

*Condensed Consolidated Interim Financial Statements of*

**SILVER SPRUCE RESOURCES INC.**

*For the three and six months ended April 30, 2016 and 2015*

*(Unaudited)*

# **SILVER SPRUCE RESOURCES INC.**

**For the six months ended April 30, 2016 and 2015**

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## **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 28, 2016

# SILVER SPRUCE RESOURCES INC.

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

	As at April 30, 2016 \$	As at October 31, 2015 \$
<b>Assets</b>		
Current		
Cash	32,691	11,287
HST and other receivables	11,172	5,208
Prepaid expenses	-	2,301
Total current assets	43,863	18,796
Equipment (Note 8)	4,809	9,491
Non-current refundable staking deposits	1,195	1,195
Investments	338	338
<b>Total assets</b>	<b>50,205</b>	<b>29,820</b>
<b>Liabilities</b>		
Current		
Trade payable and accrued liabilities (Note 12)	248,141	388,309
Current portion of property acquisition obligation (Note 7)	664,801	762,000
Subscription receipt deposit (Note 9 (b))	-	41,500
Loan payable (Note 12)	104,848	88,973
Total current liabilities	1,017,790	1,280,782
Property acquisition obligation (Note 7)	1,013,626	1,124,000
<b>Total Liabilities</b>	<b>2,031,416</b>	<b>2,404,782</b>
<b>Shareholders' Equity (Deficiency)</b>		
Share capital (Note 9)	28,070,388	27,639,830
Warrant reserve (Note 10)	182,013	73,905
Equity reserve	7,649,810	7,649,810
Accumulated deficit	(37,883,422)	(37,738,507)
Total shareholders' equity (deficiency)	(1,981,211)	(2,374,962)
Total liabilities and shareholders' equity (deficiency)	50,205	29,820

Basis of preparation and going concern (Note 2)

Commitments and contingencies (Note 13)

APPROVED BY THE BOARD OF DIRECTORS

Original signed by Stephan Jedynak, CEO, Director

Original signed by Gordon Barnhill, CFO, Director

See accompanying notes to the consolidated financial statements

**SILVER SPRUCE RESOURCES INC.**  
**Condensed Consolidated Interim Statements of Operations and**  
**Comprehensive (Gain) Loss**

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

	For the three months ended April 30, 2016	For the three months ended April 30, 2015	For the six months ended April 30, 2016	For the six months ended April 30, 2015
	\$	\$	\$	\$
		Note 14		Note 14
<b>Expenses</b>				
Exploration and evaluation expenditures (Note 7)	(79,224)	(95,661)	(68,310)	95,396
Other impaired property cost recovery	-	-	-	(56,000)
Office and general	15,096	5,330	31,596	10,702
Accounting and audit	8,000	23,700	15,500	23,900
Consulting fees	97,503	24,000	113,503	24,000
Corporate relations	1,127	1,545	14,412	1,545
Financing fees	-	3,000	-	3,000
Loan interest (Note 12)	4,947	1,137	6,582	1,575
Accretion	30,716	-	81,486	-
Amortization	518	2,860	1,310	5,720
Flow-through share premium	-	(28,499)	-	(28,499)
Listing and filing fees	18,986	8,705	21,848	13,336
<b>Total expenses</b>	<b>97,669</b>	<b>(53,883)</b>	<b>217,927</b>	<b>94,675</b>
Foreign exchange (gain) loss	(250,238)	1,754	(117,903)	2,912
Gain on extinguishment of debt	-	-	-	-
Gain on sale of automotive	(109)	-	(109)	-
Loss (gain) on settlement of debt	-	(30,000)	45,000	(30,000)
<b>Total other income</b>	<b>(250,347)</b>	<b>(28,246)</b>	<b>(73,012)</b>	<b>(27,088)</b>
<b>Net (gain) loss and comprehensive loss for the year</b>	<b>(152,678)</b>	<b>(82,129)</b>	<b>144,915</b>	<b>67,587</b>
<b>Net (gain) loss per share - basic and diluted</b>	<b>(0.04)</b>	<b>0.01</b>	<b>(0.03)</b>	<b>0.00</b>
<b>Weighted average number of shares</b> outstanding - basic and diluted	<b>23,544,366</b>	<b>14,025,781</b>	<b>22,346,619</b>	<b>14,025,781</b>

