shortened considerably for this quarterly report and more detailed descriptions of the properties and the exploration carried out on them are in the year end reports filed in March 2009.

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.

## SNEGAMOOK LAKE

The Snegamook property, located just to the southeast of Snegamook Lake, consists of 86 claims (21.5 km<sup>2</sup>), 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 Nunatsiavut government, on lands subject to the Innu Land Claim and it is not subject to the NG moratorium on uranium development.

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 south-southeast of the Two Time Zone. A total of 17 drill holes tested the zone, intersecting a 20 to 50 meter wide section of uranium bearing, brecciated and/or altered monzodiorite with moderate to strong chlorite, hematite and carbonate alteration, the same geological setting as the Two Time Zone. Four individual mineralized zones were identified and traced over a strike length of 300 meters and to a vertical depth of 200 meters. The zones are shallow dipping (15 to 20 degrees to the west) and vary in width from five to 53 meters with grades ranging from 225 to 771 ppm U<sub>3</sub>O<sub>8</sub>. Individual one meter values range from 50 to 1,110 ppm U<sub>3</sub>O<sub>8</sub>, with the widest section in SN-08-8 averaging 206 ppm U<sub>3</sub>O<sub>8</sub> (0.41 lbs/ton) over 73 meters, similar to values located in the Phase 1 drill program on the Two Time Zone. Higher grade zones, 0.11% (2.13 lbs/ton) U<sub>3</sub>O<sub>8</sub> over three meters and 0.11% (2.22 lbs/ton) U<sub>3</sub>O<sub>8</sub> over two meters, were located in SN-08-18. The zones appear to be disrupted to the south and down dip by steeply dipping fault structures that displace the basement gneiss units but remain open to the north. Additional drilling is required to delineate the zone.

Two drill holes (SN-08-18 and SN-08-20) tested a radon gas anomaly 500 meters to the south of the Snegamook Zone. They intersected nine meters (210 to 219 m) of 552 ppm U<sub>3</sub>O<sub>8</sub> and five meters (191 to 196 m) of 224 ppm U<sub>3</sub>O<sub>8</sub>. Additional drilling is required to determine the significance of these intersections.

**Near Miss Showing:** Sub-angular boulders and outcrop cover an area approximately 100 by 30 metres, which lies approximately four kilometres southwest of the Two Time showing, southwest. Values from 78 to 5000 ppm (0.008% to 0.5%) U<sub>3</sub>O<sub>8</sub> in rock samples from outcrop with good coincidence with RadonEx radon gas anomalies. Drilling gives erratic uranium mineralization over narrow widths hosted in hematized, brecciated, granitic to monzodioritic units. The hematite microbreccias give individual one meter intervals grading from 113 to 2,117 ppm U<sub>3</sub>O<sub>8</sub> with the widest intersection averaging 213 ppm U<sub>3</sub>O<sub>8</sub> (0.43 lbs/ton) over 16 meters including one meter of 0.21% (4.23 lbs/ton) U<sub>3</sub>O<sub>8</sub>. 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 and none is planned for 2010, due to the price of uranium and budgetary restraints. Assessment reports have and are being completed with the property consolidated by combining claim groups, allowing it to be kept without further work for over 5 years, with only a renewal payment of \$2,150, due in 2010. The project continues to show good potential which should be realized once prices return to higher levels.

As a result of an analysis of impairment issues related to the current price of uranium and the NG moratorium which have resulted in an inability to access financing and the market cap of the company, the property was written down by \$1,114,465 at the 2008 year end and the remaining expenditures totaling \$3,726,880 were written off at year end, 2009.

Plan maps showing the drilling on the Snegamook Property, including the Snegamook Zone, can be viewed on the Company website [www.silverspruceresources.com](http://www.silverspruceresources.com).

## **DOUBLE MER**

The Double Mer property consists of 219 claims (55 km<sup>2</sup>), located in the Double Mer-Lake Melville area of Labrador, approximately 110 kilometres east of Happy Valley-Goose Bay. The original 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 has included: a radiometric/magnetic survey carried out in 2006, data compilation, prospecting, geological mapping, geochemistry (streams, soils) and ground geophysics (scintillometer/radon gas). The radiometric / magnetic 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<sub>3</sub>O<sub>8</sub>, with a high value of 2,640 ppm uranium (0.33% U<sub>3</sub>O<sub>8</sub>) associated with high spectrometer readings (> 10 K cps), in the area of the trenches. The historical trenches and dhd's were relocated and found to be north of the east-west trending magnetic high associated with a radioactive trend on the radiometric maps.

Exploration in 2008 consisted of 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. 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<sub>3</sub>O<sub>8</sub>, with 42 > 1,000 and 7 over the 95<sup>th</sup> percentile of 2,200 ppm with a high of 4,281 ppm (0.43%) U<sub>3</sub>O<sub>8</sub>. 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.

