Consolidated Financial Statements

SILVER SPRUCE RESOURCES INC.

A Development Stage Company

October 31, 2009 and 2008

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Management's Report

To the shareholders
Silver Spruce Resources Inc.

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

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

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

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

Lloyd Hillier
President and Chief Executive Officer

Gordon Barnhill
Chief Financial Officer

McGovern, Hurley, Cunningham, LLP
Chartered Accountants

AUDITORS' REPORT

To the Shareholders of
SILVER SPRUCE RESOURCES INC.
(A Development Stage Company)

We have audited the consolidated balance sheets of Silver Spruce Resources Inc. as at October 31, 2009 and 2008 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
February 19, 2010

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SILVER SPRUCE RESOURCES INC.
Consolidated Balance Sheets
As at October 31, 2009 and 2008

	2009	2008
	$	$
ASSETS		
Current		
Cash and cash equivalents	**28,278**	1,806,046
HST and other receivables	**298,437**	149,953
Refundable staking deposits	**13,833**	246,300
Refundable drilling deposits	-	256,350
Prepaid expenses	**33,470**	46,501
	374,018	2,505,150
Mineral properties (Notes 8 and 11)	**6,374,641**	13,394,486
Capital assets (Note 9)	**151,363**	178,436
Mexican VAT receivable	**182,714**	30,581
Investments	**14,600**	12,500
	7,097,336	16,121,153
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**310,474**	565,288
Current portion of long-term debt (Note 10)	**8,964**	8,964
	319,438	574,252
Long-term debt (Note 10)	**5,976**	14,941
	325,414	589,193
SHAREHOLDERS' EQUITY		
Share capital (Note 13)	**20,931,594**	20,760,087
Warrants (Note 14)	**123,977**	1,644,501
Contributed surplus (Note 16)	**6,086,182**	4,125,531
Deficit	**(20,369,831)**	(10,998,159)
	6,771,922	15,531,960
	7,097,336	16,121,153

Nature of operations and going concern (Note 1)

Commitments and Contingencies (Notes 8 and 19)

APPROVED BY THE BOARD OF DIRECTORS

Original signed by Rob Gillis, Director

Original signed by Gordon Barnhill, CFO, Director

See accompanying notes to the consolidated financial statements

SILVER SPRUCE RESOURCES INC.
Consolidated Statements of Operations, Comprehensive Loss and Deficit
Years ended October 31, 2009 and 2008

	2009	2008
	$	$
Revenue		
Management fees	**-**	72,450
Foreign exchange gain	**87,463**	-
Unrealized gain in market value of investments	**2,100**	-
Interest income	**15,145**	351,689
Refundable mining rights (Note 2)	**175,589**	-
	280,297	424,139
Expenses		
Impairment of mineral properties (Note 8)	**8,179,339**	3,033,154
Abandonment of mineral properties (Note 8)	**263,828**	1,891,304
Stock-based compensation	**316,150**	1,122,458
Office and general	**248,784**	343,060
Contract termination fee (Note 8)	**-**	280,827
Accounting and audit	**179,678**	226,730
Wages and benefits	**282,749**	222,977
Legal	**44,066**	179,130
Unrealized loss in market value of investments	**-**	142,750
Consulting fees	**99,391**	108,975
Corporate relations	**24,609**	94,949
Travel	**18,683**	55,621
Amortization	**42,407**	46,784
Listing and filing fees	**36,912**	27,033
Foreign exchange loss	**-**	11,539
	9,736,596	7,787,291
Loss before income taxes	**9,456,299**	7,363,152
Capital tax	**6,723**	-
Income taxes (recovery) (Note 12)	**(91,350)**	(1,678,969)
Net and comprehensive loss for the year	**9,371,672**	5,684,183
Deficit, beginning of year	**10,998,159**	5,313,976
Deficit, end of year	**20,369,831**	10,998,159
Net loss per share - basic and diluted	**(0.19)**	(0.12)
Weighted average number of shares outstanding - basic and diluted	**50,076,291**	47,468,547

See accompanying notes to the consolidated financial statements

SILVER SPRUCE RESOURCES INC.
Consolidated Statements of Cash Flows
Years ended October 31, 2009 and 2008

	2009	2008
	$	$
OPERATING ACTIVITIES		
Net loss for the year	**(9,371,672)**	(5,684,183)
Items not involving cash:		
Stock-based compensation	**316,150**	1,122,458
Amortization	**42,407**	46,784
Unrealized (gain) loss in market value of investments	**(2,100)**	142,750
Abandonment of mineral properties	**263,828**	1,891,304
Impairment of mineral properties	**8,179,339**	3,033,154
Recovery of future income taxes	**(91,350)**	(1,678,969)
Foreign exchange loss	**-**	11,539
	(663,398)	(1,115,163)
Changes in non-cash working capital		
Decrease (increase) in prepaid expenses	**13,031**	(16,766)
(Increase) decrease in HST and other receivables	**(300,617)**	718,998
Decrease (increase) in due from joint venture partner	**-**	1,479,362
Decrease (increase) in accounts payable and accrued liabilities	**103,426**	(276,504)
Change in non-cash operating working capital	**(184,160)**	1,905,090
	(847,558)	789,927
FINANCING ACTIVITIES		
Proceeds from issuance of shares and warrants	**315,000**	6,325,000
Proceeds from exercise of warrants and options	**-**	4,585,116
Share issue costs	**-**	(421,451)
Flow-through offering fees	**(20,145)**	-
Repayments of long-term debt	**(8,964)**	(8,964)
	285,891	10,479,701
INVESTING ACTIVITIES		
Mineral properties expenditures	**(1,858,335)**	(12,660,417)
Purchase of capital assets	**(15,188)**	(46,149)
Decrease (increase) in refundable drilling deposits	**256,350**	(256,350)
Refund of refundable staking deposits	**421,922**	131,400
Purchase of refundable staking deposit	**(20,850)**	(87,050)
	(1,216,101)	(12,918,566)
Foreign exhange gain on cash held in foreign currency	**-**	904
Decrease in cash and equivalents	**(1,777,768)**	(1,648,034)
Cash and cash equivalents, beginning of year	**1,806,046**	3,454,080
Cash and cash equivalents, end of year	**28,278**	1,806,046

Supplemental cash flow information (See Note 18)

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

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

There has been no determination whether the Company's interest in mineral properties held for exploration contains reserves which are economically recoverable. To date, the Company has earned no 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 realized 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. SUMMARY OF ACCOUNTING POLICIES

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

Principles of consolidation

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

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

2. SUMMARY OF ACCOUNTING POLICIES (continued)

Refundable staking deposits

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

Mining rights

The Company is entitled to refundable mining rights credits on exploration expenses incurred in Canada. These credits are applied to the capitalized expenses to which they relate, unless these expenses have been written off, upon which they will be recorded as income when received.

Mineral properties

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

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

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

Capital assets

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

Equipment	20%
Computer	30%
Vehicles	30%

Flow-through shares

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

2. SUMMARY OF ACCOUNTING POLICIES (continued)

Stock-based compensation

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

Income taxes

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

Revenue recognition

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

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

Loss per share

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

Asset retirement obligations

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

2. SUMMARY OF ACCOUNTING POLICIES (continued)

Use of estimates

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

Measurement uncertainty

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

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

Financial Instruments

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

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

The Company has made the following classifications:

Cash and cash equivalents	Held-for-trading
Mexican VAT receivable	Loans and receivables
HST and other receivables	Loans and receivables

2. SUMMARY OF ACCOUNTING POLICIES (continued)

The Company has made the following classifications (continued):

Refundable staking and drilling deposits	Loans and receivables
Investments	Held-for-trading
Accounts payable and accrued liabilities	Other financial liabilities
Long-term debt	Other financial liabilities

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

Capital Disclosures

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such noncompliance.

Foreign currency translation

Integrated foreign operations and accounts denominated in foreign currency

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

3. FUTURE ACCOUNTING PROUNCEMENTS

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. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. FUTURE ACCOUNTING PROUNCEMENTS (continued)

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.

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, 2012. 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.

4. 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.

5. CHANGE IN ACCOUNTING POLICY

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.

5. CHANGE IN ACCOUNTING POLICY (continued)

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 periods 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 relationships (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.

Mining exploration

On March 27, 2009 the EIC issued EIC-174. In this EIC the Committee reached a consensus that an enterprise that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The adoption of this if this EIC had no impact on the Company's consolidated financial statements for the year ended October 31, 2009.

6. 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.

6. CAPITAL MANAGEMENT (continued)

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 years ended October 31, 2009 or 2008.

7. 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.

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 October 31, 2009, the Company had a cash and cash equivalents balance of $28,278 (2008 - $1,806,046) to settle current liabilities of $319,434 (2008 - $574,252). 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 had $28,278 in cash and cash equivalents at the end of October, 2009 (October 31, 2008 - $1,806,046) and does not have any interest-bearing debt. The Company invests cash surplus to its operational needs in investment-grade short-term deposit certificates issued by highly rated Canadian banks. 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.

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

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 year ended October 31, 2009 compared to the year ended October 31, 2008.

d) Fair Value

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

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:

	2009	2008
	$	$
Mexican pesos:		
Cash and cash equivalents	**14,391**	71,520
VAT receivable	**182,714**	30,581
Accounts payable	**35,303**	4,938

A plus or minus 10% change in the market price of the Bayswater and Forest Gate shares would affect the Company's net loss by $1,460 (14,600 x 10%).