See accompanying notes to the consolidated financial statements

# SILVER SPRUCE RESOURCES INC.

## Condensed Consolidated Interim Statements of Change in Shareholders' Equity (Deficiency)

(Expressed in Canadian Dollars - Unaudited)

	Number of shares	Share capital \$	Warrant reserve \$	Equity reserve \$	Accumulated deficit \$	Total equity (deficiency) \$
<b>Balance October 31, 2014</b>	<b>14,025,781</b>	<b>27,468,592</b>	<b>59,183</b>	<b>7,617,601</b>	<b>(35,475,101)</b>	<b>(329,725)</b>
Net comprehensive loss for the period	-	-	-	-	(149,716)	(149,716)
<b>Balance January 31, 2015</b>	<b>14,025,781</b>	<b>27,468,592</b>	<b>59,183</b>	<b>7,617,601</b>	<b>(35,624,817)</b>	<b>(479,441)</b>
Net comprehensive gain for the period	-	-	-	-	82,129	82,129
<b>Balance April 30, 2015</b>	<b>14,025,781</b>	<b>27,468,592</b>	<b>59,183</b>	<b>7,617,601</b>	<b>(35,542,688)</b>	<b>(397,312)</b>
Net loss for the period	-	-	-	-	(116,482)	(116,482)
Private placement common shares issued	5,810,000	145,250	-	-	-	145,250
Share issuance costs	-	(8,350)	-	-	-	(8,350)
Fair value of warrants issued under private placement	-	(44,862)	44,862	-	-	-
Warrants expired	-	-	(28,596)	28,596	-	-
<b>Balance July 31, 2015</b>	<b>19,835,781</b>	<b>27,560,630</b>	<b>75,449</b>	<b>7,646,197</b>	<b>(35,659,170)</b>	<b>(376,894)</b>
Net loss for the period	-	-	-	-	(2,079,337)	(2,079,337)
Stock based compensation	-	-	-	2,069	-	2,069
Warrants exercised	100,000	5,000	(1,544)	1,544	-	5,000
Shares issued on settlement of debt	1,200,000	74,200	-	-	-	74,200
<b>Balance October 31, 2015</b>	<b>21,135,781</b>	<b>27,639,830</b>	<b>73,905</b>	<b>7,649,810</b>	<b>(37,738,507)</b>	<b>(2,374,962)</b>
Net loss for the period	-	-	-	-	(297,593)	(297,593)
Shares issued on settlement of debt	1,800,000	135,000	-	-	-	135,000
<b>Balance January 31, 2016</b>	<b>22,935,781</b>	<b>27,774,830</b>	<b>73,905</b>	<b>7,649,810</b>	<b>(38,036,100)</b>	<b>(2,537,555)</b>
Net gain for the period	-	-	-	-	152,678	152,678
Private placement common shares issued	5,477,266	410,795	-	-	-	410,795
Share issuance costs	-	(7,129)	-	-	-	(7,129)
Fair value of warrants issued under private placement	-	(108,108)	108,108	-	-	-
<b>Balance April 30, 2016</b>	<b>28,413,047</b>	<b>28,070,388</b>	<b>182,013</b>	<b>7,649,810</b>	<b>(37,883,422)</b>	<b>(1,981,211)</b>

See accompanying notes to the consolidated financial statements

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

	For the six months ended April 30, 2016	For the six months ended April 30, 2015
	\$	\$ Note 14
<b>Operating activities</b>		
Net loss for the period	(144,915)	(67,587)
Items not involving cash:		
Gain on foreign exchange	(117,903)	-
Amortization	518	5,720
Gain on sale of automotive	(109)	-
Non-cash expense recovery	(102,501)	(56,000)
Flow-through share premium	-	(28,499)
Loss on settlement of debt	45,000	(30,000)
Accrued interest	4,582	1,575
Accretion	81,486	-
	<b>(233,842)</b>	<b>(174,791)</b>
Changes in non-cash working capital		
Decrease in prepaid expenses	2,301	21,158
Increase in HST and other receivables	(5,964)	(324)
(Decrease)/increase in trade payables and accrued liabilities	(53,602)	55,438
Change in non-cash operating working capital	(57,265)	76,272
Net cash flows from operating activities	<b>(291,107)</b>	<b>(98,519)</b>
<b>Financing activities</b>		
Proceeds from issuance of shares and warrants	369,295	-
Share issue costs	(7,129)	(500)
Receipts of share subscription deposit	-	5,000
Repayment of property purchase obligation	(68,655)	-
Repayment of loan payable	(5,000)	-
Proceeds from loan payable	20,000	80,000
Net cash flows from financing activities	<b>308,511</b>	<b>84,500</b>
<b>Investing activities</b>		
Mineral exploration properties expenditures	-	(97,265)
Proceeds from sale of equipment	4,000	-
Net cash flows from investing activities	<b>4,000</b>	<b>(97,265)</b>
Increase (decrease) in cash	<b>21,404</b>	<b>(111,284)</b>
Cash, beginning of period	<b>11,287</b>	<b>116,938</b>
<b>Cash, end of period</b>	<b>32,691</b>	<b>5,654</b>

