

Condensed Consolidated Interim Financial Statements of

SILVER SPRUCE RESOURCES INC.

For the three and six months ended April 30, 2013 and 2012

(Unaudited)

SILVER SPRUCE RESOURCES INC.
For the three and six months ended April 30, 2013 and 2012

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim consolidated financial statements, they must be accompanied by a notice indicating that the consolidated financial statements have not been reviewed by the Company's auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditor.

Halifax, Nova Scotia
June 26, 2013

SILVER SPRUCE RESOURCES INC.
For the three and six months ended April 30, 2013 and 2012

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SILVER SPRUCE RESOURCES INC.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars - Unaudited)

	As at April 30, 2013	As at October 31, 2012
	\$	\$
ASSETS		
Current		
Cash	11,760	129,774
HST and other receivables	12,295	16,825
Refundable staking deposits	2,651	13,906
Prepaid expenses	35,436	47,275
Total current assets	62,142	207,780
Mineral properties (Notes 6 and 11)	1,717,154	1,787,304
Equipment (Note 7)	81,956	98,061
Non-current refundable staking deposits	4,394	4,394
Investments	13,716	16,835
Total assets	1,879,362	2,114,374
LIABILITIES		
Current		
Trade payable and accrued liabilities (Note 11)	341,033	293,498
Loan payable (Note 11)	30,000	-
Total liabilities	371,033	293,498
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	27,398,740	27,391,740
Warrants (Note 9)	28,596	596,377
Equity reserve	7,760,092	7,192,311
Accumulated deficit	(33,679,099)	(33,359,552)
Total shareholders' equity	1,508,329	1,820,876
Total liabilities and shareholders' equity	1,879,362	2,114,374

See accompanying notes to the condensed consolidated interim financial statements

BASIS OF PREPARATION AND GOING CONCERN (Note 2)

Commitments and contingencies (Note 13)

APPROVED BY THE BOARD OF DIRECTORS

Original signed by Rob Gillis, Director

Original signed by Gordon Barnhill, CFO, Director

SILVER SPRUCE RESOURCES INC.
Condensed Consolidated Interim Statements of Operations and
Comprehensive Loss

(Expressed in Canadian Dollars except earnings per share - Unaudited)

	For the three months ended April 30, 2013	For the three months ended April 30, 2012	For the six months ended April 30, 2013	For the six months ended April 30, 2012
	\$	\$	\$	\$
Expenses				
Impairment of mineral properties (Note 6)	121,326	-	121,326	-
Office and general	34,131	31,420	46,145	52,740
Accounting, audit and legal	15,406	31,401	70,452	111,372
Wages and benefits	(1,108)	827	4,227	6,600
Unrealized loss on market value of investments	3,144	1,050	3,119	1,525
Consulting fees	21,927	23,727	45,110	58,854
Corporate relations	3,528	28,484	10,378	58,391
Travel	853	4,048	868	6,867
Amortization	5,455	7,516	11,450	15,654
Listing and filing fees	10,189	13,533	13,604	16,498
Loss on sale of property and equipment (net)	-	-	-	341
Foreign exchange loss	-	-	-	1,462
Total expenses	214,851	142,006	326,679	330,304
Other income				
Other income	-	18,479	-	18,479
Recovery of VAT receivable	-	-	2,493	-
Foreign exchange gain	900	244	1,294	-
Gain on sale of property and equipment	3,345	-	3,345	-
Total other income	4,245	18,723	7,132	18,479
Loss before income taxes	(210,606)	(123,283)	(319,547)	(311,825)
Income taxes	-	6,685	-	6,685
NET LOSS AND COMPREHENSIVE LOSS				
FOR THE PERIOD	(210,606)	(129,968)	(319,547)	(318,510)
LOSS PER SHARE - BASIC AND DILUTED	0.00	0.00	0.00	0.00
WEIGHTED-AVERAGE NUMBER OF SHARES				
OUTSTANDING - BASIC AND DILUTED	111,666,138	106,769,749	111,636,651	106,666,404

See accompanying notes to the condensed consolidated interim financial statements

SILVER SPRUCE RESOURCES INC.