8. MINERAL PROPERTIES

	October 31, 2009				
	Opening	Additions	Staking deposit refunds	Impairment and 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
	13,394,486	**1,591,926**	**(168,604)**	**(8,443,167)**	**6,374,641**

8. MINERAL PROPERTIES (continued)

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

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.

8. MINERAL PROPERTIES (continued)

During the year ending October 31, 2008 management assessed the estimated current value of properties based upon current exploration and other transactions in the same general area. As a result of the assessment management decided to abandon the Seal Lake, Makkovik, Hudson Bay, Hopedale and Churchill River properties and the expenditures spent on general exploration were written off, resulting in $1,466,836 being written off as of October 31, 2008.

In addition, the Company wrote down more Uranium mineral properties by $3,033,154 consisting of Straits, Snegamook, and Mount Benedict properties, to reflect the results of its impairment analysis as of October 31, 2008. The Company reviewed the capitalized costs on its properties and recognized impairment in value based upon current exploration results and significant adverse changes in the business climate and a significant decrease in the Company's market capitalization compared to the carrying value of its resource properties that indicated that an impairment may exist. Management's assessment of the properties' estimated current value is also based upon a review of other property transactions that have occurred in the same geographic area as that of the properties under review.

Uranium

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

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

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

8. MINERAL PROPERTIES (continued)

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

g) Tukialuk Bay Property
The Company owns certain claims in this area of the province of Newfoundland and Labrador.

h) Jeanette Bay
The Company owns certain claims in this area of Newfoundland and Labrador.

i) Lake Michael
The Company owns certain claims in this area of Newfoundland and Labrador.

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

- Cash payments of $50,000 on the later of signing and regulatory approval (paid) and $50,000 on the four subsequent anniversaries for a total of $250,000. The first anniversary payment of $50,000 was paid on May 6, 2008. The Company also issued 200,000 common shares, and issued an additional 100,000 common shares on the first anniversary.
- Minimum work expenditures of $300,000 during the first year (firm commitment) and $400,000, $600,000, $600,000 and $700,000 during subsequent years for an aggregate total of $2,600,000. The Company will be the operator.

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

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

8. **MINERAL PROPERTIES (continued)**

j) Hudson Bay Property (continued)

If the Company decides not to exercise this additional option, the Company will provide Azimut with $100,000 in cash as final payment. Management assessed the estimated current value of properties based upon current exploration and other transactions in the same general area. As a result of the assessment management decided to abandon the property and $1,139,338 was written off as of October 31, 2008.

k) 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 - January 26, 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) Mother Lode Property
On January 13, 2006, the Company entered into an agreement to purchase certain gold claims on land called the Mother Lode Gold property located in the province of Newfoundland and Labrador, for $55,000 cash and 200,000 common shares, as follows: year one $25,000 cash (paid) and 150,000 common shares (issued), year two cash payment of $15,000 and delivery of 25,000 common shares (issued) and year three cash payment of $15,000 and delivery of 25,000 common shares. The Company has determined that further exploration is not warranted. The project has been abandoned and related expenditures of $227,014 were written off as of October 31, 2007 based on an estimate of the best available information as at October 31, 2007. In January 2008, management decided to terminate the agreement and did not make the final payment of $15,000 and 25,000 common shares. Management assesses the estimated current value of properties based upon current exploration and other transactions in the same general area. As a result, of the assessment, an additional $304,044 was written off as of October 31, 2008.

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

8. MINERAL PROPERTIES (continued)

c) Centauro Property

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

Year 1 (on signing - paid)	US$50,000 and 125,000 common shares
Year 2 (paid May 22, 2008)	US$75,000 and 200,000 common shares
Year 3 (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

d) 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^{th} anniversary) of $18,000 per year for ten years as an advance against the NSR payable:

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

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.

8. MINERAL PROPERTIES (continued)

e) 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
	and a work commitement 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.

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

g) 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:

8. MINERAL PROPERTIES (continued)

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

9. CAPITAL ASSETS

	2009		
	Cost	**Accumulated Amortization**	**Net Book 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**

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

10. LONG-TERM DEBT

	2009	2008
	$	$
Chattel loan payments	**14,940**	23,905
Less: due in 12 months	**8,964**	8,964
Long-term portion	**5,976**	14,941

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

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

	$
2010	8,964
2011	5,976
	14,940

11. 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.

12. INCOME TAXES

a) Provision for income taxes

Major items causing the Company's income tax rate to differ from the Canadian combined federal and provincial statutory rate of approximately 33.1% (2008 – 33.5%) were as follows:

	2009	2008
	$	$
Loss before income taxes	**(9,456,299)**	7,363,152
Expected income tax recovery	**(3,128,459)**	(2,466,656)
Adjustments to benefit resulting from:		
Expiring non-capital losses	**15,429**	36,531
Stock-based compensation	**104,593**	376,023
Share issue costs and other	**17,565**	(26,886)
Impact of change in substantively enacted tax rates	**359,190**	313,575
Change in valuation allowance	**2,540,332**	88,444
Future income tax recovery	**(91,350)**	(1,678,969)

12. INCOME TAXES (continued)

Future income tax balances

The tax effects of temporary differences that give rise to future income tax assets and liabilities at October 31, 2009 and 2008 are as follows:

	2009	2008
	$	$
Future income tax assets		
Capital assets	**44,660**	32,442
Non-capital losses	**413,605**	262,997
Investments	**20,394**	20,699
Share issue costs	**174,572**	258,806
	653,231	574,944
Future income tax liabilities		
Resource properties	**2,207,716**	(254,329)
Valuation allowance	**(2,860,947)**	(320,615)
Net future income tax asset (liability)	**-**	-

b) Tax loss carry-forwards

The Company has non-capital loss amounting to $1,426,224 which are available to reduce future taxable income. These non-capital losses expire as follows:

	$
2010	90,804
2011	163,192
2015	45,562
2027	255,040
2028	278,094
2029	593,532
	1,426,224

The Company has approximately $13,377,546 of unclaimed Canadian resource and other deductions and $609,910 of Mexican unclaimed resource deductions as at October 31, 2009 (2008 - $221,246) which under certain circumstances may be utilized to reduce the taxable income of future years.

The Company has share issue costs of approximately $571,319 (2008 - $851,557) which have not been claimed for income tax purposes.

13. SHARE CAPITAL

The share capital is as follows:

	2009	2008
Authorized	**$**	$
An unlimited number of non-voting preference shares		
An unlimited number of common shares		
Issued and outstanding:		
52,526,007 common shares	**20,931,594**	20,760,087

The following is a summary of share capital outstanding at October 31, 2009 and 2008:

	2009		2008	
	Number	**$**	Number	$
Opening balance	**48,328,963**	**20,760,087**	34,291,971	12,019,708
Issued during the year:				
Private placement	**3,150,000**	**191,023**	5,620,000	5,314,000
Acquisition of property	**1,047,044**	**91,979**	431,595	167,902
Flow-through offering fees	-	**(20,145)**	-	-
Warrants exercised	-	-	7,785,175	5,501,022
Options exercised	-	-	200,222	158,175
Share issue costs	-	-	-	(566,470)
Tax amount of renounced expenditures	-	**(91,350)**	-	(1,834,250)
Closing balance	**52,526,007**	**20,931,594**	48,328,963	20,760,087

(a) 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.

(b) During the year ended October 31, 2008, the Company issued 431,595 shares for the acquisition of property, 100,000 shares at \$0.31, 100,000 shares at \$0.35 and 231,595 shares at \$0.44 based on the quoted market value of the shares on the date of issue.

(c) On November 14, 2007, the Company closed a brokered private placement of 5,620,000 flow-through units (including 120,000 commission units) at a price of \$1.15 unit consisting of one common share and one half of one common share purchase warrant entitling the holder to purchase common shares at a price of \$1.75 for 18 months following the closing. A commission of 60,000 warrants and 385,000 options was also paid having the same terms as the warrants described above. Of the \$6,325,000 proceeds, \$1,125,000 was allocated to warrants. A director and officer of the Company subscribed for 43,500 units for gross proceeds of \$50,025.

14. WARRANTS

The following is a summary of warrants activity for the years ended October 31, 2009 and 2008:

	2009		2008	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
		$		$
Balance, beginning of year	**3,581,075**	**1.75**	8,644,128	0.68
Granted in connection with private placements	**3,150,000**	**0.15**	2,810,000	1.75
Exercised during the year	-	-	(7,735,175)	(0.57)
Expired during the year	**(3,581,075)**	**1.75**	(137,878)	(0.37)
Balance, end of year	**3,150,000**	**0.15**	3,581,075	1.75

Summary of warrants outstanding at October 31, 2009:

Number of Warrants	**Exercise price**	**Fair value of warrants**	**Expiry date**
	$	**$**	
3,150,000	**0.15**	**123,977**	**November 21, 2010**

The grant date fair value of the warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate at 1.04%, expected life of 1.5 years, expected dividend rate at 0% and expected volatility of 172%. The weighted average fair value of warrants granted was $0.15.