See accompanying notes to the consolidated financial statements

**SILVER SPRUCE RESOURCES INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three and six months ended April 30, 2016 and 2015**  
**(Unaudited)**

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**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, 2015. 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, 2015.

*Basis of presentation*

The condensed consolidated interim financial statements of the Company have been prepared in accordance with IAS 34 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 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 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, 2016 and 2015**

**(Unaudited)**

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### **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 significant 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 consolidated financial statements. Such adjustments could be material. The Company had a working capital deficiency and a cumulative deficit as at April 30, 2016. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

These condensed consolidated interim financial statements are prepared in accordance with IFRS and follow the same accounting policies and methods of their application as the most recent audited financial statements for the year ended October 31, 2015. These financial statements should be read in conjunction with those consolidated financial statements.

### **4. FUTURE ACCOUNTING CHANGES**

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.

IAS 1 Presentation of Financial Statements (“IAS 1”) was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality considerations apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

# **SILVER SPRUCE RESOURCES INC.**

## **Notes to the Condensed Consolidated Interim Financial Statements**

**For the three and six months ended April 30, 2016 and 2015**

**(Unaudited)**

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### **4. FUTURE ACCOUNTING CHANGES (continued)**

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.

### **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.

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

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 April 30, 2016, 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.

**SILVER SPRUCE RESOURCES INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three and six months ended April 30, 2016 and 2015**  
**(Unaudited)**

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**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 April 30, 2016, the Company had a cash balance of \$32,691 (October 31, 2015 - \$11,287) to settle current liabilities of \$1,017,790 (October 31, 2015 - \$1,280,782). Of the Company's current financial liabilities, \$352,989 (2015 - \$518,782) have contractual maturities of less than 30 days and are subject to normal trade terms. The loans payable are past due as at April 30, 2016.

**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 period.

**d) Fair value**

The carrying amounts for cash, other receivables, trade payable and accrued liabilities, and loans payable on the statements of financial position approximate fair value due to their short-term maturity. The fair values 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.

**SILVER SPRUCE RESOURCES INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
For the three and six months ended April 30, 2016 and 2015  
(Unaudited)

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

**d) Fair value (continued)**

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

**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 United States dollars.

	<b>April 30, 2016</b>	October 31, 2015
	\$	\$
United States dollars		
Property acquisition obligation	<b>1,678,427</b>	1,886,000

A plus or minus 10% change in the value of the Canadian dollar with respect to Mexican pesos would not materially affect the Company.

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 loss by approximately \$167,843 based on balances denominated in United States dollars on April 30, 2016 (October 31, 2015 - \$188,600).

A plus or minus 10% change in the Company's investment in marketable securities as at April 30, 2016, would not materially affect the Company.

# SILVER SPRUCE RESOURCES INC.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended April 30, 2016 and 2015

(Unaudited)

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### 7. MINERAL EXPLORATION PROPERTIES

#### a) Big Easy

During the year ended October 31, 2015, the Company relinquished its interest in the Big Easy property.

#### b) Pino de Plata

On October 29, 2015, the Company entered into a purchase agreement to acquire a 100% interest in the mineral rights for the Pino de Plata property located in Chihuahua state, Mexico. Under the terms of the agreement, the Company must pay the vendor US\$125,000 within 30 days of signing the agreement and then US\$125,000 every three months beginning on March 1, 2016 until September 1, 2017, for a total amount of US\$1,000,000. The vendor retains a 3% gross production royalty (“GPR”) which is capped at US\$4,000,000. The Company has the right to buy back the GPR for US\$1,333,333 per percentage point. The Company is required to make advanced royalty payment to the vendors of US\$10,000 per month beginning 30 days after the agreement has been registered by the requisite authorities. These advance royalty payments will be deducted from the total GPR amount and will also reduce the GPR buy back amount accordingly.