No exploration is planned for 2010 pending better prices and the availability of financing for uranium projects in Labrador. As a result of an internal analysis of impairment issues related to the current price of uranium and the NG moratorium which have resulted in an inability to access financing, and the market cap of the company, the property expenditures of \$802,581 were written off at year end 2009.

## **STRAITS**

The Straits 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 505 claims (126 km<sup>2</sup>) 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. The property covers uranium in lake sediment anomalies located by the Geological Survey of Canada, with copper values, associated with a north-northwest trending fault structure. The area had not been explored prior to the SSE work.

Exploration has included: an airborne radiometric/magnetic survey which gave 21 significant radiometric targets; compilation; remote sensing; and ground field work, which included prospecting, lake sediment and soil geochemistry, and geological mapping. Mineralized areas were defined by prospecting and lake sediment geochemistry 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<sub>3</sub>O<sub>8</sub>; 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<sub>3</sub>O<sub>8</sub>. 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<sub>3</sub>O<sub>8</sub> 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<sub>3</sub>O<sub>8</sub>) with a high value of 5,887 ppm U<sub>3</sub>O<sub>8</sub>, associated with uranophane staining. Three other anomalous areas were also defined: Area 1 - In the south-west, in uranium bearing pegmatites; Area 2 - 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 due to the narrow width of the mineralized zones and the thorium association.

Regional surveys show areas of uranium 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. No uranium exploration is planned for 2010 pending better prices and the availability of financing for uranium projects in Labrador. Decision on exploration for REEs is pending receipt of REE results from rock samples taken in 2007 and 2008 (see REE property section).

As a result of an internal analysis of impairment issues related to the current price of uranium and the NG moratorium which have resulted in an inability to access financing, and the market cap of the company, the property was written down by \$448,552 at year end 2008 and the remaining expenditures of \$805,227 were written off at year end 2009.

## **MOUNT BENEDICT**

The property consists of 1,587 claims (approximately 397 km<sup>2</sup>), located in the Benedict Mountains area, approximately 180 kilometres northeast of Happy Valley-Goose Bay and 30 to 70 km to the south of Makkovik. The claims are 100% owned by Silver Spruce, subject to a one percent Net Smelter Return (NSR) to the optionee on 532 of the original claims. It is located in part on Labrador Inuit Land (LIL), with the remaining part on Labrador Inuit Settlement Area (LISA) lands. The property covers uranium in lake sediment anomalies located by the Newfoundland and Labrador government 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 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 an altered (potassic ?), fine grained, feldspar rich (plagioclase), felsic to mafic intrusive of the Benedict Mountains Intrusive Suite (BMIS) which has been fractured and veined with uraninite/pitchblende and magnetite and which shows extensive uranophane staining. Extensive iron oxides (magnetite) and minor sulphides (pyrite/pyrrhotite) are associated with the uranium mineralization making the unit a magnetic high.

Diamond drilling 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  $U_3O_8$  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)  $U_3O_8$  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)  $U_3O_8$  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 kilometers 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)  $U_3O_8$ . 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  $U_3O_8$  and 22 metres (44-66 m) at 278 ppm  $U_3O_8$ , separated by a 12 meter wide, barren, mylonitized felsic unit. The zone is a highly altered (hematite/carbonate/chlorite, silicified), 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  $U_3O_8$ . 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  $U_3O_8$ . 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 kilometer, circular anomaly with elevated lead, molybdenum and silver values. Four circular coincident molybdenum, silver, copper, and locally lead anomalies, varying from 3 to 5 kilometers 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.

The property was consolidated in 2009 to retain only those areas of the highest potential. No exploration is planned for 2010 pending better prices and the availability of financing for uranium projects in Labrador. Exploration results, including a plan map and spreadsheet showing the results at the AT-649 showing, the airborne targets and the drill plan for the T Super 7 and AT-649 zones, along with photos of the discovery area are shown on the Company's website ([www.silverspruceresources.com](http://www.silverspruceresources.com)).

As a result of an internal analysis of impairment issues related to the current price of uranium and the NG moratorium which have resulted in an inability to access financing, and the market cap of the company, the property was written down by \$1,470,137 at year end 2008 and the remaining expenditures of \$2,719,397 were written off at year end 2009.

## **MICHELIN**

The property consists of 91 claims (23 km<sup>2</sup>) in one contiguous block, staked in April 2009, located 5 km from Fronteer's Michelin deposit. It was acquired in 2009 due to its location in the vicinity of the deposit.

Compilation work was not carried in 2009 as planned due to a funding shortfall. This work plus some ground follow up, to assess the potential for uranium mineralization, may be carried out in 2010 and if so it will be funded out of existing flow through funds. No impairment is indicated at this time.

## **TUKIALUK BAY**

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

Strong uranium stream sediment geochemical anomalies, were located, with most occurring in the central part of the claim group coinciding 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.