Condensed Consolidated Interim Statements of Change in Shareholders' Equity

(Expressed in Canadian Dollars - Unaudited)

	Number of shares	Share capital \$	Warrant reserve \$	Contributed surplus \$	Accumulated deficit \$	Total equity \$
Balance November 1, 2011	106,565,305	27,158,015	878,542	6,881,550	(29,809,376)	5,108,731
Net comprehensive loss for the period	-	-	-	-	(188,542)	(188,542)
Warrants expired	-	-	(67,357)	67,357	-	-
Balance January 31, 2012	106,565,305	27,158,015	811,185	6,948,907	(29,997,918)	4,920,189
Total comprehensive loss for the period	-	-	-	-	(129,968)	(129,968)
Shares issued for property acquisition	650,000	48,500	-	-	-	48,500
Balance April 30, 2012	107,215,305	27,206,515	811,185	6,948,907	(30,127,886)	4,838,721
Net comprehensive loss for the period	-	-	-	-	(3,231,666)	(3,231,666)
Warrants expired	-	-	(243,404)	243,404	-	-
Shares issued for property acquisition	2,000,000	79,000	-	-	-	79,000
Shares issued for private placements	2,392,500	162,804	-	-	-	162,804
Share issuance costs	-	(13,317)	-	-	-	(13,317)
Flow through share premium	-	(43,262)	-	-	-	(43,262)
Warrants issued for private placement	-	-	28,596	-	-	28,596
Balance October 31, 2012	111,607,805	27,391,740	596,377	7,192,311	(33,359,552)	1,820,876
Net comprehensive loss for the period	-	-	-	-	(108,941)	(108,941)
Warrants expired	-	-	(567,781)	567,781	-	-
Balance January 31, 2013	111,607,805	27,391,740	28,596	7,760,092	(33,468,493)	1,711,935
Net comprehensive loss for the period	-	-	-	-	(210,606)	(210,606)
Shares issued for property acquisition	350,000	7,000	-	-	-	7,000
Balance April 30, 2013	111,957,805	27,398,740	28,596	7,760,092	(33,679,099)	1,508,329

See accompanying notes to the condensed consolidated interim financial statements

SILVER SPRUCE RESOURCES INC.
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars - Unaudited)

	For the three months ended April 30, 2013 \$	For the three months ended April 30, 2012 \$	For the six months ended April 30, 2013 \$	For the six months ended April 30, 2012 \$
Operating activities				
Net loss	(210,606)	(129,968)	(319,547)	(318,510)
Items not affecting cash:				
Gain (loss) on foreign exchange	(900)	(244)	(1,294)	1,462
Amortization	5,455	7,516	11,450	15,654
(Gain) loss on disposal of property and equipment	(3,345)	-	(3,345)	341
Impairment of mineral properties	121,326	-	121,326	-
Unrealized loss (gain) in market value of investments	3,144	1,050	3,119	1,525
Unrealized gain on acquisition of investments	-	(18,479)	-	(18,479)
	(84,926)	(140,125)	(188,291)	(318,007)
Changes in non-cash working capital				
(Increase) decrease in prepaid expenses	7,393	7,011	11,838	26,640
Decrease (increase) in HST and other receivables	2,130	18,590	15,727	28,628
(Decrease) increase in accounts payable and accrued liabilities	43,943	(61,264)	50,096	(118,365)
Change in non-cash operating working capital	53,466	(35,663)	77,661	(63,097)
	(31,460)	(175,788)	(110,630)	(381,104)
Financing activities				
Proceeds from loan payable	30,000	-	30,000	-
Investing activities				
Mineral properties expenditures	(33,393)	6,366	(56,639)	(131,545)
Proceeds from sale of equipment	8,000	-	8,000	540
Refund of refundable staking deposits	11,255	-	11,255	5,420
Purchase of refundable staking deposits	-	-	-	(2,000)
	(14,138)	6,366	(37,384)	(127,585)
(DECREASE) IN CASH	(15,598)	(169,422)	(118,014)	(508,689)
CASH, BEGINNING OF PERIOD	27,358	533,023	129,774	874,290
CASH, END OF PERIOD	11,760	363,601	11,760	365,601