15. STOCK OPTIONS

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

Stock option activity for the years ended October 31, 2009 and 2008 are summarized as follows:

15. STOCK OPTIONS (continued)

	2009		2008	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
		$		$
Balance, beginning of year	**6,543,150**	**0.77**	3,736,290	1.81
Granted	**2,690,000**	**0.15**	3,576,000	0.52
Forfeited	**-**	**-**	-	-
Expired	**(437,150)**	**2.00**	(568,918)	0.72
Exercised	**-**	**-**	(200,222)	(0.65)
Balance, end of year	**8,796,000**	**0.54**	6,543,150	0.77

At October 31, 2009, outstanding options to acquire common shares of the Company were as follows:

Exercise Price $	Number of Outstanding Options	Weighted Average Remaining Contractual Life of Outstanding Options (years)	Grant date Weighted Average Fair Value per Option $	Number of Exercisable Options
0.15	2,690,000	4.28	0.13	2,690,000
0.30	370,000	0.91	0.16	370,000
0.35	2,920,000	3.51	0.32	2,920,000
0.50	400,000	2.06	0.48	400,000
0.61	181,000	0.14	0.57	181,000
0.61	70,000	0.14	0.36	70,000
0.65	60,000	2.13	0.53	60,000
0.65	125,000	2.27	0.53	125,000
0.65	50,000	2.33	0.56	50,000
0.83	20,000	3.34	0.67	20,000
1.08	160,000	2.46	1.06	160,000
1.40	1,650,000	0.89	1.09	1,650,000
1.78	100,000	2.74	1.75	100,000
	8,796,000	2.09	0.45	8,796,000

The weighted average fair value per option of options outstanding as at October 31, 2009 is $0.45 (October 31, 2008 - $0.59).

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:

15. STOCK OPTIONS (continued)

	October 31 2009	October 31 2008
Risk-free interest rate	**1.89% - 2.12%**	2.86% - 3.76%
Expected life	**5 years**	1.5 - 5 years
Expected volatility	**148%**	121% - 180%
Expected dividend yield	**nil**	nil

16. CONTRIBUTED SURPLUS

The following is a summary of contributed surplus activity:

	2009	2008
	$	$
Balance, beginning of year	**4,125,531**	2,858,556
Employee stock - based compensation	**316,150**	1,122,458
Exercise of options	-	(28,031)
Expiry of warrants	**1,644,501**	10,848
Options issued as finders fee	-	161,700
Balance, end of year	**6,086,182**	4,125,531

17. RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities as at October 31, 2009 is $60,000 (2008 - $47,270) 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 year ended October 31, 2009, 2,690,000 (2008 – 2,920,000) stock options were granted to directors and officers 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 year ended October 31, 2009, $2,944 (2008 - $560,261) was paid to the hardware store and $98,231 (2008 - $31,500) 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 exchange value, which represented the amount of consideration established and agreed to by the related parties.

18. SUPPLEMENTAL CASH FLOW INFORMATION

	2009	2008
	$	$
Cash and cash equivalents		
Cash	$ **28,278**	$ 1,070,556
Cash equivalents	-	735,490
	28,278	1,806,046
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	**91,979**	167,902
Expiry of warrants	**1,644,501**	-
Value of share, warrants and options included in share issue costs	-	300,300
Effect of future income taxes on share capital upon renouncement of expenditures	-	1,834,250
Fair value of warrants exercised	-	1,046,050
Fair value of options exercised	-	28,031

19. COMMITMENTS AND CONTINGENCIES

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

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

	Cash (CAD)	Cash (USD)	Shares
2010	180,000	150,000	1,381,831
2011	320,000	-	800,000
2012	20,000	-	450,000

The Company leases its head office in Bridgewater under an operating lease. Future lease payments aggregate $30,525 and include the following amounts payable over the next four years:

	$
2010	9,900
2011	9,900
2012	9,900
2013	825
	30,525

19. COMMITMENTS AND CONTINGENCIES (continued)

Pursuant to the issuance of 10,769,231 flow-through units subsequent to the year-end, 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.

20. SUBSEQUENT EVENTS

Subsequent to year-end the following events occurred:

The Company closed a non-brokered private placement raising gross proceeds of $700,000 (the "First Offering"). The First Offering consisted of the issuance of 10,769,231 flow-through units ("FT Units") of the Company. Each FT Unit was offered at a price of $0.065 per FT Unit and consisted of one flow-through common share and one common share purchase warrant, with each whole warrant exercisable at a price of $0.10 per non-flow through common share for a period of 12 months following the closing of the First Offering and $0.15 per non-flow-through common share if exercised thereafter up until 24 months following the closing of the First Offering. A finder's fee was paid with the issuance of 384,615 FT Units, being 5% of the aggregate gross proceeds of the First Offering, and an additional finder's fee of 769,231 options to purchase FT Units, being 10% of the aggregate gross proceeds of the First Offering. The majority placees for the First Offering were MineralFields 2009-VII Super Flow-Through LP and Pathway Mining 2009-II Flow-Through LP, with each purchasing 3,846,153 FT Units at an aggregate subscription cost of $250,000 each.

The Company closed a non-brokered private placement raising gross proceeds of $315,000 (the "Second Offering"). The Second Offering consisted of the issuance of 4,846,154 non-flow-through units ("NFT Units") of the Company. Each NFT Unit was offered at a price of $0.065 per NFT Unit and consisted of one non-flow-through common share and one common share purchase warrant, with each whole warrant exercisable at a price of $0.10 per non-flow through common share for a period of 24 months following the closing of the Second Offering.

The Company was approved by the TSX for issuance 200,000 common shares according to the Company's option agreement with Lobstick Property signed on October 27, 2009.

Stock options issued to employees of 181,000 and 70,000, each with exercise price of $0.61 and with fair values of $0.57 and $0.36 respectively, expired in December 2009.

21. COMPARATIVE FIGURES

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

22. 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 8.

The Companies interest in joint venture is summarized below:

	2009	2008
	$	$
Balance Sheet		
Mineral properties	**2,511,440**	2,357,779
Accounts payable and accrued liabilities	-	126,506
Statement of Operations		
Management fees	-	72,450
Impairment of mineral properties	-	-
Abandonment of mineral properties	-	60,424
Statement of Cash Flow		
Cash provided by operating activities		
Management fee	-	72,450
Receipt of amounts due from JV partner	-	1,479,362
Cash used for investing activities	**153,661**	750,018
Cash provided by financing activities	-	-
	2,665,101	4,918,989

This document provides management's discussion and analysis (MD&A) for our financial condition as at, and results of operations for the year ended October 31, 2009. This MD&A should be read in conjunction with the Company's unaudited interim consolidated financial statements and notes for each of the quarters ended January, April, and July and our audited consolidated financial statements and notes for the year ended October 31, 2009. ***This MD&A has been prepared as of February 28, 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 or through the SEDAR website at www.sedar.com .

COMPANY OVERVIEW

Silver Spruce Resources Inc. is a junior exploration Company headquartered in Bridgewater, Nova Scotia originally with a strategic focus on uranium, mainly in the Central Mineral Belt (CMB) of Labrador, but recently diversifying into gold/silver projects in Mexico and precious and base metal 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_3O_8 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 and Lazyman). 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.Geo. a director and a qualified person under National Instrument 43-101.

The Company has established environmental and safety protocols which include written procedures and policies which are overseen by Board committees for environment / health and safety. The 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 October 31, 2009, cash reserves totaled $28,278.

A commitment to prudent budgeting, an excellent property portfolio with drill targets on our gold/silver projects, and a uranium discovery with defined resources, makes Silver Spruce a leading junior explorer.

Further financing will have to be undertaken in 2010 to allow the Company to move its projects forward into 2011.

SELECTED ANNUAL INFORMATION

The table below outlines selected financial information related to the Company's years ended October 31, 2009, 2008, and 2007. The financial information is extracted from the Company's audited consolidated financial statements.

	2009	2008	2007
	$	$	$
Income	**280,297**	**424,139**	**473,295**
Net and comprehensive loss	**(9,371,672)**	**(5,684,183)**	**(3,254,547)**
Net income (loss) per share -basic and diluted	**(0.19)**	**(0.12)**	**(0.12)**
Total Assets	**7,097,336**	**16,121,153**	**11,990,748**
Total long-term financial liabilities	**5,976**	**14,941**	**23,905**

For the year ended October 31, 2009, the Company incurred a net loss of $9,371,672 (loss per share 0.19) compared to a net loss of $5,684,183 (loss per share of 0.12) for the year ended October 31, 2008.

The Company recognized total revenue of $280,927 for the year ended October 31, 2009 (2008 - $424,139). Management fee income was nil in 2009 (2008 - $72,450) as a result of Crosshair taking over the project management role of the CMB joint venture which the Company had performed up until July 29, 2008. Foreign exchange resulted in a gain in 2009 of $87,463 while in 2008 resulted in a loss of $11,539. Interest income decreased to $15,145 from $351,689 in 2008, as a result of carrying a larger investment portfolio last year. Other income consists of $175,589 (2008 – nil) relating to Quebec refundable mining rights and refundable tax credit for the Hudson's Bay Property.

The Company recorded impairment of $8,179,339 in 2009 (2008 - $3,033,154). The 2009 impairment was against its Uranium properties: Double Mer, Straits, Snegamook, Mount Benedict, Tukialuk, Lake Michael and Jeanette Bay properties. The Company reviewed the capitalized costs on its properties and recognized impairment in value based upon current exploration results and significant adverse changes in the business climate and a significant decrease in the Company's market capitalization compared to the carrying value of its resource properties that indicated that an impairment may exist. Management's assessment of the properties' estimated current value is also based upon a review of other property transactions that have occurred in the same geographic area as that of the properties under review. The 2008 impairment was against its Straits, Snegamook and Mount Benedict properties as a result of managements impairment review, related to uranium prices and the Nunatsiavut uranium development moratorium which made financing these projects more difficult and results from 2008 exploration which allowed the properties to be reduced in size to those areas showing the most potential.