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. No exploration is planned for 2010 pending better prices and the availability of financing for uranium projects in Labrador. As a result of an internal analysis of impairment issues related to the current price of uranium and the NG moratorium which have resulted in an inability to access financing, and the market cap of the company, the property expenditures of \$50,144 were written off at year end 2009.

## **JEANETTE BAY**

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

Exploration in 2008 included stream sediment sampling and prospecting. A strong, coincident, uranium-lead-molybdenum stream sediment geochemical anomaly, with uranium values up to 103 ppm, was defined in the northwestern portion of the property along the contact between mid Paleoproterozoic foliated granodiorites and Late Paleoproterozoic massive granites, similar to the geological setting that hosts uranium mineralization at the AT- 649 zone on the Mount Benedict property. Ground reconnaissance located anomalous scintillometer readings in outcrop, however no sampling was carried out due to the lateness of the season. 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. A cluster of anomalous scintillometer readings are found 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 at least the next year. No exploration is planned for 2010 pending better prices and the availability of financing for uranium projects in Labrador. As a result of an internal analysis of impairment issues related to the current price of uranium and the NG moratorium which have resulted in an inability to access financing, and the market cap of the company, the property expenditures were written down by \$41,164 at year end 2009.

## **LAKE MICHAEL**

The property, totaling 57 claims (14 km<sup>2</sup>) 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 southeast of Makkovik.

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. The anomaly is underlain by Late Paleoproterozoic intrusive, quartz monzonite and granodiorite, and early Mesoproterozoic gabbro and amphibolite. Moderately elevated scintillometer values are scattered over the southwestern part of the property but are non coincident with the U-Mo-Cu stream sediment anomaly. No follow up has been carried out.

The property was reduced to retain claims showing the most potential for at least the next year. No exploration is planned for 2010 pending better prices and the availability of financing for uranium projects in Labrador. As a result of an internal analysis of impairment issues related to the current price of uranium and the NG moratorium which have resulted in an inability to access financing, and the market cap of the company, the property expenditures were written down by \$33,946 at year end 2009.

## **LOBSTICK (LS) (OPTION TO EARN 100%)**

The property, now consisting of 1062 claims (265.5 km<sup>2</sup>), is located in the Churchill reservoir area of south central Labrador, and was acquired by option from two Innu prospectors, Jean Pierre Ashini and Raphael Riche and by subsequent staking. The properties cover anomalous uranium in lake sediment values associated with structurally related uranium mineralization in felsic volcanic and intrusive units. Uranium mineralization was discovered by Jean Pierre in the felsic volcanics / tuffs, during prospecting supported by Silver Spruce. The option agreement has the following terms to earn a 100% interest subject to a 2.0% NSR with a 1.0% buyback for \$1.0M: On signing: 200,000 shares, 1<sup>st</sup> anniversary - \$20,000 cash and 200,000 shares, 2<sup>nd</sup> Anniversary: \$20,000 plus 200,000 for a total of \$40,000 cash and 600,000 shares. In addition, a yearly advance royalty payment, deducted from future NSR payments, of \$10,000 per year, is payable from the 4<sup>th</sup> anniversary on. The property covers all of the significant felsic volcanic and intrusive units with anomalous uranium in lake sediment anomalies in the area.

The property is road accessible via the Lobstick Road which cuts across the area and provides access to the various dams associated with the Reservoir. A powerline also extends through the area and a communication tower is located in the area of the Ashini showing. The area lies outside of the area subject to the Nunatsiavut Government moratorium on uranium mine development, in lands subject to the Innu of Labrador land claim.

The host units are the Blueberry Lake Group of Helikian age, which are described as felsic volcanic rocks, primarily rhyolite and rhyodacite; mafic to intermediate flows and tuffs; felsic crystal and crystal lithic tuffs with minor volcanic breccia; tuffaceous sandstone, siltstone and greywacke, minor phyllite and slate; polymictic conglomerate and latite porphyry. These units are coeval, or just underlie, the Sims Formation, which consists of arkose and orthoquartzite, and which is believed to be related to basin infilling in the Helikian, a similar geological setting to that of the Athabasca Basin of Saskatchewan. The geological setting is considered to be similar to that of the Michelin deposit of Frontier Development in the Central Mineral Belt of Labrador, in that it is uranium mineralization in foliated felsic volcanic or tuff unit associated with shearing.

Two grab samples which gave field scintillometer readings up to 4,500 cps, gave uranium values of 1,120 ppm (2.23 lbs / ton) and 513 ppm (1.03 lbs / ton) U<sub>3</sub>O<sub>8</sub> with elevated lead (379 and 245 ppm), and weakly anomalous silver (1.3 and 0.6 ppm). Uranium /Thorium ratios were in the 9 to 10:1 range (News release – Oct. 29, 2009).

## **2010 Exploration**

A total of 350 lake sediments, from 470 possible sites, were acquired under contract by Keats Global Exploration in March 2010. Results indicate significant uranium anomalies are associated with the felsic units and in most cases, crosscutting structural features, possible faults, in the northern, central and southern parts of the property (News release April 27, 2010). Background values are less than 5 ppm U with 113 values greater than background and highs in the 35-37 ppm range (3 samples). Results for other elements remain pending and will be reported when received.