See accompanying notes to the condensed consolidated interim financial statements

SUPPLEMENTAL CASH FLOW INFORMATION (NOTE 12)

SILVER SPRUCE RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended April 30, 2013 and 2012

(Unaudited)

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 condensed consolidated interim financial statements (the “financial statements”) of the Company are unaudited and have been prepared in accordance with IAS 34, *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”). In preparing the interim financial statements, the same accounting principles and methods of computation have been applied as in the annual financial statements for the year ended October 31, 2012. In the opinion of management, all adjustments necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods have been made.

These condensed consolidated interim statements should be read in conjunction with the Company’s consolidated annual financial statements for the year ended October 31, 2012.

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 substantial 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 recoverability of the amounts shown for mineral properties and related deferred costs is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production. It is not possible to predict whether financing efforts will be successful. The amounts shown as mineral properties represent net costs to date and do not necessarily represent present or future values.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements or transfers, First Nations claims, non-compliance with regulatory and environmental requirements and may be affected by undetected defects.

SILVER SPRUCE RESOURCES INC.
Notes to the Condensed Consolidated Interim Financial Statements
For the three and six months ended April 30, 2013 and 2012
(Unaudited)

2. BASIS OF PREPARATION AND GOING CONCERN (continued)

Basis of presentation (continued)

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 doubt on the validity of this assumption. These financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

3. FUTURE ACCOUNTING CHANGES

IFRS 9 *Financial Instruments* (“IFRS 9”) introduces new requirements for the classification, measurement and de-recognition of financial assets and financial liabilities. Specifically, IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value. Also, the IASB has issued an amendment to IFRS 9 *Financial Instruments* (“IFRS 9”), which changes the effective date of IFRS 9 (2009) and IFRS 9 (2010), so that IFRS 9 is required to be applied for annual periods beginning on or after January 1, 2015 with early application permitted. This amendment was released in connection with IFRS 7 *Financial Instruments: Disclosures – Transition Disclosures* which outlines that with the amendments to IFRS 9 entities applying IFRS 9 do not need to restate prior periods but are required to apply modified disclosures. The Company is currently assessing the impact of this new standard on the Company’s financial assets and financial liabilities.

IFRS 10 *Consolidated Financial Statements* (“IFRS 10”) replaces the consolidation guidance in IAS 27 *Consolidated and Separate Financial Statements* (“IAS 27”) and SIC-12 *Consolidation – Special Purpose Entities* by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns. The Company is currently assessing the impact of this new standard on the Company’s financial assets and financial liabilities.

IFRS 11 *Joint Arrangements* (“IFRS 11”) introduces new accounting requirements for joint arrangements, replacing IAS 31 *Interests in Joint Ventures*. IFRS 11 removes the option to apply the proportional consolidation method when accounting for jointly controlled entities and eliminates the concept of jointly controlled assets. IFRS 11 now only differentiates between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets. The Company is currently assessing the impact of this new standard on the Company’s financial assets and financial liabilities.

SILVER SPRUCE RESOURCES INC.
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3. FUTURE ACCOUNTING CHANGES (continued)

IFRS 12 Disclosure of Interests in Other Entities (“IFRS 12”) requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to provide financial statement users with information to evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvement with unconsolidated structured entities and non-controlling interest holders’ involvement in the activities of consolidated entities. The Company is currently assessing the impact of this new standard on the Company’s financial assets and financial liabilities.

