Consolidated Financial Statements

SILVER SPRUCE RESOURCES INC.

For the years ended October 31, 2017 and 2016

(Expressed in Canadian dollars)

SILVER SPRUCE RESOURCES INC.
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Silver Spruce Resources Inc.

We have audited the accompanying consolidated financial statements of Silver Spruce Resources Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at October 31, 2017 and 2016, and the consolidated statements of operations and comprehensive (loss) earnings, consolidated statements of change in shareholders' equity (deficiency) and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Silver Spruce Resources Inc. and its subsidiaries as at October 31, 2017 and 2016, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates that Silver Spruce Resources Inc. had a working capital deficiency and a cumulative deficit as at October 31, 2017. These conditions along with other matters set forth in Note 2 indicate the existence of material uncertainties which cast significant doubt about the ability of Silver Spruce Resources Inc. to continue as a going concern.

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 22, 2018

SILVER SPRUCE RESOURCES INC.
Consolidated Statements of Financial Position
As at October 31, 2017 and 2016
(Expressed in Canadian Dollars)

	2017	2016
	$	$
Assets		
Current		
Cash	**38,956**	141,439
HST and other receivables	**8,845**	5,733
Prepaid expenses	**102,597**	15,970
Total current assets	**150,398**	163,142
Property and equipment (Note 8)	**1,088,233**	3,712
Total assets	**1,238,631**	166,854
Liabilities		
Current		
Trade payable and accrued liabilities (Note 14)	**345,898**	223,964
Property acquisition obligation (Note 7)	**32,233**	67,015
Loans payable (Note 13 and 14)	**592,492**	85,723
Total current liabilities	**970,623**	376,702
Shareholders' Equity (Deficiency)		
Share capital (Note 10)	**29,716,911**	28,572,250
Warrant reserve (Note 11)	**594,551**	359,214
Equity reserve	**8,099,926**	8,009,637
Accumulated deficit	**(38,143,380)**	(37,150,949)
Total shareholders' equity (deficiency)	**268,008**	(209,848)
Total liabilities and shareholders' equity (deficiency)	**1,238,631**	166,854

Basis of preparation and going concern (Note 2)
Commitments and contingencies (Notes 5, 7, 13 and 16)

APPROVED BY THE BOARD OF DIRECTORS

Original signed by Karl Boltz, CEO, Director

Original signed by Gordon Barnhill, CFO, Director

See accompanying notes to the consolidated financial statements

SILVER SPRUCE RESOURCES INC.

Consolidated Statements of Operations and Comprehensive Earnings (Loss)

Years ended October 31, 2017 and 2016
(Expressed in Canadian Dollars)

	2017	2016
	$	$
Expenses		
Exploration and evaluation expenditures (Note 7 and 14)	**231,296**	494,993
Stock based compensation	**46,971**	329,240
Office and general	**67,425**	62,009
Accounting and audit	**33,400**	41,133
Legal	**26,484**	21,520
Consulting fees (Note 14)	**357,565**	211,526
Corporate relations	**103,929**	24,970
Loan interest (Note 13 and 14)	**26,754**	12,457
Amortization	**2,969**	2,408
Accretion (Note 13)	**42,533**	67,424
Listing and filing fees	**34,139**	39,939
Total expenses	**973,465**	1,307,619
Foreign exchange loss	**18,966**	35,758
Gain on extinguishment of debt	**-**	(1,919,826)
(Gain) loss on settlement of debt	**-**	(11,109)
Total other losses (gains)	**18,966**	(1,895,177)
Net (loss)/earnings and comprehensive (loss)/earnings for the year	**(992,431)**	587,558
Net (loss)/earnings per share - basic and diluted	**(0.02)**	0.02
Weighted average number of shares outstanding - basic and diluted	**47,961,484**	28,694,586