Abandonment of mineral properties expense was $263,828 (2008 - $1,891,304). The company wrote-off the Twentieth Brook and Calvin's Landing projects in the current year as it was decided further exploration was not warranted and the options were terminated. In the prior year the Company wrote-off the remaining capitalized expense related to the Mother Lode, Seal Lake JV, Makkovik River, Hudson's Bay, General Exploration, Hopedale, and Churchill River projects as it was decided further exploration was not warranted. The Company terminated the option agreement for the Mother Lode and Hudson's Bay projects and did not make the remaining option payments.

Stock-based compensation decreased to $316,150 (2008 - $1,122,458). Options granted during 2009 were based on a lower market price, where 2,690,000 options were granted to directors and employees at an exercise price of $0.15. In the prior year 251,000 options were granted to employees at $0.61 and 2,920,000 options were granted to officers and directors at $0.35.

Other general and administrative expenses decreased to $934,872 in 2009 (2008 - $1,550,841) due to the Company decreasing its exploration, administration and financing activities in the current fiscal year, therefore not requiring as much administration, legal and management time in the current year. Accounting and audit fees decreased to $179,678 (2008 - $226,730) due to prior year additional tax and accounting work relating to increased activity and contract termination, where expenses included a contract termination fee of $280,827. Wages and benefits increased to $282,749 (2008 - $222,977) due to annual stipends for Directors being accrued/paid relating to the 2009 fiscal year.

For the year ended October 31, 2009 the Company spent $1,858,334 on its exploration properties compared to $12,660,417 in the prior year. In the current year there was substantially less activity, compared to the prior year, an extremely busy year for the Company which was active on numerous properties in Newfoundland and Labrador. Extensive, expensive drilling programs were carried out in 2008 on the CMB, Snegamook and Mount Benedict properties as well as in Mexico.

SELECTED QUARTERLY INFORMATION

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

	October 31, 2009	**July 31, 2009**	**April 30, 2009**	**January 31, 2009**
	$	**$**	**$**	**$**
Income	**Nil**	**22,400**	**184,868**	**122,797**
Net (loss)	**(8,430,085)**	**(439,945)**	**(423,412)**	**(78,230)**
Net (loss) per share -basic and diluted	**(0.17)**	**(0.01)**	**(0.01)**	**(0.01)**
	October 31, 2008	**July 31, 2008**	**April 30, 2008**	**January 31, 2008**
	$		**$**	**$**
Income	**41,796**	**64,114**	**118,086**	**200,143**
Net (loss)	**(3,767,844)**	**(1,014,821)**	**(493,718)**	**(407,800)**
Net (loss) per share -basic and diluted	**(0.08)**	**(0.02)**	**(0.01)**	**(0.01)**

For the three months ended October 31, 2009, the Company had revenue of $nil (2008 - $41,796). In the prior year interest was earned as a result of a large investment portfolio held.

For the three months ended October 31, 2009 the Company had a net loss of $8,430,085 (loss per share – 0.17) compared to a net loss of $3,767,844 in the prior year. For the three months ended October 31, 2009 abandonment of mineral properties totaled $263,828 and impairment of mineral properties of

$8,179,339 was taken whereas for the three months ended 2008 there was a recording of abandonment and impairment of mineral properties taken of $4,620,414. There was a decrease in General and Administrative charges for the three months ended October 31, 2009 compared to the same period in the previous year as a result of a scale back in operations in response to the economic down turn.

EXPENDITURES ON MINERAL PROPERTIES

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

	October 31, 2009	July 31, 2009	April 30, 2009	January 31, 2009
CMB	153,661	2,511	151,150	-
Double Mer	40,277	4,480	18,104	17,693
Straits	38,067	4,436	17,004	14,227
Mount Benedict	84,334	598	15,600	63,663
Snegamook	10,607	1,559	5,548	3,500
Makkovik River	-	-	-	-
Tukialuk	11,873	-	3,162	8,711
Hudson Bay	-	-	-	7,346
Napes Ashini	4,462	112	-	-
Centauro (MX)	769,138	475,453	34,254	896,045
Central NL	2,796	-	-	2,797
Calvin’s Landing	123,625	72,864	9,075	1,040
Twentieth Brook	-	99,070	10,797	16,277
Lake Michael	9,169	-	8,733	436
Jeanette Bay	7,874	-	5,058	2,816
Michelin	1,023	113	910	-
Rambler South	-	14,447	-	-
Lazyman	-	33,033	-	-
Lobstick	1,160	-	-	-
Rambler South	137,577	-	-	-
Lazyman	56,080	-	-	-
Genex	-	(8,365)	-	-

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

Lake Michael	**28,197**	**-**	**-**	**-**
Jeanette Bay	**36,890**	**-**	**-**	**-**

PROJECTS – GOLD/BASE METAL

The Company's property portfolio includes two precious metal only and one precious/base metal exploration projects. The properties are Centauro in Chihuahua State, northern Mexico, and Lazyman in south central Newfoundland and the Rambler South gold/copper project in northeastern 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.

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 surface rights are owned by ranchers who live in the area. Exploration and development agreements have been signed with these 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 phase 1 diamond drilling program, totalling 3960 m in 14 holes (CEN-08-1 to 14), was carried out from April to October 2008. The drilling tested 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 hole collared in mineralization so the full width of the intersection remains unknown as does its orientation and true width. 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 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. Based on field mapping and the 2008 drilling program, 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. All 2008 drill holes intersect these units at depth suggesting the feeder for the alteration/silicification is not located directly beneath the Mesa; 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; 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.

Work in 2009 consisted of re-logging the 2008 drill core in conjunction with geological mapping to better define and constrain the alteration and mineralized system 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. 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 has 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 polymitic 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.

TABLE 1
Centauro North drilling 2009 Composites

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-09-20,21,22,23,24,25,26,26A,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	**34.4**	**232**	**5.7**	**22,672**	**1,126**	**272**
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 was approximately $400,000. The property has demonstrated potential and gold prices are robust. The Company funded the drill program from existing cash and the property remains in good standing without further expenditures required until the next (and last) option payment which is due in May, 2010. The company is continuing its compilation of data 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.

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, lithogeochemical 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 lithogeochemical results, plus the drill hole locations are shown on the Silver Spruce website at www.silverspruceresources.com.

TWENTIETH BROOK (100% SSE)

The 20th Brook property is a 146 claim (3650 ha) claim group located in western Newfoundland, approximately 25 kilometres from the town and port of Stephenville. The property was optioned from a group of Newfoundland based prospectors (see last quarterly report for terms), after due diligence sampling from two showings, 300 m apart in a limestone (carbonate) host, which both extend over an area of more than 30 m, gave: SW zone - TB1A – 34% Pb, 15% Zn, 17.1 g/t Ag, and TB1B – 0.43% Pb, 7.1% Zn, 5.6 g/t Ag; NE zone (TH) - TBTH1 – 42.4% Pb, 7.4% Zn and 17.5 g/t Ag.

A Phase 1 exploration program which included: gridding over the main mineralized area followed by prospecting, a soil geochemical survey, and geological mapping on the grid, plus regional work, stream sediment sampling, prospecting and geological mapping, over the remainder of the property, was carried out in June 2009. Lead/zinc mineralization was located between the two showings and to the west and north of the Northeast showing. Soil samples were taken on recce lines over unexplained Xstrata soil anomaly B, where values of up to 5,700 ppm Zn and 386 ppm Pb, and a wide area giving values > 100 ppm lead, were located in widely spaced (100 m) samples, approximately 1 km to the southwest and on strike of the SSE grid area. The area, was tested by three Xstrata drill holes which intersected only weak, fault related, lead-zinc mineralization in the basement granitoid units.

In July and August 2009 the strongly anomalous soil geochemical areas and outcropping mineralization on the main zone (News releases June 23, May 26, and Sept. 15, 2009) were tested by trenching. A total of 11 trenches were excavated, washed, mapped and channel sampled in the SW, NE and N anomalous areas over a strike length of 600 m. All trenches exposed galena (lead) and sphalerite (zinc) mineralization as disseminations and fracture fillings; however, results were inconclusive as mineralization was flat lying and was not conducive to testing with horizontal trenches and channel sampling along bedding planes. Highest values include 7.8% Zn / 5.1% Pb, 7.7 ppm Ag over 1.5 m and 5.4% Zn / 28.8% Pb, 10.4 ppm Ag over 1 m in trenches SWT-1,2, all located in the SW area, and 2.8% Zn, 3.4% Pb, with 4.9 ppm Ag in the N zone in trench NT-3. Wider, lower grade mineralized zones were also defined with best values of 1.32% Pb / 0.72% Zn over 4.7 m in trench SWT-4 in the SW zone. Five trenches were also attempted in the Xstrata anomaly B area located further to the south, where highly anomalous soil values in lead and zinc had been located (News release June 23, 2009) along the contact between the intrusive and limey sedimentary units. Overburden depths were greater than on the Main zone and no mineralization was located in any of the trenches. The strong lead and zinc values in the soil remaining unexplained.

A Phase 3 exploration program of diamond drilling planned for mid fall was not carried out due to insufficient cash to fund it. The Company would like to acknowledge the financial support received from the Junior Exploration Assistance (JEA) Program of the Province of Newfoundland and Labrador in the exploration of the property.

While trenching gave some significant values in Pb and Zn, they were not considered to be strong enough to warrant further work at this time, when the company is primarily focusing on gold. The option on the property was terminated in December 2009 and the expenditures were written off.

A compilation map of the property, the geochemical results for the rock and soil samples and the trench locations can be viewed on the Company website at www.silverspruceresources.com.