The requirements relating to separate financial statements in IAS 27 are unchanged in the amended IAS 27. The other portions of IAS 27 are replaced by IFRS 10. IAS 28 Investments in Associates and Joint Ventures (“IAS 28”) is amended to conform with changes in IFRS 10, IFRS 11 and IFRS 12. Each of these five standards have an effective date for annual periods beginning on or after January 1, 2013, with earlier application permitted so long as each of the other standards noted above are also early applied. However, entities are permitted to incorporate any of the disclosure requirements in IFRS 12 into their financial statements without technically early applying the provisions of IFRS 12 (and thereby each of the other four standards).

IFRS 13 Fair Value Measurement (“IFRS 13”) replaces existing IFRS guidance on fair value with a single standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 with early application permitted. The Company is currently assessing the impact of this new standard on the Company’s financial assets and financial liabilities.

The IASB issued amendments to IAS 19 Employee Benefits (“IAS 19”) that introduced changes to the accounting for defined benefit plans and other employee benefits. The amendments to other employee benefits include modification of the accounting for termination benefits and classification of other employee benefits. The Company does not anticipate the application of the amended IAS 19 to have a material impact on its consolidated financial statements.

Amendments were issued by the IASB to IAS 32 Financial Instruments: Recognitions and Measurement (“IAS 32”), which address inconsistencies in current practice when applying the offsetting criteria. These amendments are part of the IASB’s offsetting project. These amendments must be applied starting January 1, 2014 with early adoption permitted. The IASB also issued amendments to IFRS 7 Financial Instruments Disclosures as part of the offsetting project. This includes specific disclosures related to offsetting financial assets and liabilities that will enable users of an entities financial statements to evaluate the effect of potential effect of netting arrangements, including rights of set-off associated with the entity’s recognized financial assets and liabilities, on the entity’s financial position. These amendments must be applied starting January 1, 2013 with early adoption permitted. The Company is currently assessing the impact of adopting the IAS 32 and IFRS 7 amendments on the consolidated financial statements.

SILVER SPRUCE RESOURCES INC.
Notes to the Condensed Consolidated Interim Financial Statements
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(Unaudited)

4. CAPITAL MANAGEMENT

The capital structure of the Company currently consists of share capital, warrants 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.

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

There were no changes in the Company's approach to capital management during the period.

5. FINANCIAL RISK FACTORS

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

a) Credit risk

The Company's credit risk is primarily attributable to cash and other receivables. The Company's cash is held with highly rated financial institutions.

Financial instruments included in HST and other receivables consist of harmonized sales tax due from the Federal Government of Canada. The company has concluded that credit risk is minimal.

b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at April 30, 2013, the Company had a cash balance of \$11,760 (October 31, 2012 - \$129,774) to settle current liabilities of \$371,033 (October 31, 2012 - \$293,498).

In the short-term the Company expects receipts of an approved Junior Exploration Assistance Program ("JEAP") grant from the Newfoundland government in the amount of \$86,915, and claim refunds of \$8,270.

SILVER SPRUCE RESOURCES INC.
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(Unaudited)

5. FINANCIAL RISK FACTORS (continued)

c) Market risk

Interest rate risk

The Company does not have any interest-bearing debt. 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. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

There were no significant changes to credit risk, liquidity risk and market risk during the period.

d) Fair value

The carrying amounts for cash, other receivables, refundable staking deposits, trade payable and accrued liabilities, and current portion of long-term debt 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 (Bayswater Uranium Corporation ("Bayswater"), Forest Gate Resources Inc. ("Forest Gate"), and Capstone Mining Corporation ("Capstone Mining")) is 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

SILVER SPRUCE RESOURCES INC.
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5. FINANCIAL RISK FACTORS (continued)

e) Sensitivity analysis

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

The 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 the Mexican pesos.