See accompanying notes to the consolidated financial statements

SILVER SPRUCE RESOURCES INC.
Consolidated Statements of Change in Shareholders' Equity (Deficiency)
Years ended October 31, 2017 and 2016
(Expressed in Canadian Dollars)

	Number of shares	Share capital $	Warrant reserve $	Equity reserve $	Accumulated deficit $	Total equity (deficiency) $
Balance October 31, 2015	**21,135,781**	**27,639,830**	**73,905**	**7,649,810**	**(37,738,507)**	**(2,374,962)**
Net earnings for the year	-	-	-	-	587,558	587,558
Private placement common shares issued	13,935,035	960,550	-	-	-	960,550
Share issuance costs	-	(39,734)	-	-	-	(39,734)
Value of warrants issued under private placement	-	(315,896)	315,896	-	-	-
Shares issued on settlement of debt	1,800,000	135,000	-	-	-	135,000
Shares issued on settlement of property purchase obligation	2,500,000	175,000	-	-	-	175,000
Shares issued on settlement of finder fees	250,000	17,500	-	-	-	17,500
Stock based compensation	-	-	-	329,240	-	329,240
Warrants expired	-	-	(30,587)	30,587	-	-
Balance October 31, 2016	**39,620,816**	**28,572,250**	**359,214**	**8,009,637**	**(37,150,949)**	**(209,848)**
Net loss for the year	-	-	-	-	(992,431)	(992,431)
Private placement common shares issued	10,797,250	760,495	-	-	-	760,495
Share issuance costs	-	(11,100)	-	-	-	(11,100)
Value of warrants issued under private placement	-	(278,655)	278,655	-	-	-
Shares for property acquisition	8,649,147	475,703	-	-	-	475,703
Shares issue on settlement of loan commission	500,000	18,821	-	-	-	18,821
Bonus shares issued	1,735,779	104,147	-	-	-	104,147
Stock based compensation	-	-	-	46,971	-	46,971
Warrants exercised	1,505,000	75,250	(23,242)	23,242	-	75,250
Warrants expired	-	-	(20,076)	20,076	-	-
Balance October 31, 2017	**62,807,992**	**29,716,911**	**594,551**	**8,099,926**	**(38,143,380)**	**268,008**

See accompanying notes to the consolidated financial statements

SILVER SPRUCE RESOURCES INC.
Consolidated Statements of Cash Flows
Years ended October 31, 2017 and 2016
(Expressed in Canadian Dollars)

	2017	2016
	$	$
Operating activities		
Net (loss) earnings for the year	**(992,431)**	587,558
Items not involving cash:		
Loss on foreign echange	**18,966**	33,755
Amortization	**2,969**	2,408
Gain on extinguishment of debt	**-**	(1,919,826)
Accrued interest	**25,560**	1,750
Accretion	**42,533**	67,424
Gain on settlement of debt	**-**	(11,109)
Gain on sale of vehicle	**-**	(629)
Shares issued for services	**-**	17,500
Shares issued for settlement of property purchase obligation	**-**	175,000
Stock based compensation	**46,971**	329,240
	(855,432)	(716,929)
Changes in non-cash working capital		
(Increase)/decrease in prepaid expenses	**(86,627)**	(12,474)
(Increase)/decrease in HST and other receivables	**(3,112)**	(525)
Increase/(decrease) in trade payables and accrued liabilities	**121,934**	(18,236)
Decrease in property acquisition obligation	**(34,782)**	-
Change in non-cash operating working capital	**(2,587)**	(31,235)
Net cash flows from operating activities	**(858,019)**	(748,164)
Financing activities		
Proceeds from issuance of shares and warrants	**760,495**	899,050
Share issue costs	**(11,100)**	(39,734)
Proceeds from warrant exercise	**75,250**	-
Repayment of loan payable	**(5,000)**	(5,000)
Proceeds from loan payable	**547,678**	20,000
Net cash flows from financing activities	**1,367,323**	874,316
Investing activities		
Purchase of property	**(611,787)**	-
Proceeds from sale of vehicle	**-**	4,000
Net cash flows from investing activities	**(611,787)**	4,000
(Decrease)/increase in cash	**(102,483)**	130,152
Cash, beginning of year	**141,439**	11,287
Cash, end of year	**38,956**	141,439