CALVINS LANDING (100% SSE)

The 123 claim (3,075 ha) optioned property, is located in east-central Newfoundland, approximately 10 kilometres northwest of the town of Glovertown. It is road accessible via the Northwest Pond Resource Road, with the zone exposed along the road which cuts the zone. The option terms are given in the last quarterly report. The property was staked by the vendors after they observed alteration/mineralization along the resource road in October 2008. The host felsic volcanic units are highly altered with sericite, pyrophyllite and clay minerals and carry extensive disseminated pyrite. Quartz veining carrying pyrite and specular hematite, which is sometimes brecciated, is present throughout the zone. PIMA analysis by Newfoundland government geologists, indicates that alunite is present in the alteration system. The property lies along the Dover fault, a major suture dividing the Avalon terrane, to the east, from the Dunnage terrane, to the west, on the northern extension of the Love Cove Group volcanics which host extensive high sulphidation alteration/mineralization, such as at Hickey's Pond and the Stewart Option, on the Burin Peninsula and is similar in geological setting to the past producing, 11 million tonne, Hope Brook Gold Deposit located on the south coast of Newfoundland. High sulphidation style gold mineralization is extensive in the Carolina Slate Belt in the southern Appalachians, where past producers included the Ridgeway and Haile Mines.

Exploration in 2009 consisted of gridding, soil and stream sediment geochemistry, geology and prospecting followed by a trenching program. A small cut grid, with lines at 50 m intervals, was established over the mineralized zone on the road and the grid was soil sampled, mapped and prospected, over a 500 m strike extension. Three recce lines at 300 m intervals were placed both to the north and south along trend, to cover the possible extension of the zone. Three recce lines were also placed in the northern portion of the property, to the north of Northwest Arm, with two over an area of altered felsic volcanics and a third in an area where government lake sediment sampling had given an elevated gold value. All lines were covered by soil geochemistry at 25 m intervals, geology and prospecting. The geological mapping was inconclusive as there is little outcrop and the mineralized zone is only exposed along the road. The soil results gave only weak gold in soil values, up to 45 ppb, located in one sample in the area with 9 others giving values between ND (<5 ppb) to 10 ppb. All stream sediment samples gave background values. Rock samples gave one value of 1,083 ppb from a quartz- specularite boulder located near the road, but most gave values from ND (< 5 ppb) to 50 ppb. In spite of the poor results, a total of 5 trenches were dug using an excavator in August, at nominal 50 m intervals along strike, testing the alteration zone, which strikes approximately N-S across the Northwest Pond resource road. All trenches were washed, mapped and channel sampled over variable intervals from 0.5 to 2 m, along their length. Results (News release September 15, 2009) showed that the main portion of the alteration zone can be traced for at least 200 m and is approximately 30 m wide, consisting of interbedded quartz-hematite schists, pyrophyllite schists and boudinaged quartz-specularite veins hosted in sericite schists grading into unaltered phyllitic sedimentary units. The alteration zone, which is highly foliated, deformed and boudinaged, is heavily mineralized with pyrite and specular hematite. Assay results were disappointing with the highest value 94 ppb Au over 2 .2 m in trench 1, adjacent to the road. The trench results include: trench 1 - 30 samples - anomalous values from 11 to 94 ppb over 10 m; trench #2 – 20 samples – weak anomalous values from 6 to 38 ppb over 15 m; trench #3 – 17 samples - most weakly anomalous from 6 to 38 ppb (14 of 17); Trench #4, located to the north of the road, off strike – 17 samples – no significant values; trench #5 – 18 samples – no significant values.

The option was terminated and the property returned to the vendors (News release Feb. 25/10). The expenditures of $123,625 have been written off. Compilation maps showing the location of the cut grid, the mineralized zone, the rock, soil and stream sediment sample locations plus the tranches, can be viewed on the Company's website at www.silverspruceresources.com.

LAZYMAN PROPERTY (100 % SSE)

The gold property, totaling 114 claims (2800 ha), located in the Bay D' Espoir Area, of southern Newfoundland, was optioned in July (News Release July 16, 2009*)* from prospectors Alex Turpin and Colin Kendell. Terms to earn a 100 % interest subject to a 2.5 % NSR with a 1.5% buyback for $2.0 M are: On signing: $20,000 cash (paid) plus 150,000 shares (paid); on the 1st anniversary - 200,000 shares; on the 2nd Anniversary - 250,000 shares; for a total of $20,000 and 600,000 shares. In addition, a yearly advance royalty payment, deducted from future NSR payments, of $20,000 per year, is payable from the 4th anniversary on.

The property is located near the Head of Bay D'Espoir, southern Newfoundland, approximately 20 kilometres northeast of the village of Milltown. It is accessible via ATV trails which extend from the Bay D'Espoir highway. 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.

Follow up prospecting was carried out in August 2009, on parts of the property, essentially "peripheral claims" away from the Lazyman showing, that required assessment expenditures in order to maintain them (News release September 15, 2009). Seventy samples were taken and the highest value located was in LM062, with 1.6 g/t gold, from an outcrop located 1.6 km to the northeast and on strike with the Lazyman Showing. Three other anomalous values were in the 100 ppb Au range, at 71, 98 and 219 ppb. All others varied from ND (<5 ppb) to 34 ppb Au. Results confirm the auriferous nature of the host sedimentary units and the potential for significant gold mineralization in the area. The property has potential to host large tonnage, low grade grade gold mineralization similar to the Touquoy Deposit (13.2 million tonnes grading 1.5 g/t gold) presently being prepared for production by Atlantic Gold in Nova Scotia.

Continued exploration will consist of a number of stratigraphic drill holes this winter on the Lazyman prospect itself followed by detailed prospecting, possibly in conjunction with soil geochemistry followed by systematic channel sampling in the spring/summer. Trenching and further diamond drilling is contingent on positive results from the initial surveys. A compilation map can be viewed on the Company website at www.silverspruceresources.com

RAMBLER SOUTH PROPERTY (100 % SSE)

The Rambler South gold property, totaling 56 claims (1400 ha), located on the Baie Verte Peninsula in north central Newfoundland, approximately 20 kilometres from the town of Baie Verte, was optioned from Northeast Exploration Services, Krinor Resources Inc. and Peter Dimmell (PMD) (News release July 16, 2009). PMD is an insider, as a director and VP Exploration of SSE, and Krinor Resources is a Company owned by PMD and his wife and as such the option agreement was subject to TSX-V acceptance, which was 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 a total of $95,000 cash, and 1,050,000 shares over two years and a work commitment of $500,000 by the 2nd anniversary with $100,000 to be spent in the first 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.

Forty Five (45) claims were staked in the fall of 2009 by the management of Silver Spruce to protect the “on strike” extension to the northeast of the SB gold zone and areas underlain by Pacquet Harbour group (PHG) units associated with structures to the west and northwest of the Krissy trend claims. 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
Five drill holes (RS-09-1 to 5), totaling 457 m, were drilled in the presumed source area for the SB gold in till anomaly with four holes drilled at approximate 50 m intervals for a total of 150 m strike length and 1 hole, # 5, under Hole # 1. All holes intersected variably chloritized, pillowed to hyaloclastic, mafic volcanics of the 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. Gold intersections 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 including 9.99 g/t over 0.7 m, are hosted in a quartz breccia, with recrystallized quartz fragments, cemented by fine grained chlorite/biotite which carries disseminated pyrite, minor chalcopyrite and possible free gold (News releases Sept. 10 and 30, Oct. 22, 2009). A metallics assay of the core sample that ran 9.99 g/t gave 10.7 g/t, a small increase that confirmed the high grade of this sample. Overburden Drilling Management work indicates that the gold in the SB anomaly is very fine (generally 20-30 micron) free gold with a strong chlorite association. A gold intersection of 2.3 g/t over 1.85 m in RS-09-4, associated with the chloritized mafic volcanic units, is thought to be an on strike extension of the quartz breccia mineralization. Weak gold values in the 100 to 200 ppb range over up to 1.5 m were also noted in the chloritized volcanics in other areas. No significant gold values were noted in the BG. Copper/silver mineralization was also located in a quartz vein in RS-09-2 which ran 23 g/t Ag and 1.15% copper over 0.5 m from 11 to 11.5 m, with 60 ppb Au and insignificant zinc. This intersection is considered to be a separate zone from the SB gold zone.

Significant Assay values
SB Zone - DDHs RS-09-1 to 5

Hole #	From (m)	To (m)	Length (m)	Au (g/t)	Ag (g/t)	Cu (%)	Zn (%)
RS-09-1	52.4	53.2	0.8	5.87	0.5	nsv	nsv
RS-09-2	75.2	76.0	0.8	0.43	0.5	nsv	nsv
RS-09-3	64.5	82.0	17.5	1.4	0.5	nsv	nsv
incl.	80.6	81.3	0.7	9.99	0.5	nsv	nsv
RS-09-4	22.0	23.0	1.0	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

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

The SB gold zone has been traced over a minimum 100 m strike length in drill holes RS-09-1, 3 and 4 and remains open to the northeast. The zone has to extend to surface since it is most likely the source area for the SB till anomaly. The till anomaly is also not cut off to the northeast and may continue along the BG contact.

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.

Seven (7) grab samples were taken from the Uncle Ross showing on Line 10 E on the Krissy grid during a due diligence visit in October. Results indicate that weak gold mineralization is present in the silicified/sericitized alteration zone over a 25 m^2 area. Values from 27 to 435 ppb Au, with 4 > 50 ppb Au were located. Associated copper values were background (< 15 ppm), to 636 ppm with two values > 200 ppm Cu. All other elements gave ND to weakly anomalous values. The alrtered area lies on the Krissy Trend, 1.2 km to the west of Trench 2 on L 22 E.