On March 3, 2016, the Company announced it signed a new purchase contract which supersedes the original agreement and enables the Company to earn 100% interest in the Pino de Plata property. The new revised financial terms are as follows:

- Total cash payments reduced from US\$1,000,000 to US\$500,000 over two years;
- One share issuance of 2,500,000 common shares @ \$0.10 per shares. One payment of CDN\$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 TSXVSE, 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 \$10,000 US per month to commence 30 days after the acquisition is finalized, registered and documented with the proper authorities.

The present value of the remaining payments 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 \$1,678,427 (October 31, 2015 - \$1,886,000). An accretion expense of \$81,486 (October 31, 2015 - \$nil) for the period ended April 30, 2016 was recognized when updating the present value of the property acquisition obligation. During the period ended April 30, 2016, the Company made the first payment of US\$50,000 (C\$68,655).

**SILVER SPRUCE RESOURCES INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
For the three and six months ended April 30, 2016 and 2015  
(Unaudited)

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**8. EQUIPMENT**

	<u>Equipment</u>	<u>Computers</u>	<u>Vehicles</u>	<u>Total</u>
<b>Cost:</b>	\$	\$	\$	\$
At October 31, 2015	147,204	63,483	67,431	278,118
Disposals	-	-	(67,431)	(67,431)
At January 31, 2016	147,204	63,483	-	210,687
<b>Amortization:</b>				
At October 31, 2015	142,566	62,276	63,785	268,627
Additions	464	572	274	1,310
Disposals	-	-	(64,059)	(64,059)
At April 30, 2016	143,030	62,848	-	205,878
<b>Carrying Value:</b>				
At October 31, 2015	4,638	1,207	3,646	9,491
<b>At April 30, 2016</b>	<b>4,174</b>	<b>635</b>	<b>-</b>	<b>4,809</b>

**9. SHARE CAPITAL**

The share capital is as follows:

	<u>April 30, 2016</u>	<u>October 31, 2015</u>
	\$	\$
Authorized:		
An unlimited number of non-voting preference shares		
An unlimited number of common shares, no par value		
Issued and outstanding:		
28,413,047 (October 31, 2015 - 21,135,781)	<b>28,070,388</b>	27,639,830

- a) In June 2015, the Company closed a non-brokered private placement to raise gross proceeds of \$145,250. The offering consisted of the issuance of 5,810,000 units ("Unit") of the Company. Each Unit was offered at a price of \$0.025 and consisted of one common share and one half common share purchase warrant, with each whole warrant exercisable at a price of \$0.05 per common share if exercised within 24 months of the closing of the offering. Officers and directors of the Company subscribed for 2,900,000 Units for gross proceeds of \$72,500.

# SILVER SPRUCE RESOURCES INC.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended April 30, 2016 and 2015

(Unaudited)

- b) During the year ended October 31, 2015, the Company received deposits towards a potential future private placement. These amounts are shown as subscription receipt deposit on the statement of financial position as at October 31, 2015.
- c) 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 1,873,133 Units for gross proceeds of \$140,485.

### 10. WARRANTS

The following is a summary of warrants activity for the periods ended April 30, 2016 and October 31, 2015:

	<u>April 30, 2016</u>		<u>October 31, 2015</u>	
	<u>Number</u>	<u>Weighted average exercise price</u>	<u>Number</u>	<u>Weighted average exercise price</u>
		<u>\$</u>		<u>\$</u>
Balance, beginning of year	<b>4,270,000</b>	<b>0.07</b>	1,584,625	0.24
Granted in connection with private placements	<b>2,738,633</b>	<b>0.10</b>	2,905,000	0.05
Exercised during the year	-	-	(100,000)	0.05
Expired during the year	-	-	(119,625)	2.00
<b>Balance, end of year</b>	<b>7,008,633</b>	<b>0.08</b>	4,270,000	0.07

- a) In connection with the June 9, 2015 private placement disclosed in Note 9, the Company issued 2,905,000 warrants. The grant date fair value of \$44,862 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 240%, a risk free interest rate of 0.68%, and an expected maturity of 2 years.
- b) In connection with the April 20, 2016 private placement disclosed in Note 9, 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 maturity of 2 years.