Supplemental cash flow information (See Note 15)

See accompanying notes to the consolidated financial statements

1. DESCRIPTION OF BUSINESS

Silver Spruce Resources Inc. (the "Company") is a public company domiciled in Canada and 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. The registered office of the Company is Suite 312, 197 Dufferin Street, Bridgewater, Nova Scotia, B4V 2G9.

2. BASIS OF PREPARATION AND GOING CONCERN

Statement of compliance

The consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations Committee. The Company's board of directors approved these financial statements on February 22, 2018.

Basis of presentation

The financial statements of the Company have been prepared in accordance with IFRS on a going concern basis, under the historical cost convention except for investments which are reflected at fair value, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. Several adverse conditions, however, cast significant doubt on the validity of this assumption. The Company does not have any proven economically recoverable reserves on the Company's interest in mineral properties held for exploration and to date; the Company has earned no direct mining related revenues. The Company's assets are subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

The Company's continued existence is dependent upon the discovery of economically recoverable reserves, the ability of the Company to raise additional financing, or future profitable production. It is not possible to predict whether financing efforts will be successful.

Although the Company has taken steps to verify title to mineral exploration 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, social and environmental requirements and may be affected by undetected defects.

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 and a need for working capital cast significant doubt on the validity of this assumption.

2. BASIS OF PREPARATION AND GOING CONCERN (continued)

Basis of presentation (continued)

These financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material. The Company had continuing losses during the year ended October 31, 2017, a working capital deficiency and a cumulative deficit as at October 31, 2017. These conditions indicate the existence of material uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis 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., Silver Spruce Resources Mexico S.A. de C.V., and Silver Spruce Resources LLC. Both First Labrador Resources Ltd. and Silver Spruce Resources (Nova Scotia) Inc. are inactive and have no assets or liabilities. All inter-company transactions have been eliminated upon consolidation. Subsidiaries are entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity.

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 expensed in the statement of operations.

Exploration and evaluation costs

Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity net of government assistance received. Exploration and evaluation expenditures are expensed as incurred.

Property and equipment

Property and equipment is recorded at cost. Amortization is calculated on a declining balance basis at rates which will reduce original cost to estimated residual value over the estimated useful lives of the assets. Equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. If an asset's recoverable amount is less than the asset's carrying amount, an impairment loss is recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

The rates applicable to each category of equipment is as follows:

Class of equipment	Depreciation rate
Equipment	20%
Computers	55%
Vehicles	30%

Land is not subject to depreciation.

Share-based payments

The Company uses the fair value method to measure compensation expense at the date of grant of stock options to employees and each tranche is recognized on a graded vesting basis over the period in which the options vest. The fair value of options is determined using pricing models and is charged to earnings over the vesting period with an offset to equity reserve, on a straight-line basis over the vesting period. When options are exercised, the corresponding share based payment reserves and the proceeds received by the Company are credited to share capital. Forfeitures are estimated at the time of the grant. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate with a corresponding adjustment to equity reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

The value associated with expired warrants is transferred upon expiry, to equity reserve.

Income taxes

Income tax expense comprises current and deferred income tax. Current tax and deferred tax are recognized in earnings or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax expenses comprise the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

Deferred tax is measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on either the same taxable entity, or on different taxable entities, which intend to settle current tax liabilities and assets on a net basis or realize their tax assets and liabilities simultaneously. A deferred tax asset is recognized for unused tax losses, unused tax credits and temporary differences that can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that all or part of the related tax benefit will be realized.

(Loss) earnings per share

The Company presents basic and diluted (loss) earnings per share (LPS) data for its common shares. Basic LPS is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted LPS is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.