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.

General
A total of 13 check analyses were carried out on samples of low, moderate and higher grade values from the diamond drill core from both the Krissy and SB trends. These results confirm that gold is present in the system and is most likely free gold based on the variances in the sample results, with some samples giving higher values and some giving lower values, than the original analyses. Metallics assays for three higher grade samples, 2 from the Krissy and 1 from the SB zone, all gave higher values than the original fire assay results with one sample 40 % higher. The results of the check assays are presented in the table following.

CHECK / METALLICS ASSAYS – DIAMOND DRILLING - 2009

	Eastern Analytical		**Accurassay**		
	Original analyses	Checks - pulps	Checks - rejects	Checks - rejects	Metallics - rejects
			1st cut	Duplicate	
Sample #	ppb Au	ppb Au	ppb Au	ppb Au	ppb Au
42018	**70**	41	na	na	na
42042	**5868**	5092	5147	na	na
42089	**25**	19	na	na	na
42103	428	417	**511**	na	na
42132	**63**	50	na	na	na
42150	**655**	621	596	na	na
42155	9995	na	na	na	**10,796**
42208	3596	4114	4515	**4618**	na
42209	1120	**1151**	na	na	na
42258	29	**46**	na	na	na
42278	352	**1127**	na	na	na
42290	**298**	32	na	na	na
42298	5008	na	na	na	**7508**
42299	9480	na	na	na	**13,469**
42314	1564	**2061**	na	na	na
42349	**462**	407	na	na	na

Note: highest values bolded; na – not assayed

Exploration planned for 2010 includes: diamond drilling on the SB zone; compilation, 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.

The 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 to the laboratory. Rock, soil and core samples were sent to Eastern Analytical Laboratories in Springdale, NL., a recognized local laboratory, to be analyzed for Au by fire assay (1/2 assay tonne) plus ICP-11 for other elements. Standard QA/QC techniques as described on the SSE website were carried out and in addition, check analyses and a few metallics analyses were carried out on core samples to test the variability of results, especially where free gold was suspected.

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 2009.

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

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. 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 and the Snegamook 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 Jacque's Lake areas. On September 18th 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_3O_8) per year. The deposits have measured and indicated resources of 35,000 tonnes of U_3O_8, plus 16,000 tonnes inferred resources, mostly requiring underground mining. An investment of C$1.05 billion ($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_3O_8 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^2) 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 (423 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^2), and is surrounded by the CMBNW JV property to the north, west and east and the Santoy (now Virginia Energy) "Fishhawk Lake" property to the south. The Company has earned a 100-percent interest subject to a two-percent NSR to the optionees. The property was staked on the basis of anomalous government lake sediment values. The property is located outside of lands owned by the Nunatsiavut government, on lands subject to the Innu Land Claim and it is not subject to the 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_3O_8. Individual one meter values range from 50 to 1,110 ppm U_30_8, with the widest section in SN-08-8 averaging 206 ppm U_30_8 (0.41 lbs/ton) over 73 meters, similar to values located in the Phase 1 drill program on the Two Time Zone. Higher grade zones, 0.11% (2.13 lbs/ton) U_30_8 over three meters and 0.11% (2.22 lbs/ton) U_30_8 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_3O_8 and five meters (191 to 196 m) of 224 ppm U_3O_8. 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_3O_8 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_30_8 with the widest intersection averaging 213 ppm U_30_8 (0.43 lbs/ton) over 16 meters including one meter of 0.21% (4.23 lbs/ton) U_30_8. Mineralization is developed proximal to and along the contact with the Archean Gneiss, which dips shallowly to the east.

No exploration was carried out in 2009 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. No work except for assessment reporting is planned for 2010.

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 $1,114,465 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.

DOUBLE MER

The Double Mer property consists of 219 claims (55 km^2), located in the Double Mer-Lake Melville area of Labrador, approximately 110 kilometres east of Happy Valley-Goose Bay. The 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 WCC Zone A, located 10 rock samples giving values greater than 100 ppm U_3O_8, with a high value of 2,640 ppm uranium (0.33% U_3O_8) associated with high spectrometer readings (> 10 K cps), in the area of the trenches. In the soil/humus geochemistry, 12 samples giving greater than 50 ppm uranium were located with high values of 200 ppm for the H horizon and 142 ppm for the B horizon, in two areas, one generally coincident with the WCC Zone A area and one area outside the known mineralization. The WCC trenches and ddh's were relocated and found to be north of the east-west trending magnetic high associated with a radioactive trend on the radiometric maps.

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_3O_8, with 42 > 1,000 and 7 over the 95^{th} percentile of 2,200 ppm with a high of 4,281 ppm (0.43%) U_3O_8. Uranium in soil values, up to 208 ppm (background < 10 ppm) and radon gas anomalies occur over mineralization, over widths up to 30 meters, associated with short, steep, scarps characterized by breccia units. Mineralization is also noted in a highly deformed, white, recrystallized, quartz pegmatite up to 40 meters wide, but generally 5-10 m, which can be traced over a 300 m strike length. Further work is required to define these showings which have both strike and width potential.

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

No exploration is planned for 2010 at this time 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 423 claims (106 km^2) after consolidation. 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 for uranium 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_3O_8; 2) in the northeastern part of the group, a northeast trending zone with host rocks - aplites and mafic intrusives (gabbros), gneisses and pegmatites; and 3) in the western portion of the group, a linear, north-south trending zone of large, irregular, pegmatite dikes with erratic values up to 2650 ppm (0.26 %, 5.2 lbs/ton) U_3O_8. Uranium/thorium ratios were good (minimum of 3 to 1) in most areas. In 2008 stream sediment, radon gas, soil geochemical, and ground scintillometer surveys were carried out in conjunction with prospecting, geological mapping and compilation which evaluated radiometric and lake sediment anomalies and prospecting discoveries. The two most significant showings were in the south central part of the property near the coast. The "BB shot" showing, with scintillometer values up to 34,000 cps (background < 200 cps), gave values up to 67,439 ppm (6.7 %) U_3O_8 in outcrop along the contact of a, weakly gneissic, fine-grained granite, and a pegmatite with associated magnetite and biotite. The "Bingo" showing, approximately 3 km from the BB shot, and also associated with the contact of the granite and orthogneiss, gave 17 anomalous values (>10 ppm U_3O_8) with a high value of 5,887 ppm $U_3O_{8,}$ associated with uranophane staining. Three other anomalous areas were also defined: Area 1 - In the south-west, in uranium bearing pegmatites; Area 2 - In the central part where anomalous uranium values in rocks and streams were located, and Area 3 - in the north where 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 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 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^2), 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 since 2007 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_30_8 values of up to 598 ppm (1.2 lbs/ton) over one meter. Intersections include: 4.3 m of 0.025% (0.5 lbs/ton) U_30_8 in DDH MBAT-08-2, from 50.6 to 54.9 meters, at a vertical depth of 40 meters; MBAT-08-6 - 8 m at 0.021% (0.41 lbs/ton) U_30_8 from 88 to 96 m. Drill holes MBAT-08-1, 3, 5, 8 and 9 gave insignificant values. Drilling tested the zone, which appears to be shallow dipping to the southeast, along a strike length of 150 meters and to a vertical depth of 75 meters. Drill intersections are approximately 80% to 90% of the true width. The zone remains open along strike and to depth. The main mineralized zone in the brook has not been tested due to environmental regulations.

The **T Super 7 zone** is located 4.8 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_30_8. Weak mineralization over good widths was intersected as follows: MBS7-08-5 - 66 m in a northeast trending, mylonite zone carrying two separate mineralized zones: 27 m (5-32 m) at 138 ppm U_30_8 and 22 metres (44-66 m) at 278 ppm $U_30_{8,}$ separated by a 12 meter wide, barren, mylonitized felsic unit. The zone is a highly altered (hematite/carbonate/chlorite, silicificied), mylonitized, sheared to brecciated, hematized felsic intrusive or volcanic unit. An eight meter wide, higher grade section, from 51 to 59 meters graded 444 ppm U_30_8. True thickness cannot be determined however geological mapping indicates a minimum strike length of 300 meters that remains open along strike to the northeast and southwest. Radon gas surveys give strong anomalies over a minimum 750 meter strike length coincident with the trend of the zone. The style of mineralization is similar to the AT-649 prospect and is developed along a major northeast trending structure which trends through, and is associated with, the AT-649 mineralization. Other drill holes also intersected mineralization over narrow widths. Hole MBS7-08-4, targeting specialized granites, intersected a three meter (14-17 m), sheared, biotite rich zone, that gave 520 ppm U_30_8. Hole MBS7-08-3 intersected minor uranium mineralization with a best intersection of one meter (44-45 m) of 316 ppm U_3O_8 Drill hole MBS7-08-6 intersected base metal mineralization at the top of the hole, collaring in a brecciated to sheared leucogranite with coarse disseminated galena, sphalerite, pyrite and purple fluorite before passing into a more biotite rich phase of granite at 4.5 meters down hole. No significant uranium mineralization was encountered in holes MBS7-08-1, 2, 6 or 7.

Anomalous **stream sediment** values carrying uranium, gold, molybdenum, lead, nickel, copper and zinc were located. The highest U anomaly, with values up to 397 ppm, is located in the northeastern part of the property, and is coincident with the AT 649 and T S7 showing areas, as a 5 to 6 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).