Another 20 claims were also acquired in the west central part of the property to protect the on-strike extension of a structure which lies just to the north of the showing and which appears to be associated with some of the stronger uranium in lake sediment anomalies.

Further exploration in 2010 includes data compilation, an airborne radiometric / magnetic survey planned for late June / early July and late summer / early fall ground follow up. The budget is approximately \$300,000 which will be funded out of existing flow through funds.

Maps showing the lake sediment results for U, the newly acquired claims and a compilation map of the property can be viewed on the company website at [www.silverspruceresources.com](http://www.silverspruceresources.com).

## **JV PROPERTIES (40% SSE / 60% CXX)**

### **CENTRAL MINERAL BELT JV**

The CMBJV properties consist of 3001 claims (approx. 750 km<sup>2</sup>), after consolidation of the properties to those areas showing the highest potential, in the Central Mineral Belt (CMB) of Labrador, making the Silver Spruce/Crosshair JV the second-largest claimholder in this region. The properties are proximal to the Michelin, Moran Lake and other uranium showings under exploration/development by Aurora, Crosshair, Santoy (Virginia) and Mega Uranium and are located, to the west of and inland from, the coastal Postville-Makkovik area of Labrador, approximately 150 kilometres northeast of Happy Valley-Goose Bay. The properties were acquired by staking to cover uranium in lake sediment anomalies located by the Newfoundland and Labrador government, 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, with its 60% majority interest has taken over the operatorship of the JV.

Exploration, from mid 2006 to early 2008, has 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, including four on Jacques' Lake, two on CMBNW, four on CMBSE, one on CMBE and six on the CMBNE properties, were selected for follow up in late 2006. Ground follow up, consisting of prospecting using hand-held scintillometers in late August to September 2006, located the Two Time zone on the CMBNW property, 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, the budgetary restraints most junior companies are subjected to, the impact of the NG uranium moratorium and the price of uranium, only limited regional exploration, required to keep the properties in good standing and evaluate them, was carried out by Crosshair, as operator, in consultation with SSE on the CMBJV properties in 2009, and this careful exploration, aimed at consolidating, reducing and retaining those properties which show the most potential continues in 2010. SSE's portion in 2009 was funded out of flow thru funds.

The work will be continued in 2010 as required to evaluate and reduce the properties to those showing the best potential. Budgets are being planned by Crosshair after discussion with SSE. These will either be approved by both parties or will be revised after further discussion prior to carrying out the work.

Additional work is warranted, when conditions are right, at the newly discovered zones on the CMB Jacques Lake, Northeast and East properties to trace and evaluate the mineralization. This will consist of ground geochemical (soils) and geophysical surveys, trenching and further prospecting and mapping. Diamond drilling will follow if warranted.

Silver Spruce and Crosshair would like to thank the Newfoundland and Labrador Department of Natural Resources for the Junior Exploration Assistance (JEAP) grant funding in 2009 towards its exploration program at the CMBJV Project. 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). In addition UUL retains a 2 % NSR on the 60 % that they owned. This put a value, based on the stock and cash only, of SSE's portion of the JV properties at approximately \$ 4 M at the time of the deal. Consolidation (regrouping), reducing and abandonment of claims that show little promise, has been carried out by Crosshair in consultation with SSE. The Seal Lake / Seal Lake North property costs (\$60,424) were written off at year end 2008 due to poor exploration results.

No write down in the value of the rest of the properties in the CMBJV, unless abandoned, is indicated at this time since the Two Time zone has significant intrinsic value and the rest of the properties are early in the exploration cycle with exploration ongoing. It is believed that the NG moratorium will be lifted in 2011 and that it is likely that Fronteer will move ahead with development of their Michelin / Jacques Lake project. Any infrastructure developments will improve the economics of further exploration and development for all properties in the CMB.

Impairment issues will continue to be examined quarterly and if required write downs will be taken.

#### CMBNW

The CMBNW property, in the north-western portion of the CMB, consists of 2,058 claims (514.5 km<sup>2</sup>) acquired by staking in 2006. It is located partially on LISA lands, and partially on lands covered by the Innu land claim, approximately 110 km to the west of Postville.