	April 30, 2013	October 31, 2012
	<u>\$</u>	<u>\$</u>
Mexican pesos:		
Cash	7,511	25,007
Accounts payable	3,823	3,505

A plus or minus 10% change in the value of the Canadian dollar with respect to Mexican Pesos would affect the Company's net loss by approximately \$369 (October 31, 2012 - \$2,150) based on balances denominated in Mexican Pesos on April 30, 2013.

A plus or minus 10% change in the market price of the Bayswater, Forest Gate and Capstone Mining shares would affect the Company's net loss by \$1,372 (\$13,716 x 10%).

SILVER SPRUCE RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended April 30, 2013 and 2012

(Unaudited)

6. MINERAL PROPERTIES

	November 1, 2012	Additions	Refund of expenditures	Impairment and abandonments	April 30, 2013
	\$	\$	\$	\$	\$
Uranium					
Central Mineral Belt	-	-	-	-	-
Double Mer	-	-	-	-	-
Mount Benedict	-	-	-	-	-
Snegamook	-	-	-	-	-
Fish Hawk Lake	84,583	75	-	-	84,658
	84,583	75	-	-	84,658
Gold and Base Metals					
Big Easy	852,704	49,283	-	-	901,987
Rare Earth Elements					
Pope's Hill Joint Venture	245,203	-	-	-	245,203
Straits	-	-	-	-	-
Pope's Hill	604,814	1,818	-	121,326	485,306
	850,017	1,818	-	121,326	730,509
	1,787,304	51,176	-	121,326	1,717,154

7. PROPERTY AND EQUIPMENT

	April 30, 2013			
	Equipment	Computers	Vehicles	Total
	\$	\$	\$	\$
Cost:				
At October 31, 2012	177,812	63,483	104,508	345,803
Additions	-	-	-	-
Disposals	-	-	8,000	8,000
At April 30, 2013	177,812	63,483	96,508	337,803
Depreciation:				
At October 31, 2012	115,498	56,122	76,122	247,742
Additions	5,760	1,806	3,884	11,450
Disposals	-	-	3,345	3,345
At April 30, 2013	121,258	57,928	76,661	255,847
Carrying value:				
At October 31, 2012	62,314	7,361	28,386	98,061
At April 30, 2013	56,554	5,555	19,847	81,956

SILVER SPRUCE RESOURCES INC.
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8. SHARE CAPITAL

The share capital is as follows:

	<u>April 30, 2013</u>	<u>October 31, 2012</u>
	\$	\$
Authorized:		
An unlimited number of non-voting preference shares		
An unlimited number of common shares		
Issued and outstanding:		
111,957,805 (October 31, 2012 - 111,607,805)	27,398,740	27,391,740

9. WARRANTS

The following is a summary of warrants activity for the periods ended April 30, 2013 and October 31, 2012:

	<u>April 30, 2013</u>		<u>October 31, 2012</u>	
	<u>Number</u>	<u>average exercise price</u>	<u>Number</u>	<u>average exercise price</u>
		\$		\$
Balance, beginning of year	7,809,595	0.20	19,900,526	0.14
Granted in connection with private placements	-	-	1,196,250	0.20
Exercised	-	-	-	-
Expired during the year	(6,613,345)	0.20	(13,287,181)	0.11
Balance, end of year	1,196,250	0.20	7,809,595	0.20

- a) The grant date fair value of the warrants granted during the year ended October 31, 2012 were estimated using the FINCAD model for pricing warrants with American style exercise and time varying strike price. The model is based on the Cox-Ross-Rubinstein binominal tree for the underlying stock price with the following key assumptions: The price of an underlying asset is log normally distributed. The volatility of the price of an underlying asset is constant over the life of the option. For the May 18, 2012 private placement the expected dividend yield rate was 0.0%, and the expected volatility was 106.7%. The warrants can be exercised at a price of \$0.15 on or after May 18, 2012, \$0.20 on or after May 18, 2013, and \$0.25 on or after May 18, 2014. The weighted average fair value of the warrants granted in 2012 was \$0.02.