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.

MAKKOVIK RIVER

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

Exploration consisted of an airborne radiometric/magnetic survey, and stream sediment geochemistry in conjunction with prospecting and scintillometer traverses. Three high-priority, eight moderate-priority and a number of lower priority targets were noted on the airborne survey. Uranium mineralized float boulders giving values from 0.049% to 0.733% U_30_8 were discovered along a northeast trending zone, 1.5 to 2 kilometers in length in 2007. The mineralization is hosted in sheared/hematitized extrusive and intrusive rocks. Follow up in 2008 did not locate any significant, anomalous rock samples or radioactive units other than the samples located in 2007 (News release dated August 5, 2008). Radon gas survey results gave only weakly anomalous readings.

Given the results, no field work was carried out in 2009 and the property was allowed to lapse when it came due. The costs associated ($240,889) were written off at year end. All results are shown on the Company's website (www.silverspruceresources.com).

MICHELIN

The property consists of 91 claims (23 km^2) 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, will be carried out in 2010.

TUKIALUK BAY

The property, totalling 247 claims (62 km^2) in one block, is located along the Labrador coast in the Tukialuk Bay area, to the east of the Mount Benedict property and approximately 60 km to the south of Makkovik. The claims were acquired by staking as a result of the AT-649 discovery on the Mount Benedict property, in similar geology to the northwest. They are located on LIL lands and are contiguous with claims held by Mega Uranium.

Exploration has consisted of stream sediment geochemistry and prospecting. 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. Weakly anomalous uranium analytical values in the 100 ppm range with high thorium / uranium ratios were found.

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^2) 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. The claims were staked to cover similar geology and uranium lake sediment anomalies to those of the Mount Benedict property. 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 has been 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^2) is located along the Labrador coast in the Lake Michael area, to the southeast of the Mount Benedict property and approximately 75 km to the southeast of Makkovik. They were staked to cover similar geology and uranium in lake sediment anomalies as on the Mount Benedict property, to the northwest. They are located mainly in LISA lands.

Exploration in 2008 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. The area is flat 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

The property, originally consisting of 177 claims in six licences, is located in the Smallwood 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 possibly 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, 1st anniversary - $20,000 cash and 200,000 shares, 2nd 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 4th anniversary on. A total of 865 claims contiguous with the existing optioned and previously staked claims were acquired from an insider of the company at no cost, other than the staking and deposit costs (News release Feb 25, 2010). The 1042 claims (260 km^2), cover all of the significant felsic volcanic and intrusive units with anomalous uranium in lake sediment anomalies in the area.

The properties are 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 showing. The company has staked 117 claims in three licences over the area of the original discovery and felsic volcanic units associated with structures. These claims form part of the option agreement and are subject to all conditions of the agreement. The claims staked by the prospectors, cover areas of anomalous uranium in lake sediments as shown on government surveys, associated with structures and felsic volcanic / tuffs and/or intrusive units. 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 Fronteer Development in the Central Mineral Belt of Labrador, in that it is uranium mineralization in foliated felsic volcanic or tuff unit associated with shearing. Minor disseminated pyrite and a grey metallic are noted in the mineralized unit.

Two grab samples taken by the prospectors, that showed yellow uranophane staining and gave field scintillometer readings up to 4,500 cps, were analyzed for uranium using an ICP technique. Values of 1,120 ppm (2.23 lbs / ton) and 513 ppm (1.03 lbs / ton) U_3O_8 with elevated lead (379 and 245 ppm), and weakly anomalous silver (1.3 and 0.6 ppm) were noted. Uranium /Thorium ratios were in the 9 to 10:1 range (News release – Oct. 29, 2009).

A due diligence evaluation of the showing was carried out in mid October 2009 when snow conditions prevented an extensive evaluation. Grab samples, and a 1 m channel sample in the felsic unit, 20 m to the east of the original anomalous grab samples, were taken and the anomalous scintillometer readings were confirmed. The channel sample gave 53 ppm U while seven grab samples from road cuts 2 to 5 kilometres to the north of the original discovery, where total count scintillometer values in the 250 to 500 cps range were located, gave values from ND (< 10 ppm) to 149 ppm U.

More work is required to evaluate the showing and the regional potential of the area. Exploration planned for 2010 includes data compilation over the winter months, a detailed lake sediment survey in the winter, an airborne radiometric / magnetic survey as soon as weather and snow conditions permit in the spring and late summer / early fall ground follow up. The budget for this work is approximately $300,000 which will be funded out of existing flow through funds.

A compilation map of the property can be viewed on the company website at www.silverspruceresources.com.

JV PROPERTIES (40% SSE / 60% CXX)

CENTRAL MINERAL BELT JV

The CMBJV properties consist of 3001 claims (approx. 750 km^2), 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.

Given the problems of the global financial crisis, the budgetary restraints most junior companies are subjected to at this time, the impact of the NG uranium moratorium and the price of uranium, 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, with a budget of $370,000 (SSE's portion $148,000), aimed at consolidating, reducing and retaining those properties which show the most potential. SSE's portion was funded out of available flow thru funds.

This 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 and will be discussed with SSE prior to carrying out the work.

Additional work is warranted 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 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. 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^2) acquired by staking in 2006. It is located partially on LISA lands, and partially on lands covered by the Innu land claim, approximately 110 km to the west of Postville.

Exploration has consisted of compilation, airborne radiometric/magnetic and air gravity surveys, prospecting, line cutting, stream, lake sediment and soil geochemistry, geological mapping, and geophysical (RadonEx) surveys, trenching/stripping, diamond drilling and a resource calculation on the TT zone completed in April, 2008. Crosshair has been carrying out compilation of data, plus due diligence core logging and ground truthing since acquiring the operatorship of the JV in late summer 2008. The Two Time showing was discovered by prospecting using scintillometers, at the location of the CMBNW#2 airborne radiometric anomaly in September 2007. An **air gravity** survey in the Kanairiktok River area including the Two Time Zone area showed a number of gravity features, both positive and negative, some of which appear to be associated with the Two Time mineralization, and possible extensions to the north and south. **Lake sediment geochemistry** gave values ranging from background (< 17 ppm) to 374 ppm and defined two significant anomalous areas: to the south of the Kanairiktok River, encompassing the Two Time zone and the HF occurrence and continuing to the northeast to an unexplored area where the highest values were located and an area to the north of Snegamook Lake, in the northwest portion of the property, with values from 5.4 to 258 ppm and 3 values greater than 60 ppm. **Soil geochemical** surveys centered on radon gas anomalies and/or radioactive showings over selected areas to the east and north of the Two Time Zone gave uranium values from 0.1 to 130 ppm, with a mean value of 2 ppm. Four anomalous areas are highlighted: to the north of the Two Time Showing; 2.5 km to the east of the Two Time Showing, 4.5 km to the east-northeast of the Two Time zone and on a small grid in the southeastern part of the property, covering the extension of a structural lineament carrying uranium mineralization on an adjoining property. **RadonEx** (radon gas) surveys defined a trend of radon anomalies, thought to represent uranium mineralization, along the Two Time trend and showed a number of other mineralized structural trends with significant anomalies, some much larger and stronger than the anomaly over the TT zone, mainly over favourable geology 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_3O_8 (10 lbs/ton) and 31 with values > 0.1% U_3O_8 (2 lbs/ton) were located associated with major east-northeast (ENE) or north-northwesterly (NNW) trending structures, the most significant of which is a 12 km long east-northeast trending suture which extends across the Snegamook property, approximately 2.5 km south of the Two Time zone, to an area of the highly anomalous lake sediment values. Another area, trending ENE and giving values up to 0.93% U_3O_8 (18.6 lbs/ton) in float boulders and 0.4% U_3O_8 (8 lbs/ton) in outcrop is located in the south eastern portion of the group. **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 Two Time Showing. Two float samples gave values of 0.08 and 0.11% U_30_8 and proximal and down ice from the zone, boulders with values over 1.0 % U_30_8 were located. Three channel samples of pervasively hematitized/oxidized breccia, taken at one meter intervals from poorly exposed outcrop in the western part of the Firestone showing gave values of 60, 160 and 300 ppm U_30_8.

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

Two Time Zone

The Two Time (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_3O_8. 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 Two Time 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 Two Time Zone using drill hole data available as of February 4, 2008. The drill hole database includes 40 diamond core holes (holes 1-23 and 25-41) totaling 10,928 metres, plus five surface trenches.
The Mineral Resources are contained within eight zones, D101 though D108. At a cut-off grade of 0.03% U_3O_8, Indicated Mineral Resources are estimated to total 1.82 million tonnes grading 0.058% U_3O_8 containing **2.33 million pounds U_3O_8**. Inferred Mineral Resources are estimated to total 3.16 million tonnes grading 0.053% U_3O_8 containing **3.73 million pounds U_3O_8.** A set of cross sections and plan views were interpreted to construct three-dimensional wireframe models at a cut-off grade of 0.03% U_3O_8, and a minimum true thickness of four metres. These criteria reflect a potential underground bulk-mining scenario. High U_3O_8 grades were cut to 0.3% U_3O_8 prior to compositing to two metres. Variogram parameters were interpreted from two-metre composited assay values. Block model U_3O_8 grades within the wireframe models were estimated by ordinary kriging. Classification into the Indicated and Inferred categories was guided by the drill hole density, interpreted variogram ranges, and the apparent continuity of the mineralized zones. See Table 1, following, for details. The full report is available on SEDAR, as filed on June 13, 2008.