Exploration has consisted of compilation, airborne radiometric/magnetic and air gravity surveys, prospecting, line cutting, stream, lake sediment and soil geochemistry, geological mapping, and geophysical (RadonEx) surveys, trenching/stripping, diamond drilling and a resource calculation on the Two Time (TT) zone completed in April, 2008. Crosshair has been carrying out compilation of data, plus due diligence core logging and ground truthing since acquiring the operatorship of the JV in late summer 2008. The TT showing was discovered by prospecting using scintillometers, at the location of the CMBNW#2 airborne radiometric anomaly in September 2007. An **air gravity** survey in the Kanairiktok River area including the TT Zone area showed a number of gravity features, both positive and negative, some of which appear to be associated with the TT mineralization, and possible extensions. **Lake sediment geochemistry** gave values ranging from background (< 17 ppm) to 374 ppm and defined two significant anomalous areas. **Soil geochemical** surveys centered on radon gas anomalies and/or radioactive showings over selected areas to the east and north of the TT Zone gave uranium values from 0.1 to 130 ppm, with a mean value of 2 ppm. Four anomalous areas were highlighted. **RadonEx** (radon gas) surveys defined a trend of radon anomalies, thought to represent uranium mineralization, along the Two Time trend and showed a number of other mineralized structural trends with significant anomalies, some much larger

and stronger than the anomaly over the TT zone, mainly over favourable geology and structural lineaments to the east and southeast of the TT Zone. **Prospecting** 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<sub>3</sub>O<sub>8</sub> (10 lbs/ton) and 31 with values > 0.1% U<sub>3</sub>O<sub>8</sub> (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<sub>3</sub>O<sub>8</sub> (18.6 lbs/ton) in float boulders and 0.4% U<sub>3</sub>O<sub>8</sub> (8 lbs/ton) in outcrop is located in the south eastern portion of the group. **The Firestone Showing**, an area of 250 by 600 m of strong, pervasively hematitized / brecciated, monzondiorite/granite, which has highly anomalous to off scale (> 10,000 cps) scintillometer readings, was located along a strong northwest - southeast trending structure approximately 8 km to the southeast of the TT Showing. Two float samples gave values of 0.08 and 0.11% U<sub>3</sub>O<sub>8</sub> and proximal and down ice from the zone, boulders with values over 1.0 % U<sub>3</sub>O<sub>8</sub> were located.

The radiometric picks for the airborne surveys, the air gravity results and a compilation map showing the RadonEx, soil, geochemical and rock sample results are shown on the Silver Spruce website at [www.silverspruceresources.com](http://www.silverspruceresources.com)

## 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, just to the east of Snegamook Lake, as a 50 m long cliff outcrop which gave rock sample values up to 0.26 % U<sub>3</sub>O<sub>8</sub>. The zone was traced inland under cover by prospecting and hand trenching. 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 and one hole, CMB-07-24, tested a RadonEx soil gas anomaly to the north, along strike of the zone. Table 2 gives the significant drill intersections.

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

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 through D108. At a cut-off grade of 0.03% U<sub>3</sub>O<sub>8</sub>, Indicated Mineral Resources are estimated to total 1.82 million tonnes grading 0.058% U<sub>3</sub>O<sub>8</sub> containing **2.33 million pounds U<sub>3</sub>O<sub>8</sub>**. Inferred Mineral Resources are estimated to total 3.16 million tonnes grading 0.053% U<sub>3</sub>O<sub>8</sub> containing **3.73 million pounds U<sub>3</sub>O<sub>8</sub>**. 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<sub>3</sub>O<sub>8</sub>, and a minimum true thickness of four metres. These criteria reflect a potential underground bulk-mining scenario. High U<sub>3</sub>O<sub>8</sub> grades were cut to 0.3% U<sub>3</sub>O<sub>8</sub> prior to compositing to two metres. Variogram parameters were interpreted from two-metre composited assay values. Block model U<sub>3</sub>O<sub>8</sub> 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**

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

**INFERRED MINERAL RESOURCES**

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

## Notes:

1. CIM definitions were followed for mineral resources.
2. The cut-off grade of 0.03% U<sub>3</sub>O<sub>8</sub> was estimated using a U<sub>3</sub>O<sub>8</sub> price of US\$65/lb and assumed operating costs.
3. Grade-shell wireframes at 0.03% U<sub>3</sub>O<sub>8</sub> and a minimum true thickness of four metres were used to constrain the grade interpolation.
4. High U<sub>3</sub>O<sub>8</sub> grades were cut to 0.3% prior to compositing to two-metre lengths.
5. Several blocks less than 0.03% U<sub>3</sub>O<sub>8</sub> were included for continuity or to expand the lenses to the four metre minimum true thickness.

The TT zone has been traced over a strike length of approximately 475 metres, from 2+75 N to 2+00 S, remaining open to the north and south along strike and to depth. 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<sub>3</sub>O<sub>8</sub> (uranium oxide) from 172 m to 279 m, including higher grade zones: 0.11% U<sub>3</sub>O<sub>8</sub> over 30 m from 172 m to 302 m and including 0.312% U<sub>3</sub>O<sub>8</sub> 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<sub>3</sub>O<sub>8</sub>, 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<sub>3</sub>O<sub>8</sub>. Hole 19 which gave the widest zone of mineralization, 199 m of 0.026% U<sub>3</sub>O<sub>8</sub>, was stopped in mineralization due to mechanical difficulties. Soil geochemical results and the presence of uranophane in surface samples indicate that extensive oxidation has taken place in the near surface portion of the Zone. 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.