Summary of warrants outstanding as at April 30, 2016:

# SILVER SPRUCE RESOURCES INC.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended April 30, 2016 and 2015

(Unaudited)

<u>Warrants</u>	<u>Exercise price</u>	<u>Grant date fair value of warrants</u>	<u>Expiry date</u>
#	\$	\$	
1,465,000	0.10	30,587	October 30, 2016
2,805,000	0.05	43,318	June 9, 2017
2,738,633	0.10	108,108	April 20, 2018
<u>7,008,633</u>		<u>182,013</u>	

### 11. 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.

Share based payment activity for the periods ended April 30, 2016 and October 31, 2015 are summarized as follows:

	<u>April 30, 2016</u>		<u>October 31, 2015</u>	
	<u>Number</u>	<u>Weighted average exercise price</u>	<u>Number</u>	<u>Weighted average exercise price</u>
		\$		\$
Balance, beginning of year	<b>525,000</b>	<b>1.67</b>	472,500	2.25
Granted	-	-	250,000	0.20
Cancelled	<b>(250,000)</b>	<b>0.20</b>	-	-
Expired	<b>(130,000)</b>	<b>3.00</b>	(197,500)	1.20
Balance, end of year	<b>145,000</b>	<b>3.00</b>	525,000	1.67

At April 30, 2016, outstanding options to acquire common shares of the Company were as follows:

<u>Exercise price</u>	<u>Number of outstanding options</u>	<u>Weighted average remaining contractual life of outstanding options (years)</u>	<u>Grant date weighted average fair value per option</u>	<u>Number of exercisable options</u>
\$			\$	
3.00	145,000	0.12	0.80	145,000

# **SILVER SPRUCE RESOURCES INC.**

## **Notes to the Condensed Consolidated Interim Financial Statements**

**For the three and six months ended April 30, 2016 and 2015**

**(Unaudited)**

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### **12. RELATED PARTY TRANSACTIONS**

Included in accounts payable and accrued liabilities as at April 30, 2016 is \$127,821 (October 31, 2015 - \$222,137) 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 April 30, 2016 the total loans payable to a former director is \$89,849 (October 31, 2015 - \$88,973). The loans are unsecured and bear interest at rates from 0% - 5% per year. During the period ended April 30, 2016, the loans incurred interest expense of \$438 which is outstanding at period end and is due on demand.

During the period ended April 30, 2016, no stock options were granted to directors, officers and employees of the Company (October 31, 2015 – Nil).

During the period ended April 30, 2016 key management personnel compensation consisted of services provided by companies owned by directors of \$24,300 (October 31, 2015 - \$24,000) which are classified as consulting fees on the consolidated statement of operations.

See also Note 9 (a) and (c).

### **13. 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.

### **14. CHANGE IN ACCOUNTING POLICY**

During the year ended October 31, 2015, the Company changed its accounting policy of capitalizing exploration and evaluation expenditures. The Company believes expensing such costs as incurred provides more reliable and relevant financial information. Under the new policy, all costs associated with the exploration and evaluation of properties are expensed as incurred.

The financial statements for the period ended April 30, 2015 have been restated to reflect adjustments made as a result of this change in accounting policy.

The statement of operations for the three months ended April 30, 2015 have been restated to reflect the increase of impairment of exploration and evaluation activities from a credit of \$95,661 to \$nil and a decrease in exploration and evaluation expenditures from \$nil to a credit of \$95,661.

**SILVER SPRUCE RESOURCES INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three and six months ended April 30, 2016 and 2015**  
**(Unaudited)**

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**14. CHANGE IN ACCOUNTING POLICY (continued)**

The statement of operations for the six months ended April 30, 2015 have been restated to reflect the reduction of the impairment of exploration and evaluation activities from \$95,396 to \$nil and an increase in exploration and evaluation expenditures from \$nil to \$95,396.

Cash flows from operations for the period ended April 30, 2015 have been restated to reflect a reduction in cash flows from operations of \$95,396 from \$95,396 to \$nil with a corresponding increase in cash flows from investing activities of \$95,396 from (\$192,661) to (\$97,265).