Decommissioning and restoration provision

The Company recognizes the fair value of the liability for asset decommissioning and restoration in the period in which it is incurred and records a corresponding increase in the carrying value of the related long-lived asset. Fair value is estimated using the present value of the estimated future cash outflows associated with legal obligations or constructive obligations relating to the reclamation and closure of its mineral exploration properties at a pre-tax rate that reflects the time value of money. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows to settle the obligation. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the consolidated statement of operations and comprehensive earnings (loss). The liability is also adjusted due to revisions in either the timing or the amount of the original estimated cash flows associated with the liability. The increase in the carrying value of the asset is amortized on the same basis as mineral properties. In management’s estimation, there is no material restoration, rehabilitation, and environmental obligation as at October 31, 2017 and 2016.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

All financial instruments are classified into one of the following five categories: fair value through profit or loss ("FVTPL"), held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. FVTPL financial instruments are measured at fair value and all changes in those fair values recognized in net earnings (loss). Available-for-sale financial instruments are measured at fair value, with changes in those fair values recognized in Other Comprehensive Income ("OCI"). 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	Loans and receivables
Other receivables	Loans and receivables
Investments	FVTPL
Trade payable and accrued liabilities	Other financial liabilities
Loans payable	Other financial liabilities
Property acquisition obligation	Other financial liabilities

Transaction costs are expensed as incurred for financial instruments classified as FVTPL. 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.

The Company has determined that it does not have derivatives or embedded derivatives.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each financial position reporting date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For unlisted shares classified as FVTPL, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as other receivables and other financial assets, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of estimated, discounted future cash flows. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account and changes in the carrying amount of the allowance account are recognized in profit or loss.

At each statement of financial position reporting date, the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Foreign currency translation

The presentation and functional currency of the Company and its subsidiaries is the Canadian dollar. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the statement of financial position date for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. Revenue and expenses are translated at the transaction date except for amortization, which is translated at historical exchange rates. Gains and losses on translation are included in the determination of net earnings (loss) for the year.

Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of the assets, liabilities and the 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. Judgments, estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, third party advice and financial reporting requirements. However, actual outcomes can differ from these estimates.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments, estimates and assumptions (continued)

The Company has identified the following areas under which significant judgments, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, the Company looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

The Company reviews the estimated useful lives of equipment at the end of each reporting period to ensure assumptions are still valid.

Share-based payments

The Company makes certain estimates and assumptions when calculating fair values of stock options and warrants granted. The significant assumptions used include estimates of expected volatility, expected life and expected risk-free rate of return. Changes in these assumptions may result in a material change to the expense recorded for the issuance of stock options and warrants.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes, including taxes related to flow-through expenditure renunciations, in various jurisdictions. Significant judgment is required in determining the Company’s provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company’s income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company’s interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

4. ACCOUNTING CHANGES

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.

5. CAPITAL MANAGEMENT

The capital structure of the Company currently consists of share capital, warrant reserve and equity reserve. 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 and evaluation 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.

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

The Company's capital management objectives, policies and processes have remained unchanged during the years ended October 31, 2017 and 2016.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

As of October 31, 2017, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

6. 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 other receivables. The Company's cash is held with highly rated financial institutions.

The Company has concluded that credit risk with regards to other receivables is minimal.

b) Liquidity risk

The Company's approach to managing liquidity risk is to endeavour to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2017, the Company had a cash balance of $38,956 (2016 - $141,439) to settle current liabilities of $970,623 (2016 - $376,702). Of the Company's current financial liabilities, $466,603 (2016 - $376,702) have contractual maturities of less than 30 days and are subject to normal trade terms.

6. FINANCIAL RISK FACTORS (continued)

c) Market risk

Interest rate risk

The Company's loans payable bear a fixed interest rate and therefore are not subject to interest rate risk. The Company invests any cash surplus to its operational needs in investment-grade short-term deposit certificates issued by highly rated Canadian banks. The Company periodically assesses the quality of its investments and is satisfied with the credit rating of the bank.

Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company's property acquisition obligation (Note 7) is denominated in United States Dollars ("US$") and is subject to fluctuations in that currency's value relative to the Canadian dollar.

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 years ended October 31, 2017 and 2016.

d) Fair value

The carrying amounts for cash, other receivables, trade payable and accrued liabilities, loans payable, and property acquisition obligation on the statements of financial position approximate fair value due to their short-term maturity. The fair value of investments in entities listed on the TSX Venture Exchange are based on quoted market prices in active markets and are classified as a Level 1 in the fair value hierarchy.

A three tier hierarchy is used as a framework for disclosing the fair value of financial instruments based on inputs used to value the Company's financial instruments. The three levels of the fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 - Inputs that are not based on observable market data.

6. FINANCIAL RISK FACTORS (continued)

e) Sensitivity analysis

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

The statement of financial position includes the following amounts expressed in Canadian dollars with respect to financial assets and liabilities for which cash flows are denominated in United States dollars.

	2017	2016
United States dollars:	**$**	$
Trade payables	**79,937**	-
Property acquisition obligation	**32,233**	67,015

A plus or minus 10% change in the value of the Canadian dollar with respect to United States dollar would impact the Company's net earnings (loss) by approximately $11,217 (2016 - $6,702) based on balances denominated in United States dollars on October 31, 2017.

7. MINERAL EXPLORATION PROPERTIES

a) 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 ($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.

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 ongoing interest in the property is subject to satisfactory resolution of the access restriction.

7. MINERAL EXPLORATION PROPERTIES (continued)

The present value of the Company's minimum commitment as at April 30, 2017 has been estimated using an effective interest rate of 20% and recorded as property acquisition obligation on the statement of financial position in the amount of $32,233 (US$25,000) (October 31, 2016 - $67,015 (US$50,000)). An accretion expense of $nil (2016 - $67,424) has been recorded for the period ended January 31, 2017.

b) Kay Mine

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. See Note 13.

The Company allocated the value paid, totaling $1,111,248, between the underlying value of the land, and an incremental value related to potential exploration value. The value of the land of $1,087,490 was estimated based on comparable land values in the area. The residual value was expensed as an exploration expense in accordance with the Company's policy for exploration and evaluation expenditures.

c) Encino

On December 1, 2016, the Company announced it has signed a binding and exclusive letter of intent to purchase and explore a submittal prospect near Chinipas, in far western Chihuahua state, Mexico. The terms of the purchase agreement are as follows:

- A deposit of 10,000 pesos (US$500) was made upon signing of the letter of intent;
- Year one -- US$5,000 payment, less the initial deposit, once the formal Mexico contract is finalized (not paid as a final agreement has not been finalized);
- Year two -- US$10,000;
- Year three -- US$15,000;
- Year four -- US$20,000;
- Total -- US$50,000 over four years.

The vendor will retain a three percent (3%) gross production royalty ("GPR") on the claim and any additional claim(s) staked by the Company within the two-kilometre area of interest. The Company retains the right to purchase the GPR for US$1-million for each one percent (1%).

The property interest remains subject to completion of a final agreement.

(Expressed in Canadian dollars)

8. PROPERTY AND EQUIPMENT

	Land	Equipment	Computers	Total
Cost:	$	$	$	$
At October 31, 2016	-	147,204	63,483	210,687
Additions	1,087,490	-	-	1,087,490
Disposals/Write-offs	-	140,000	62,000	202,000
At October 31, 2017	1,087,490	7,204	1,483	1,096,177
Amortization:				
At October 31, 2016	-	143,492	63,483	206,975
Additions	-	2,969	-	2,969
Disposals/Write-offs	-	140,000	62,000	202,000
At October 31, 2017	-	6,461	1,483	7,944
Carrying Value:				
At October 31, 2016	-	3,712	-	3,712
At October 31, 2017	**1,087,490**	**743**	**-**	**1,088,233**

