

*This document provides management's discussion and analysis (MD&A) for our financial condition as at July 31, 2018, and results of operations for the quarter ended July 31, 2018. This MD&A should be read in conjunction with the Company's consolidated financial statements and notes for the year ended October 31, 2017. This MD&A has been prepared as of September 27, 2018 and is current to that date unless otherwise stated.*

*Certain statements in this report may constitute forward-looking statements that are subject to risks and uncertainties. A number of important factors could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. Consequently, readers should not place any undue reliance on such forward-looking statements. In addition, these forward-looking statements relate to the date on which they were made.*

*In particular, forward looking comments regarding both the Company's plans and operations included in the "Company Overview" with respect to management's planned exploration and other activities, and in "Liquidity", and "Commitments" regarding management's estimated ability to fund its projected costs of exploration work and general corporate costs of operations, and its ability to raise additional funding through placement of the Company's common shares, are plans and estimates of management only and actual results and outcomes could be materially different.*

*Additional information regarding the Company, including copies of the Company's continuous disclosure materials is available on the Company's website at [www.silverspruceresources.com](http://www.silverspruceresources.com) or through the SEDAR website at [www.sedar.com](http://www.sedar.com).*

## **Company Overview**

Silver Spruce Resources Inc. (the "Company") is a junior exploration company headquartered in Bridgewater, Nova Scotia. The Company's is focused on exploration for precious metals and rare earth elements.

In 2015, the Company focused business activities on developing near term properties to maximize benefit to shareholders. The Company was successful in the prospective property called Pino de Plata. In 2015, the Company acquired a 100% interest in Pino de Plata, a 397 hectare property in the southwest corner of the state of Chihuahua, Mexico. The initial NI 43-101, detailed below, shows very promising results resulting in the Company focusing on developing Pino de Plata.

On July 19, 2017, the Company closed the purchase agreement with Cedar Forest LLC for 100 per cent, free of any royalty, of the Kay mine parcel of 70.84 acres of patented claims near Black Canyon City, Arizona. The Company issued 8,649,147 common shares based on the quoted market value of the common shares on that date, and paid the balance of the purchase price (US\$500,000) in cash.

The Kay Copper Company and others produced gold-silver-copper-lead-zinc ore on the property intermittently from 1916 until 1956. Exploration conducted from 1972 to 1982 by Exxon Minerals Company, a subsidiary of Exxon Petroleum, indicates that substantial additional mineralization exists down dip and potentially along strike from the previously producing mineral deposits. A two-page executive summary of the Kay mine project is available at the Company's website.

As of July 31, 2018, cash reserves, totaled approximately \$16,480. The Company continues to pursue its strategy to cash flow ready or near cash flow ready properties.

### Summary of Quarterly Results

Results of operations can vary significantly by quarter, as a result of a number of factors. The Company's level of activity and expenditures during a specific quarter are influenced by the level of working capital and the availability of external financing.

	July 31, 2018	April 30, 2018	January 31, 2018	October 31, 2017
	\$	\$	\$	\$
Net (loss) earnings	(138,343)	(185,153)	(159,331)	(279,522)
Net (loss) earnings per share -basic and diluted	(0.00)	(0.00)	(0.00)	(0.02)
	July 31, 2017	April 30, 2017	January 31, 2017	October 31, 2016
	\$	\$	\$	\$
Net (loss) earnings	(185,304)	(298,719)	(228,886)	926,159
Net (loss) earnings per share -basic and diluted	(0.00)	(0.01)	(0.01)	0.02

For the three months ended July 31, 2018 the Company had a net loss of \$138,343 (July 31, 2017 - \$185,304) and a loss per share of \$0.00 (July 31, 2017 - \$0.00).

- Exploration and evaluation expenditures decreased as a result of a lack of funds to complete exploration activities.
- Accretion and loan interest expense increased to reflect the value of the loan obtained to acquire the Kay Mine property in July 2017.
- Corporate relation costs increased as deposits paid to the acting firms were used.