Exploration carried out in 2009 included geological mapping, prospecting and geochemistry on the marginal licences in order to maintain them. No significant new mineralized zones were located. Further work is planned for 2010. The TT zone, which has defined resources, plus other, as yet, evaluated showings gives the property significant value. No write down of exploration costs is contemplated at this time however impairment issues will continue to be evaluated quarterly. Plan maps and sections for the drilling on the TT Zone can be viewed on the Silver Spruce website at: [www.silverspruceresources.com](http://www.silverspruceresources.com).

**TABLE 2 SIGNIFICANT DRILL HOLE INTERSECTIONS**  
**Two Time Zone - CMBNW Property**  
(after Scott Wilson Roscoe Postle Associates)

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

## **CMBE**

The CMBE JV property consists of 12 claims (3 km<sup>2</sup>) after consolidation, and is located in the central – eastern portion of the CMB. It is on LISA lands, 25-35 km to the southeast of Postville.

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<sub>3</sub>O<sub>8</sub>, from a single sample within a wide area of high scintillometer values and an outcrop of hematitized granite which gave 0.28 % U<sub>3</sub>O<sub>8</sub>, 0.6 % Mo, and >100 ppm Ag. Exploration in 2009 included prospecting, geological mapping and lake sediment geochemistry. A value of 2.19% U<sub>3</sub>O<sub>8</sub> was obtained in re-sampling of the strongly altered and mineralized granitic float discovered in 2007. The area is located proximal to interpreted airborne magnetic features that appear to be associated with Fronteer's Jacques Lake trend and deposit, located approximately 11 kilometres to the southwest.

Additional work is warranted to trace and evaluate the mineralization located. This will consist of ground geochemical (soils) and geophysical surveys, trenching and further prospecting and mapping for the new uranium zones. Diamond drilling will follow if warranted. The 2010 budget is in the planning stage.

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

## **CMBJL**

The Jacques Lake property, consists of 313 claims (78 km<sup>2</sup>). It lies in the central part of the CMB on LIL lands, 15 to 25 km to the south of Postville and directly to the west of, adjoining the Jacques Lake Deposit property of Fronteer Development ("Fronteer").

Exploration included: an airborne radiometric/magnetic survey which located four high priority targets, prospecting and a detailed lake bottom survey. Lake sediment values ranged from high background (30 ppm or less) to 217 ppm with two anomalous areas defined. Exploration in 2009 included prospecting, geological mapping and lake sediment geochemistry, with a budget of \$124,000. An area of mineralized granite float and bedrock where 26 samples over a 3 km strike length gave assays from 0.03 to 0.46% U<sub>3</sub>O<sub>8</sub>, named the South Brook zone, was located. Another zone with 10 float samples assaying from 0.03 to 0.11% U<sub>3</sub>O<sub>8</sub>, the Running Man target, was located approximately 5.5 kilometres to the southeast of the South Brook Trend coincident with a two kilometre long, linear, airborne radiometric anomaly.

Additional work is warranted to trace and evaluate the mineralization located. This will consist of ground geochemical (soils) and geophysical surveys, trenching and further prospecting and mapping for the new uranium zones. Diamond drilling will follow if warranted. The 2010 budget is in the planning stage.

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.

## **CMBNE**

The CMBNE JV property consists of 313 claims (78 km<sup>2</sup>) and is located in the central – eastern portion of the CMB. Exploration from 2006-2007 consisted of an airborne radiometric/magnetic survey and limited prospecting follow up.

In 2009 exploration consisted of ground follow up prospecting based on the radiometric survey results, resulting in the discovery of two new uranium showings: 1) Big Bear - hosted in altered granitic rocks - four grab samples with values from 0.02 to 0.10% U<sub>3</sub>O<sub>8</sub> 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<sub>3</sub>O<sub>8</sub> in one bedrock sample. This showing is 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.

Additional work is warranted to trace and evaluate the mineralization located. This will consist of ground geochemical (soils) and geophysical surveys, trenching and further prospecting and mapping for the new uranium zones. Diamond drilling will follow if warranted. The 2010 budget is in the planning stage.

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.

## **OTHER CMBJV PROPERTIES**

Other properties included in the CMB JV include: Otter Lake (OL) – 34 claims; Portage Lake (PL) – 107 claims; Southeast (SE) – 41 claims; and South Brook Pond (SBP) – 14 claims. Exploration consisted of: airborne radiometric/magnetic surveys in 2006 which located four high priority targets on the SE, and six on the NE property. Limited prospecting did not locate any significant mineralization. No exploration was carried out in 2008. Exploration in 2009 by Crossahir included prospecting, geological mapping and geochemistry, on the PL and SE properties. No significant results were encountered and the properties will be retained for the present.

No write down in the values of the retained properties is indicated however costs associated with the OL, Kanairiktok River, SBP and Carr Lake were written off since no further work is planned and the properties will be dropped as they come due. Impairment issues will continue to be examined quarterly.