	Equipment	Computers	Vehicles	Total
Cost:	$	$	$	$
At October 31, 2015	147,204	63,483	67,431	278,118
Disposals/Write-offs	-	-	67,431	67,431
At October 31, 2016	147,204	63,483	-	210,687
Amortization:				
At October 31, 2015	142,566	62,276	63,785	268,627
Additions	926	1,207	275	2,408
Disposals/Write-offs	-	-	64,060	64,060
At October 31, 2016	143,492	63,483	-	206,975
Carrying Value:				
At October 31, 2015	4,638	1,207	3,646	9,491
At October 31, 2016	**3,712**	**-**	**-**	**3,712**

(Expressed in Canadian dollars)

9. INCOME TAXES

a) Reconciliation of total tax expense

The effective rate on the Company's earnings (loss) before income tax differs from the expected amount that would arise using the combined statutory income tax rates. A reconciliation of the difference is as follows:

	2017	2016
	$	$
Net (loss) before income taxes	**(992,431)**	587,558
Income tax rate	**29.23%**	29.23%
Expected income tax expense (recovery)	**(290,000)**	172,000
Non-deductible amounts for income tax purposes	**25,000**	(442,000)
Other	**265,000**	270,000
Income tax recovery	**-**	-

b) Unrecognized deductible temporary differences and unused tax losses

Deductible temporary differences and unused tax losses for which no deferred tax assets have been recognized are attributable to the following:

	2017	2016
	$	$
Property and equipment	**328,000**	325,000
Non-capital losses	**5,742,000**	4,851,000
Mineral exploration properties	**11,130,000**	11,130,000
Share issue costs	**38,000**	42,000
	17,238,000	16,348,000

The Company has non-capital losses amounting to $5,742,000, which are available to reduce future taxable income. These non-capital losses expire as follows:

	$
2027	255,000
2028	278,000
2029	525,000
2030	340,000
2031	127,000
2034	157,000
2035	2,221,000
2036	948,000
2037	891,000
	5,742,000

(Expressed in Canadian dollars)

9. INCOME TAXES (continued)

The potential future benefit of these losses has not been recognized in the consolidated financial statements because it is not probable that future taxable profit will be available against which the Company can use the benefits.

10. SHARE CAPITAL

The share capital is as follows:

	2017	2016
	$	$
Authorized:		
An unlimited number of non-voting preference shares		
An unlimited number of common shares, no par value		
Issued and outstanding:		
62,807,992 (October 31, 2016 - 39,620,816)	**29,716,911**	28,572,250

a) In April 2016, the Company closed a non-brokered private placement to raise gross proceeds of $410,795. The offering consisted of the issuance of 5,477,266 units ("Unit") of the Company. Each Unit was offered at a price of $0.075 and consisted of one common share and one half common share purchase warrant, with each whole warrant exercisable at a price of $0.10 per common share if exercised within 24 months of the closing of the offering. Officers and directors of the Company subscribed for 2,336,466 Units for gross proceeds of $175,235.

b) In June 2016, the Company issued 2,500,000 common shares to the Pino de Plata property owner as per the terms of the property acquisition agreement, valued at $0.07 per common share based on the fair value of the common shares on that date. The Company issued 250,000 shares to settle the finder fee in accordance with the Pino de Plata agreement. See Note 7(a).

c) In August 2016, the Company closed a non-brokered private placement to raise gross proceeds of $549,755. The offering consisted of the issuance of 8,457,769 units ("Unit") of the Company. Each Unit was offered at a price of $0.065 and consisted of one common share and one share purchase warrant, with each whole warrant exercisable at a price of $0.10 per common share if exercised within 24 months of the closing of the offering. Officers and directors of the Company subscribed for 1,400,000 Units for gross proceeds of $91,000.

d) In March 2017, the Company closed a non-brokered private placement to raise gross proceeds of $461,500. The offering consisted of the issuance of 5,768,750 units ("Unit") of the Company. Each Unit was offered at a price of $0.08 and consisted of one common share and one share purchase warrant, with each whole warrant exercisable at a price of $0.12 per common share if exercised within 24 months of the closing of the offering. Officers and directors of the Company subscribed for 2,173,750 Units for gross proceeds of $173,900.