### Expenditures on Mineral Properties

During the quarter ended July 31, 2018, and the quarters ended April 30, 2018, January 31, 2018, and October 31, 2017 and the comparative periods, the Company incurred the following expenditures on exploration:

	July 31, 2018	April 30, 2018	January 31, 2018	October 31, 2017
	\$	\$	\$	\$
<b>Kay Mine</b>	-	1,021	9,019	37,649
<b>Pino de Plata</b>	3,280	10,584	6,014	-

	July 31, 2017	April 30, 2017	January 31, 2017	October 31, 2016
	\$	\$	\$	\$
<b>Kay Mine</b>	(18,544)	102,298	-	-
<b>Pino de Plata</b>	-	23,853	86,040	498,906

The credit balances represent reallocations/recovery of expenses between the properties in the quarters reporting period.

## PROJECTS – SILVER

### Pino de Plata

On February 29, 2016, the Company signed an amended agreement that supersedes the original purchase agreement and enables the Company to purchase a 100% interest in the Pino de Plata property. The revised financial terms are as follows:

- Total cash payments reduced to US\$500,000 over two years (US\$125,000 (CDN\$168,459) paid);
- One share issuance of 2,500,000 common shares, issued on June 15, 2016 and valued at \$0.07 per common share based on the quoted market value of the common shares on that date. One payment of \$250,000 to be paid in common shares in lieu of cash, at a share price equal to the 20-day average closing price of the Company's shares on the TSXV, subject to exchange approvals;
- A three percent (3%) gross production royalty capped at US\$4 million, which can be purchased for US\$1,333,333 per percentage point at any time and are reduced by the total amount of advanced royalty payments; and
- The Company is subject to advanced Royalty payments of US\$10,000 per month to commence 30 days after the acquisition is finalized, registered and documented with the proper authorities.

The property is 397 hectares located approximately fifteen kilometres from Coeur Mining Inc.'s Palmerajo open pit and underground operations. This Property shows historical small scale surface mining of high grade silver (> 1,000 g/ton) dating back to approximately the 1600's and the entire project sits on top of an intrusive system with widespread anomalous mineralization. This Property has been privately held by the same individual since 1984 and has never been drilled or fully explored.

In May 2015, Silver Spruce completed an initial National Instrument 43-101 exploration assessment report which identified three areas for follow-on exploration and drilling. The 43-101 involved on-site field examination which systematically sampled areas of known small scale historical production. But the areas sampled for the 43-101 only represent approximately one quarter of the total Project area. Approximately ninety-two samples were taken during the field examination and show widespread intrusive epithermal mineralization at surface with silver values, on average, of greater than 50 grams per tonne (g/t), that is 1.6 ounces per tonne (opt), over an area of more than 1 square km (>100 Ha). Within the area examined, specific targets were sampled with silver (Ag) assays of up to 557 g/t or 17.9 opt. The following are the three target areas identified in the 43-101.

The Terrero - target, was identified as has having an area of over 20,000 square metres (>2 Ha), where "the replacement epithermal mineralization in igneous rocks contains good silver grades at surface in un-oxidized rock. Seven out of nine samples, taken at surface, contained > 1 opt Ag to as much as 17.9 opt Ag with an average silver grade of 250 g/t (8 opt) Ag. Little additional work in the way of mapping and sampling is required prior to drilling this prospect.

The Santa Elena – is a Gossan target area presents a viable target for replacement Ag-Pb-Zn-Cu deposits. Unoxidized replacement mineralization from the Santa Elena Mine approaches 200 g/t (6.4 opt) Ag. This area has the potential for relatively shallow replacement mineralization over an area of > 20 Ha." The sampling in the Santa Elena – Gossan target area also revealed elevated values of >2-3% Zn and anomalous Au, Cu and Pb.