## **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 since 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. They include: 1) The Pope's Hill property 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 on record, 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 the ST data was released on May 27, 2010. Compilation maps showing the property locations, plus pictures of the Pope's Hill area can be viewed on the company website [www.silverspruceresources.com](http://www.silverspruceresources.com). The properties are described individually below.

A confidentiality agreement (CA) was signed with Rare Earth Metals Inc. (TSXV:RA) for due diligence and possible option on the Pope's Hill and RWM rare earth element (REE) properties in Labrador (news release June 22, 2010).

### **Pope's Hill (PH)**

The property consists of 62 claims (1,550 ha) located in the Pope's Hill area along the Trans Labrador Highway (TLH). Rock samples 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. The rock units are granitic gneisses of late Paleoproterozoic age, with some pegmatites. Analyses by a REE package (Group 4B REE) were carried out at the ACME Laboratories facility in Vancouver, BC after sample preparation at Eastern Analytical in Springdale, NL. No check sampling has been carried out.

RA is planning to carry out a due diligence property visit and sampling program during the early part of July.

### **RWM**

The property consists of 32 claims (800 ha) and covers the second highest heavy rare earth element value, > 80 ppm HREE (includes europium, terbium, ytterbium and lutetium), in the government database for Labrador. The property lies in the southern Red Wine Mountains, approximately 30 km to the east of a road which provides access to the Churchill Reservoir area. The highly anomalous 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. No field work has been carried out.

RA plans to carry out an airborne survey (radiometric / magnetic) over the property as part of the airborne survey over their extensive property holdings, which include historical Beryllium, Niobium, REE and Zirconium showings, located to the north of the RWM property in the Red Wine Mountains.

### **Straits (ST)**

The property consists of 505 claims (126 km<sup>2</sup>) in a number of licences, including 82 new claims acquired after the data was compiled. Data on rock, stream and lake samples taken during uranium exploration in 2007 and 2008 was compiled and 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. No follow up carried out and no other REE elements analyzed. The pulps of most of the anomalous rock samples were located and shipped to Activation Laboratories in Ancaster ON for analysis by a full REE package. Results are pending and will be reported when received. The property is not covered by the RA CA.

## MANAGEMENT

### **Lloyd Hillier - President & CEO, Director, Chairman**

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

### **Gordon Barnhill - VP Corporate Affairs, Director, CFO**

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

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

Peter Dimmell is a geologist and prospector who has been involved in mineral exploration in Canada, the United States and overseas for 40 years. He is a past president 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 four other public companies: Linear Gold Corp, Pele Mountain Resources Inc, VVC Exploration Corp. and Atocha Resources Inc.

### **Guy Mac Gillivray, P.Geo. - Senior Geologist**

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

## LIQUIDITY, FINANCINGS AND CAPITAL RESOURCES

### **Operating Activities**

The Company had a net cash outflow from operating activities of \$30,847 for the three months ended April 30, 2010 (April 30, 2009 - \$254,055 outflow).

### **Financing Activities**

The Company generated \$9,236 for the three months ended April 30, 2010 through financing activities compared to \$2,241 outflow for the three months ended April 30, 2009.

### **Investing Activities**

The Company had a net outflow of \$266,802 from investing activities for the three months ended April 30, 2010 (April 30, 2009 - \$57,242 outflow). Of this amount \$266,552 was invested in mineral property exploration activities (April 30, 2009 - \$275,394).

### **Liquidity**

The Company had cash and cash equivalents of \$410,700 as at April 30, 2010 (April 30, 2009 - \$1,005,347). The change in non-cash operating working capital as at April 30, 2010 was a cash inflow of \$121,296 (April 30, 2009 cash outflow of \$163,385). The exploration budget for 2010 is \$700,000 consisting of \$150,000 for Rambler South, \$300,000 for Lobstick, \$100,000 for Big Easy, and the

remainder (\$150,000) for the CMBJV and general exploration, which will be funded from existing cash or by going to the markets for Flow Through funding.

Working capital is sufficient, with the planned exploration expenditures, to allow the Company to maintain its operations and properties for at least the next six months.

### **Capital Resources**

The Company's authorized capital consists of an unlimited number of common and preference shares without par value. At April 30, 2010, the Company had 68,806,775 issued and outstanding common shares (April 30, 2009 – 48,423,963).

### **RELATED PARTY TRANSACTIONS**

Included in accounts payable and accrued liabilities as at April 30, 2010 is \$48,536 (October 31, 2009 - \$60,000) 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 six months ended April 30, 2010, 2,925,000 (October 31, 2009 - 2,690,000) stock options were granted to directors, officers and employees of the Company.

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. Management and employees of the Company stay at a hotel controlled by an officer and director of the Company. During the six months ended April 30, 2010, \$302 (October 31, 2009 - \$2,944) was paid to the hardware store and \$9,337 (October 31, 2009 - \$98,231) was paid to the hotel and capitalized to mineral properties.