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

e) In July 2017, the Company closed a non-brokered private placement to raise gross proceeds of $166,495. The offering consisted of the issuance of 2,378,500 units ("Unit") of the Company. Each Unit was offered at a price of $0.07 and consisted of one common share and one share purchase warrant, with each whole warrant exercisable at a price of $0.10 per common share if exercised within 24 months of the closing of the offering.

f) During the year ended October 31, 2017, the Company received proceeds of $75,250 and issued 1,505,000 shares when it received a notice of exercise for 1,505,000 warrants at an exercise price of $0.05.

g) In October 2017, the Company closed a non-brokered private placement to raise gross proceeds of $132,500. The offering consisted of the issuance of 2,650,000 units ("Unit") of the Company. Each Unit was offered at a price of $0.05 and consisted of one common share and one share purchase warrant, with each whole warrant exercisable at a price of $0.075 per common share if exercised within 24 months of the closing of the offering. Officers and directors of the Company subscribed for 850,000 Units for gross proceeds of $42,500.

11. WARRANTS

The following is a summary of warrants activity for the years ended October 31, 2017 and October 31, 2016:

	2017		2016	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
		$		$
Balance, beginning of year	**14,001,401**	**0.07**	4,270,000	0.07
Granted in connection with private placements	**10,797,250**	**0.10**	11,196,401	0.10
Exercised during the year	**(1,505,000)**	**0.05**	-	-
Expired during the year	**(1,300,000)**	**0.05**	(1,465,000)	0.10
Balance, end of year	**21,993,651**	**0.09**	14,001,401	0.09

a) In connection with the April 20, 2016 private placement disclosed in Note 10, the Company issued 2,738,633 warrants. The grant date fair value of $108,108 assigned to the warrants was estimated using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility based on historical volatility of 165%, a risk free interest rate of 0.62%, and an expected life of 2 years.

(Expressed in Canadian dollars)

11. WARRANTS (continued)

b) In connection with the August 12, 2016 private placement disclosed in Note 10, the Company issued 8,457,770 warrants. The grant date fair value of $207,788 assigned to the warrants was estimated using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility based on historical volatility of 159%, a risk free interest rate of 0.54%, and an expected life of 2 years.

c) In connection with the March 13, 2017 private placement disclosed in Note 10, the Company issued 5,768,750 warrants. The grant date fair value of $173,063 assigned to the warrants was estimated using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility based on historical volatility of 140%, a risk free interest rate of 0.87%, and an expected life of 2 years.

d) In connection with the July 25, 2017 private placement disclosed in Note 10, the Company issued 2,378,500 warrants. The grant date fair value of $61,425 assigned to the warrants was estimated using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility based on historical volatility of 133%, a risk free interest rate of 1.04%, and an expected life of 2 years.

e) In connection with the October 31, 2017 private placement disclosed in Note 10, the Company issued 2,650,000 warrants. The grant date fair value of $44,167 assigned to the warrants was estimated using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility based on historical volatility of 115%, a risk free interest rate of 1.39%, and an expected life of 2 years.

Summary of warrants outstanding as at October 31, 2017:

Warrants	Exercise price	Grant date fair value of warrants	Expiry date
#	$	$	
2,738,633	0.10	108,108	April 20, 2018
8,457,768	0.10	207,788	August 12, 2018
5,768,750	0.12	173,063	March 13, 2019
2,378,500	0.10	61,425	July 25, 2019
2,650,000	0.075	44,167	October 31, 2019
21,993,651		594,551	

(Expressed in Canadian dollars)

12. SHARE BASED PAYMENTS

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. The shareholders of the Company are covered by a Shareholder Rights Plan Agreement between the Company and CIBC Mellon Trust Company.

