

*This document provides management’s discussion and analysis (MD&A) for our financial condition as at July 31, 2019, and results of operations for the quarter ended July 31, 2019. This MD&A should be read in conjunction with the Company’s consolidated financial statements and notes for the year ended October 31, 2018. This MD&A has been prepared as of September 30, 2019 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.

In 2015, the Company focused business activities on developing near term properties to maximize benefit to shareholders. 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.

As at July 31, 2019, cash reserves, totaled approximately \$176,906. 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.

	<b>July 31, 2019</b>	<b>April 30, 2019</b>	<b>January 31, 2019</b>	<b>October 31, 2018</b>
	\$	\$	\$	\$
Net loss	<b>192,681</b>	160,082	84,660	216,474
Net loss per share -basic and diluted	<b>0.00</b>	0.00	0.00	0.01
	<b>July 31, 2018</b>	<b>April 30, 2018</b>	<b>January 31, 2018</b>	<b>October 31, 2017</b>
	\$	\$	\$	\$
Net loss	<b>138,343</b>	185,153	159,331	279,522
Net loss per share -basic and diluted	<b>0.00</b>	0.00	0.00	0.02

For the three months ended July 31, 2019, the Company had a net loss of \$192,681 (July 31, 2018 - \$138,343) and a loss per share of \$0.00 (July 31, 2018 - \$0.00).

- Exploration and evaluation expenditures increased as the Company prepared for a drill program at Pino de Plata.
- Accretion and loan interest expense decreased as the loan was settled during the period.

### Expenditures on Mineral Properties

During the quarter ended July 31, 2019, and the quarters ended April 30, 2019, January 31, 2019, and October 31, 2018, and the comparative periods, the Company incurred the following expenditures on exploration:

	July 31, 2019	April 30, 2019	January 31, 2019	October 31, 2018
	\$	\$	\$	\$
<b>Kay Mine</b>	-	-	-	-
<b>Pino de Plata</b>	<b>111,113</b>	31,568	-	-
<b>Cocula</b>	<b>20,237</b>	-	-	-

	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>	<b>3,280</b>	10,584	6,014	-
<b>Cocula</b>	-	-	-	-

## 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.

During the period ended July 31, 2019, the Company completed a field program that:

- Expanded areas of intrusive-related alteration and mineralization to 50-plus hectares;
- Confirmed that high silver grades are present on surface at the El Terrero and Gossan areas;
- Added three new vein targets at the La Perla, Santa Clara and El Muro vein systems; and
- Refined drill collar locations and orientations to optimize targeting.

Further, the Company has awarded the contract for the imminent phase I drill program at Pino de Plata to Ecodrill of Mexico.

### **The Kay Mine Project**

On July 19, 2017, the Company closed a purchase agreement with Cedar Forest LLC for 100 per cent, free of any royalty, of the Kay mine parcel 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. To finance a portion of the transaction the Company secured a loan.

On January 30, 2019 the Company completed the sale of the Kay Mine project to a private company that intends to go public on a Canadian stock exchange. The purchaser has assumed the US\$450,000 debt provided to the Company to satisfy its original purchase of the patented claims at the project, along with US\$31,500 accrued interest, and has received US\$27,732 cash after the Company's portion of the closing costs were applied. Within six months of closing, and the announcement by the purchaser of a public listing, the Company will receive \$100,000 cash payment and \$250,000 worth of the purchaser's shares upon its listing on a public stock exchange. The Company has the option to elect a cash payment in lieu of shares if the purchaser's shares are not listed on a public stock exchange within six months of signing the agreement. During the quarter ended July 31, 2019, the

Company received total payments of \$350,000 from the acquirer which concludes the Company's sale of the Kay mine project.

## **Cocula**

In July 2019, the Company signed a binding letter of agreement with Prospeccion y Desarrollo Minero del Norte SA de CV (ProDeMin) to assume ProDeMin's option agreement to acquire 100 per cent of the Cocula project, an advanced gold project in the Ameca mining district of Jalisco state, Mexico.