Vein Targets - "The Sierpe and Theodora veins are open on strike and have indications of ore grade Ag (>250 g/t or 8 opt Ag) and reasonably minable widths (>= 1 m). Newly exposed, Ag mineralized quartz veins in road cuts to the west along with favorable alteration west of the Sierpe and Theodora mines make these attractive vein targets." The sampling in the Sierpe I, Sierpe II and Theodora vein target areas also revealed elevated values of up to 5% Pb and up to 7% Zn, with anomalous Au values up to 0.461 g/t.

Only approximately 50% of the Project surface was examined during the 43-101 assessment.

The Company plans an efficient and effective Phase I exploration program to quickly define a significant maiden resource with open pit mining potential to exploit in the near to medium future with minimal capex requirements. As a result of a delay in being able to access the property, an addendum to the purchase agreement was made during 2017 to suspend the terms of the agreement until access is gained to the property.

### **The Kay Mine Project**

The Kay Copper Company and others produced gold-silver-copper-lead-zinc ore on the property intermittently from 1916 until 1956. Exploration conducted from 1972 to 1982 by Exxon Minerals Company, a subsidiary of Exxon Petroleum, indicates that substantial additional mineralization exists down dip and potentially along strike from the past-producing mineral deposits. A two-page executive summary of the Kay mine project is available at the company's website.

Known mineralization occurs in two zones of massive sulphide, the North and South zones, extending from the surface to at least 2,100 feet in depth that was developed in several thousand feet of workings on 11 levels. A November, 1982, internal Exxon Minerals Company report by M.L. Fellows stated that the deposit contains a resource of proven and probable ore with a tonnage of 6.4 million short tons grading an estimated 2.2 per cent copper, 3.03 per cent zinc, 1.6 ounces per ton (50 grams per tonne) silver and 0.082 ounce per ton (2.55 g/t) gold. The estimate was made using assay data from historic mine level plan maps and Exxon drill hole intercepts. Exxon also reported the deposits to be open down dip, with significant additional potential for the discovery of new deposits at the project.

Exxon's use of the word ore is not to be construed in the strict sense. After examining mine assay level plans and Exxon drill hole data, Silver Spruce has concluded that indicated mineral resource is the appropriate term for Exxon's historical estimate. Additional drilling is needed to verify this estimate. The qualified person for Silver Spruce has not conducted sufficient work to definitively classify Exxon's resource estimate to be compliant with National Instrument 43-101 resource definitions. The Company is not treating the historical estimate as current mineral resources or mineral reserves.

### **URANIUM - LABRADOR**

#### **JV PROPERTIES - CENTRAL MINERAL BELT JV (CMBJV) – SSE – 2% NSR**

The CMBJV properties consist of 451 claims in the Central Mineral Belt (CMB) of Labrador. The properties are proximal to the Michelin, Moran Lake and other uranium showings 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. Licence 18131M (124 claims) in the CMBNW property was ceded to Lew Murphy, the vendor of the Moran Lake property, due to an area of influence, when Jet Energy dropped the option on the Moran Lake property however under the CMBJV agreement, the 2% NSR to Silver Spruce continues on this property. The CMBJV claims were acquired by staking in 2005/06 to cover uranium in lake sediment anomalies, hosted in volcanic, sedimentary and plutonic rocks. Silver Spruce's original joint venture partner, Universal Uranium, earned a 60% interest in the CMBJV in March 2007 by spending \$2 million in an option agreement. UUL sold its 60% interest to Crosshair (now JET Metals) in May 2008, for 10 M Crosshair shares plus \$500,000, with UUL retaining a 2% NSR on the 60% purchased. Crosshair took over the operatorship of the JV when SSE reverted to a 2% NSR on the properties. SSE declined to participate in the exploration programs and was diluted to a 2% NSR according to the formula in the JV agreement (NR May 31/12).

No exploration has been carried out since and as far as known, none is planned in 2018.

## MANAGEMENT

### **Karl Boltz – President/CEO, Director**

He is a natural resources consultant with 15+ years working with public and private companies in Mexico- project acquisition, funding, market development and project management. Mr. Boltz is fluent in Spanish and was the Co-founding President, CEO and Director of EXMIN Resources Inc. (now Sierra Metals Inc.).