Share based payment activity for the years ended October 31, 2017 and October 31, 2016 is summarized as follows:

	2017		2016	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
		$		$
Balance, beginning of year	**2,900,000**	**0.15**	525,000	1.67
Granted	**900,000**	**0.13**	2,900,000	0.15
Forfeited	**-**	**-**	(250,000)	0.20
Expired	**-**	**-**	(275,000)	3.00
Balance, end of year	**3,800,000**	**0.14**	2,900,000	0.15

At October 31, 2017, 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	2,900,000	1.79	0.118	2,900,000
0.15	300,000	2.14	0.072	300,000
0.08	300,000	1.35	0.046	150,000
0.15	300,000	2.68	0.044	300,000
	3,800,000	1.85	0.103	3,650,000

(Expressed in Canadian dollars)

12. SHARE BASED PAYMENTS (continued)

The grant date fair value of options granted during the year ended October 31, 2017 was estimated using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility based on historical volatility of 146%, a risk free interest rate of 0.95%, and an expected life of 2.5 years.

The grant date fair value of options granted during the year ended October 31, 2016 was estimated using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility based on historical volatility of 180%, a risk free interest rate of 0.60%, and an expected life of 3 years.

13. LOANS PAYABLE

On June 19, 2017, the Company obtained a 12-month, US$450,000 loan at a 12-per-cent coupon rate. The Company also issued 1,735,779 fully paid bonus shares and a commission of 500,000 shares valued at $0.055 per common share based on the quoted market value of the shares at the time of issue to the lender.

The value of the bonus shares and commission shares is amortized over the term of the loan using the effective interest method using an effective interest rate of 39%. The Company accretes the carrying value of the loan each quarter by recognizing an accretion expense in the statement of loss and comprehensive loss and a credit to loans payable. For the year ended October 31, 2017, $42,533 (2016 - $Nil) of accretion expense from the debt discount was recorded by the Company.

The following table summarizes for the years ended October 31, 2017 and October 31, 2016:

	Principal	As at October 31, 2017	As at October 31, 2016
Loan payable - Kay Mine property	US$450,000	$ 504,019	$ -
Loan payable - former director	65,000	79,973	78,223
Loan payable - current director	2,500	2,500	2,500
Loan payable - others	6,000	6,000	5,000
Total loan payable outstanding		$ 592,492	$ 85,723

14. RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities as at October 31, 2017 is $217,451 (2016 - $103,693) 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 October 31, 2017, the total loans payable to a former director is $79,973 (2016 - $79,390). The loans are unsecured and bear interest at rates from 0% - 5% per year. During the year ended October 31, 2017, the loans incurred interest expense of $1,750 (2016 - $1,750) which is outstanding at period end and is due on demand.

During the year ended October 31, 2017, 600,000 stock options were granted to directors, officers, consultants, and employees of the Company (2016 – 1,600,000). The stock based compensation related to the options issued is $34,800 (2016 - $181,653).

(Expressed in Canadian dollars)

14. RELATED PARTY TRANSACTIONS (continued)

During the years ended October 31, 2017 and 2016, key management personnel compensation consisted of services provided by companies owned by directors of $216,568 (2015 - $67,335), which are classified as consulting fees and exploration and evaluation expenditures on the consolidated statement of operations.

See also Notes 10 (a), (c), (d), and (g).

15. SUPPLEMENTAL CASH FLOW INFORMATION

	2017	2016
	$	$
Non-cash investing and financing activities:		
Shares issued for services and settlement of debt	**-**	152,500
Expiry of warrants	**20,076**	30,587
Shares issued for loans payable	**122,968**	-
Shares issued for property	**475,703**	175,000

16. COMMITMENTS AND CONTINGENCIES

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.