TABLE 1

INDICATED MINERAL RESOURCES

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

INFERRED MINERAL RESOURCES

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

TOTAL	3,160	0.053	3,730

Notes:

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

The 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% $U_3O_{8,}$ (uranium oxide) from 172 m to 279 m, including higher grade zones: 0.11% U_3O_8 over 30 m from 172 m to 302 m and including 0.312% U_3O_8 over 3.0 m from 172 m to 175 m. CMB-07-12, drilled under CMB-07-6, gave 147 m of 0.041% (0.82 lbs/ton) U_3O_8 , including higher grade intersections of 11 m at 0.11 % (2.2 lbs/ton) and 6 m of 0.13 % (2.6 lbs/ton) U_3O_8. Hole 19 which gave the widest zone of mineralization, 199 m of 0.026% $U_3O_{8,}$ was stopped in mineralization due to mechanical difficulties. 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.

The Two Time zone, which has defined resources, plus other, as yet, evaluated showings gives the property significant value. No write down of exploration costs is contemplated 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.

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

HOLE-ID	From (m)	To (m)	Core Length (m)	True Thickness (m)	Lens ID	Grade U_3O_8%
CMB-06-02	162.40	170.40	8.00	8.00	101	0.039
CMB-06-03	86.80	107.50	20.70	15.41	103	0.038
CMB-07-06	224.00	249.00	25.00	16.62	108	0.049
CMB-07-06	**172.00**	**200.00**	**28.00**	**18.67**	**103**	**0.118**
CMB-07-06	265.00	279.00	14.00	14.00	105	0.039
CMB-07-07	203.90	210.01	6.12	6.12	105	0.056
CMB-07-10	192.00	198.00	6.00	6.00	102	0.077
CMB-07-11	239.00	266.00	27.00	19.06	103	0.038
CMB-07-12	252.00	318.00	66.00	44.56	103	0.058
CMB-07-12	344.00	364.99	20.99	20.99	105	0.042
CMB-07-13	136.18	168.18	32.00	26.23	103	0.059
CMB-07-13	180.52	209.42	28.90	24.31	108	0.039
CMB-07-13	222.52	229.74	7.22	7.22	105	0.097
CMB-07-14	**264.62**	**297.62**	**33.00**	**25.20**	**103**	**0.101**
CMB-07-16	271.00	295.81	24.81	16.54	103	0.061
CMB-07-16	303.00	311.00	8.00	5.38	108	0.036
CMB-07-17	236.00	263.00	27.00	27.00	105	0.043
CMB-07-18	207.00	228.00	21.00	15.85	103	0.095
CMB-07-18	300.00	311.00	11.00	11.00	105	0.059
CMB-07-19	286.00	303.00	17.00	9.68	103	0.068
CMB-07-19	373.00	380.00	7.00	7.00	105	0.038
CMB-07-26	150.00	183.00	33.00	33.00	101	0.046
CMB-07-26	133.00	144.00	11.00	11.00	106	0.050
CMB-07-29	10.00	39.00	29.00	21.96	103	0.063
CMB-07-29	98.00	110.00	12.00	12.00	102	0.044
CMB-07-31	71.00	77.00	6.00	4.67	103	0.050
CMB-07-31	126.00	133.00	7.00	7.00	102	0.082
CMB-07-34	**47.00**	**66.00**	**19.00**	**14.41**	**103**	**0.112**
CMB-07-35	71.00	94.00	23.00	23.00	101	0.035
CMB-07-37	160.00	169.00	9.00	9.00	102	0.063
CMB-07-38	121.00	127.00	6.00	6.00	102	0.037
CMB-07-38	66.00	77.00	11.00	11.00	107	0.044
CMB-07-40	85.09	115.00	29.91	22.28	103	0.052

CMBE

The CMBE JV property, staked in 2006, consists of 12 claims (3 km^2) 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 in both 2006 and 2007. Two significant mineralized areas were discovered: a subcrop of siliceous, hematitized, microgranite which gave 1.0% U_30_8 , from a single sample within a wide area of high scintillometer values and an outcrop of hematitized granite which gave 0.28 % U_30_8,
0.6 % Mo, and >100 ppm Ag. Exploration in 2009 included prospecting, geological mapping and lake sediment geochemistry. A value of 2.19% U_3O_8 was obtained in re-sampling of the strongly altered and mineralized granitic float discovered by SSE 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 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, which consists of 313 claims (78 km^2), was staked in the spring of 2006.   It lies in the central part of the CMB on LIL lands, 15 to 25 km to the south of Postville and directly to the west of, adjoining the Jacques Lake Deposit property of Fronteer Development ("Fronteer").

Exploration included: an airborne radiometric/magnetic survey in the summer of 2006, which located four high priority targets, prospecting and a detailed lake bottom survey. Lake sediment values ranged from high background (30 ppm or less) to 217 ppm with two anomalous areas defined: 1) to the north of Jacques Lake in the central / northeast portion of the property with values ranging from 14 to 217 ppm and 17 values greater than 50 ppm; and 2) in the northwest corner of the property with values from 27 to 217 ppm and 2 values greater than 100 ppm. No exploration was carried out in 2008.   Exploration 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 gave assays from 0.03 to 0.46% U_3O_8, called the South Brook zone was located.   It has been outlined by uranium bearing float and bedrock over a 3 kilometre plus strike length. Another zone with 10 float samples assaying from 0.03 to 0.11% U_3O_8, 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 budget is in the planning stage.

No write down in the values 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, staked in 2006, consists of 313 claims (78 km^2) and is located in the central – eastern portion of the CMB. Exploration in the period 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.

Two new uranium showings were discovered. The first is hosted in altered granitic rocks and is called Big Bear, where four grab samples gave values from 0.02 to 0.10% U_3O_8 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 intrusives. A second showing, the JJ, was located two kilometres to the west-southwest of Big Bear. It consists of magnetite-pyrite mineralization in felsic volcanic units that gave an assay of 0.127% U_3O_8 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 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 these 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.

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 the 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 $663,398 for the year ended October 31, 2009 (2008 - $1,115,163 outflow).

Financing Activities
The Company generated $285,891 for the year ended October 31, 2009 through financing activities compared to $10,479,701 for the year ended October 31, 2008. The company raised $294,855, net of share issue costs, through private placements during the year (2008 - $5,903,549). The company did not receive any proceeds from warrants and options in 2009.

Investing Activities
The Company had a net outflow of $1,472,451 from investing activities for the year ended October 31, 2009 (2008 - $12,662,216). Of this amount $1,858,334 was invested in mineral property exploration activities (2008 - $12,660,417).

Liquidity
The Company had cash and cash equivalents of $28,278 as at October 31, 2009 (2008 - $1,806,046). The change in non-cash operating working capital as at October 31, 2009 was a cash outflow of $72,190 (2008 cash inflow of $1,648,740). The exploration budget for 2010 is $700,000 consisting of $150,000 for Rambler South, $300,000 for Lobstick, $100,000 for Lazyman, 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 year.

Capital Resources
The Company's authorized capital consists of an unlimited number of common and preference shares without par value. At October 31, 2009, the Company had 52,526,007 issued and outstanding common shares (2008 – 48,328,963).

RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities as at October 31, 2009 is $60,000 (2008 - $47,270) 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 year ended October 31, 2009, 2,690,000 (2008 – 2,920,000) stock options were granted to directors and officers 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 year ended October 31, 2009, $2,944 (2008 - $560,261) was paid to the hardware store and $98,231 (2008 - $31,500) 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

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

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

	Cash (CAD)	Cash (USD)	Shares
2010	$180,000	$150,000	1,381,831
2011	$320,000	-	800,000
2012	$20,000	-	450,000

The Company leases its head office in Bridgewater under an operating lease. Future lease payments aggregate $30,525 and include the following amounts payable over the next four years:

	$
2010	9,900
2011	9,900
2012	9,900
2013	825
	30,525

FINANCIAL INSTRUMENTS

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

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

RISKS AND UNCERTAINITIES

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

Both recent acquisitions in Labrador (Lobstick) and on the island of Newfoundland, Rambler South and Lazyman, 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_3O_8) is about 77 kilotons per annum (ktpa), while current mine production accounts for 48ktpa. The balance, 29ktpa, comes from inventory - primarily the down-blending of weapons grade uranium which has greatly diminished over the past few years. Mine output is expected to increase to 54 ktpa over the next three to five years, leaving a significant supply gap to be filled by new production (IAEA). Cameco's 2005 annual report estimates that uranium fuel consumption will reach 217 ktpa by 2015. The long term outlook remains positive for uranium, which is currently trading at around US$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 $ 60 / lb, very close to the prices when the bulk of the money was spent and down somewhat from the prices when the money was raised. Assessment reporting on our Labrador uranium properties show that the main areas of uranium potential defined by regional work, and some drilling, over the past few years will be maintained for the next 2 to 3 years without requiring significant continued exploration expenditures. This will allow the Company to maintain its properties until the probable end of the recession and 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. Base metals are not in high demand however the demand for metals and other commodities is expected to rise as the global economy turns around. The Company's gold / base metal projects are road accessible and therefore relatively cheap to explore. No significant emphasis is placed on exploration for base metals however any discoveries 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 at this time. We continue in a “broad based” global meltdown which is not reflective of the true value of certain companies or assets. We are, like most companies, caught in this meltdown 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 2010.

A property portfolio with defined drill targets for gold/silver and base metals and a uranium discovery with defined resources, make Silver Spruce a leading junior explorer. 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. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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.