SILVER SPRUCE RESOURCES INC.
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9. WARRANTS (continued)

Summary of warrants outstanding as at April 30, 2013:

Warrants	Exercise price	Fair value of warrants	Expiry date
	\$	\$	
1,196,250	0.20	28,596	May 18, 2015
1,196,250		28,596	

10. 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 periods ended April 30, 2013 and October 31, 2012 are summarized as follows:

	April 30, 2013		October 31, 2012	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		\$		\$
Balance, beginning of year	11,185,000	0.24	13,291,667	0.27
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	(20,000)	-	(2,106,667)	0.37
Balance, end of year	11,165,000	0.24	11,185,000	0.24

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10. SHARE BASED PAYMENTS (continued)

At April 30, 2013 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
\$			\$	
0.30	1,450,000	3.13	0.08	1,450,000
0.30	1,900,000	2.72	0.20	1,900,000
0.12	2,225,000	1.99	0.07	2,225,000
0.15	2,670,000	0.78	0.13	2,670,000
0.35	2,920,000	1.01	0.31	2,920,000
	11,165,000	1.46	0.17	11,165,000

The weighted average fair value per option of options outstanding as at April 30, 2013 is \$0.17 (October 31, 2012 - \$0.17).

11. RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities as at April 30, 2013 is \$100,114 (October 31, 2012 - \$69,575) owing to directors and companies controlled by directors of the Company for consulting related services rendered and \$41,603 (October 31, 2012 - \$31,000) owing to directors for their annual stipend. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

During the quarter ended April 30, 2013, the Company received a loan of \$30,000 from a director of the Company. The loan is secured by the Big Easy Property. The loan is due April 28, 2014, with 0% interest.

During the six month period ended April 30, 2013, no stock options were granted to directors, officers and employees of the Company (April 30, 2012 – \$Nil).

Rent and certain building materials required by the Company for its operations are purchased from a hardware store controlled by a former officer and director of the Company. During periods of exploration management and employees of the Company stay at a hotel controlled by a former officer and director of the Company. During the six month period ended April 30, 2013, \$Nil (April 30, 2012 - \$Nil) was paid to the hardware store and \$853 (April 30, 2012 - \$ Nil) was paid to the hotel and included in mineral properties on the statement of financial position.

These transactions are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

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11. RELATED PARTY TRANSACTIONS (continued)

During the period ended April 30, 2013 and October 31, 2012 key management personnel compensation included:

	April 30, 2013	October 31, 2012
	<u>\$</u>	<u>\$</u>
Short-term employee benefits	67,717	299,456
Share-based payment	-	-
	<u>67,717</u>	<u>299,456</u>

12. SUPPLEMENTAL CASH FLOW INFORMATION

	April 30, 2013	October 31, 2012
	<u>\$</u>	<u>\$</u>
Non-cash investing and financing activities:		
Acquisition of mineral properties for share consideration	7,000	128,500
Expiry of warrants	567,781	310,761
Options issued as finders fee	-	-
Options issued for PR Agreement	-	-
Value of share, warrants and options included in share issue costs	-	-
Effect of future income taxes on share capital upon renouncement of expenditures	-	-

13. COMMITMENTS AND CONTINGENCIES

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

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

	Cash	Shares
2013	\$Nil	Nil

SILVER SPRUCE RESOURCES INC.

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13. COMMITMENTS AND CONTINGENCIES (continued)

During the quarter ended April 30, 2013, the Company acquired a 100% interest in the Licenses, and Property and Mineral License Rights of the Big Easy property. Consequently, on the fourth anniversary, April 2014, and yearly thereafter, the company is committed to make annual advance royal payments of \$24,000 payable each year until production is obtained. The advance royalty payments are deductible from future 3% Net Smelter Return royalty payments derived from commercial production from the property.

The Company's mining and exploration activities are subject to various law and regulations governing the protection of the environment. These law 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 indemnifies the subscribers of flow-through shares from any tax consequences arising from the failure of the Company to meet its commitments under the flow-through subscription agreements.