## **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.).

### **Brian Penney - Interim CFO**

Dr. Penney has been chairman of Silver Spruce Resources since 2016. He has also served as chairman of the audit committee since that time. He has extensive experience in guiding early-stage companies, both as chief executive officer and chairman. Recent positions include founding CEO of TARA, a Halifax-based telecom research and development firm; chairman and CEO of Abridgean Inc., a software company; chairman and CEO of CarteNav Solutions Inc., a mission software company in Halifax; chairman of Intertainment Media Inc., a TSX Venture Exchange new media incubator company in Toronto; CEO and chairman of e-djuster Inc., a leading insurance services company in Ottawa. Companies of which he was chairman or CEO have collectively increased shareholder value by over \$1-billion.

## **LIQUIDITY, FINANCINGS AND CAPITAL RESOURCES**

### **Operating Activities**

The Company had a net cash outflow from operating activities of \$619,951 for the nine months ended July 31, 2019 (July 31, 2018 - \$330,760).

### **Financing Activities**

The Company had a net cash inflow from financing activities of \$403,267 for the nine months ended July 31, 2019 (July 31, 2018 - \$308,284).

### **Investing Activities**

The Company had a cash inflow of \$385,458 from investing activities for the nine months ended July 31, 2019 (July 31, 2018 - \$nil).

### **Liquidity**

The Company had cash of \$176,906 as at July 31, 2019 (July 31, 2018 - \$16,480). The change in non-cash operating working capital as at July 31, 2019 was a cash outflow of \$156,138 (July 31, 2018 - inflow \$66,637).

### **Capital Resources**

The Company's authorized capital consists of an unlimited number of common and preference shares without par value. At July 31, 2019, the Company had 85,930,833 issued and outstanding common shares (July 31, 2018 – 68,561,992).

## **RELATED PARTY TRANSACTIONS**

Included in accounts payable and accrued liabilities as at July 31, 2019 is \$197,516 (October 31, 2018 - \$267,319) owing to current and former directors and companies controlled by current and former 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, 2019 the total loans payable to a former director is \$83,036 (October 31, 2018 - \$81,723). The loans are unsecured and bear interest at rates from 0% - 10% per year. During the period ended July 31, 2019, the loans incurred interest expense of \$1,312 which is outstanding at period end and is due on demand.

During the period ended July 31, 2019 key management personnel compensation consisted of services provided by companies owned by directors of \$nil (2018 - \$34,625) 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 2019. 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 project has potential to meet this objective. The Company has mobilized field geologists to refine the proposed drill locations and orientations in preparation for the drill program at Pino de

Plata project in western Chihuahua state, Mexico. The company has contracted Prospeccion y Desarrollo Minero del Norte SA de CV (ProDeMin) to complete detailed geologic mapping, sampling and reconnaissance at the project under the direction and supervision of Dr. Craig Gibson. As at July 31, 2019, the Company's cash is \$176,906. 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. 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.

## **SUBSEQUENT EVENTS**

On September 23, 2019 the Company closed a non-brokered private placement raising gross proceeds of \$261,250 (the "Offering"). The Offering consisted of 5,255,000 units offered at \$0.05 cents consisting of one common share in the capital of the Company and one share purchase warrant. Each full warrant entitles the holder to purchase an additional common share of the Company for \$0.075 at any time prior to the expiry date of August 15, 2021.

## **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, 2018 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 16 Leases was issued in January 2016 and replaces IAS 17 Leases. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. If the lease was classified as a finance lease, a lease liability was included on the statement of financial position. IFRS 16 now requires lessees to recognize a right of use asset and lease liability reflecting future lease payments for virtually all lease contracts. The right of use asset is treated similarly to other nonfinancial assets and depreciated accordingly. The lease liability accrues interest. The IASB has included an exemption for certain short term leases and leases of low value assets; however, this exemption can only be applied by lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and obtain substantially all the economic benefits from that use. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15, Revenue from Contracts with Customers, is also applied.

During 2019, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards, including IFRS 9. These new standards and changes did not have any material impact on the Company's financial statements.