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

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

## LIQUIDITY, FINANCINGS AND CAPITAL RESOURCES

### **Operating Activities**

The Company had a net cash outflow from operating activities of \$119,51 for the three months ended July 31, 2018 (July 31, 2017 - \$118,162).

### **Financing Activities**

The Company had a net cash inflow from financing activities of \$85,924 for the three months ended July 31, 2018 (July 31, 2017 - \$771,656).

### **Investing Activities**

The Company had \$nil cash transactions from investing activities for the three months ended July 31, 2018 (July 31, 2017 - \$635,545 outflow).

### **Liquidity**

The Company had cash and cash equivalents of \$16,480 as at July 31, 2018 (July 31, 2017 - \$18,074). The change in non-cash operating working capital as at July 31, 2018 was a cash inflow of \$66,637 (July 31, 2017 - \$112,528 outflow).

### **Capital Resources**

The Company's authorized capital consists of an unlimited number of common and preference shares without par value. At July 31, 2018, the Company had 68,561,992 issued and outstanding common shares (July 31, 2017 - 60,157,992).

## RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities as at July 31, 2018 is \$241,255 (October 31, 2017 - \$217,451) owing to directors and companies controlled by directors of the Company for consulting related services rendered. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

As at July 31, 2018 the total loans payable to a former director is \$81,287 (October 31, 2017 - \$79,973). The loans are unsecured and bear interest at rates from 0% - 5% per year. During the period ended July 31, 2018, the loans incurred interest expense of \$1,314 which is outstanding at period end and is due on demand.

During the period ended July 31, 2018, nil stock options were granted to directors, officers and employees of the Company (2017 - 300,000). The stock based compensation related to the options issued is \$nil (2017 - \$21,600).

During the period ended, directors of the Company provided loans to the Company in the amount of \$42,800. The amounts are due on demand.

During the period ended July 31, 2018 key management personnel compensation consisted of services provided by companies owned by directors of \$34,625 (2017 - \$137,509) which are classified as consulting fees on the consolidated statement of operations.

## **COMMITMENTS**

The Company's exploration and evaluation activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The Company has indemnified the subscribers of current and past flow-through share subscriptions from any tax consequences arising from the failure of the Company to meet its commitments under the flow-through subscription agreements.

## **FINANCIAL INSTRUMENTS**

### **Fair Value**

IFRS requires 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 on quoted market prices.

## **RISKS AND UNCERTAINTY**

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.

## **CURRENT MARKET CONDITIONS**

The fundamentals for gold and silver have improved and are expected to remain strong for the rest of 2018. Prices dropped significantly in 2013 and were volatile in 2014 although still at reasonable levels historically. The Company is excited about the Pino de Plata and Kay Mine silver/gold prospects for this reason.

## **OUTLOOK**

The Company is currently focusing on mineral projects that can be cash positive in the short to medium term. The Company feels the Pino de Plata and Kay mine projects have potential to meet this objective. As at July 31, 2018, the Company's cash is \$16,480. The Company does not have sufficient funds to meet its current overhead requirements. Although the Company has been successful in raising funds to date, there can be no assurance that adequate or sufficient funding will be available in the future, or available under terms acceptable to the Company. In the event that the Company is unable to secure further financing it may not be able to complete the development of its exploration projects and repay the loan payable secured against the Kay Mine. The

Company plans to complete an offering of new equity securities in the near future to fund exploration activities.

## **GOING CONCERN**

The Company's ability to continue as a going concern for the rest of 2018 and beyond, is dependent on its ability to raise money in the form of a private or public placement, loans, grants and/or a joint venture on our properties with a partner who would provide the financing for the exploration or a change of business associated with new funding. There is no certainty the Company will be successful in accessing such funding.

## **CHANGES IN ACCOUNTING POLICIES**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning on or after November 1, 2017 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 16 – Leases (“IFRS 16”) was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 – Revenue from Contracts with Customers has also been applied.

During 2017, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards, including IAS 1. These new standards and changes did not have any material impact on the Company's financial statements.