These transactions are in the normal course of operations and are recorded at the amount agreed on by the related parties.

### **COMMITMENTS UPDATE**

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:

|             | <b>Cash (CAD)</b> | <b>Cash (USD)</b> | <b>Shares</b> |
|-------------|-------------------|-------------------|---------------|
| <b>2010</b> | \$180,000         | \$150,000         | 1,381,831     |
| <b>2011</b> | \$350,000         | -                 | 1,200,000     |
| <b>2012</b> | \$50,000          | -                 | 950,000       |
| <b>2013</b> | \$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 three years:

|      |               |
|------|---------------|
|      | \$            |
| 2011 | 9,900         |
| 2012 | 9,900         |
| 2013 | 825           |
|      | <u>20,625</u> |

## **FINANCIAL INSTRUMENTS**

### **Fair Value:**

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

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

## **RISKS AND UNCERTAINTIES**

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

Recent acquisitions in Labrador (Lobstick) 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 available matching government funding where available, until financing becomes more available. The Centauro property is an excellent joint venture opportunity and will be marketed as such over the next few months.

## 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<sub>3</sub>O<sub>8</sub>) is about 77 kilotons per annum (ktpa), while current mine production accounts for 48ktpa. The balance, 29ktpa, comes from inventory - primarily the down-blending of weapons grade uranium which has greatly diminished over the past few years. Mine output is expected to increase to 54 ktpa over the next three to five years, leaving a significant supply gap to be filled by new production (IAEA). Cameco's 2005 annual report estimates that uranium fuel consumption will reach 217 ktpa by 2015. The long term outlook remains positive for uranium, which is currently trading at around US\$65/lb on the term market with spot prices firming up recently to \$53/lb. Market pressures remain strong for the long term and the sentiment is that the long term uranium price should increase over the next few years.

The price of uranium when money was raised for the exploration in Labrador was in the \$100/lb range (term prices). Over the past year or so when the money was primarily spent on exploration, the term price was in the range of \$75 to \$80 / lb. The term price is now in the \$ 50 / lb, close to the prices when the bulk of the money was spent and down somewhat from the prices when the money was raised. Assessment reporting on our Labrador uranium properties show that the main areas of uranium potential defined by regional work, and some drilling, over the past few years will be maintained for the next 2 to 3 years without requiring significant continued exploration expenditures. This will allow the Company to maintain its properties until the end of the Nunatsiavut Government moratorium in a couple of years. Properties will be reduced/consolidated to allow retention of the areas of potential while those areas showing little potential will be abandoned and the associated costs written off.

SSE will benefit from maintaining a strong land position in Labrador when the Nunatsiavut government lifts the moratorium on uranium mine development, allowing Fronteer 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 gold/silver are strong and it is for this reason that the Company is emphasizing these commodities. The demand for base metals, REEs and other commodities is expected to rise as the global economy turns around. The Company's gold / base metal / REE projects are mainly road accessible and therefore relatively cheap to explore. No significant emphasis is being 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 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 these properties. The properties mostly can be maintained until prices, and the global economic climate, returns to normal. If properties cannot be retained, or are abandoned, then they will be written down or off. Impairment issues have been evaluated and those projects showing impairment were written down or off at year end, 2008 and 2009. Impairment issues will continue to be evaluated each quarter.

The low market cap of the Company also factors in to the decision to write down the value of many of the the properties in the exploration portfolio, especially those properties impacted by the Nunatsiavut Government moratorium and the inability to finance continued exploration. We continue in a global slowdown which is not reflective of the true value of certain companies or assets. We are, like most companies, caught in this slowdown which appears to be getting better with an increase in market cap likely as the situation turns around. Possible impairment issues will continue to be evaluated quarterly and if required, further write downs or write offs will be taken.

## **OUTLOOK**

The Company reduced its 2009 exploration program, from the high levels of 2008 to approximately \$700,000, including drilling on two projects, Centauro and Rambler South, with the funding met from existing cash resources.

The company completed both flow through and hard dollar financings in late calendar year 2009, with \$700,000 in flow through and \$300,000 in hard dollars raised. These financings, in concert with return of deposits and/or repayment of exploration expenditures in Quebec and VAT in Mexico should allow the company to maintain exploration programs in 2010 as described in the previous sections.

A property portfolio with gold/silver assets and a uranium discovery with defined resources, make Silver Spruce a leading junior explorer. Circumstances are challenging given the instability in current market conditions but we are poised for short term success in precious metals and longer term success in uranium exploration and development.

## **MULTILATERAL INSTRUMENT 52-109 DISCLOSURE**

### **Evaluation of disclosure controls and procedures**

The Corporation has established and maintains disclosure controls and procedures over financial reporting. The certifying officers have evaluated the effectiveness of the issuer's disclosure controls and procedures as of 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 plans to commence Phase 2 of the plan 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.