

**SILVER SPRUCE RESOURCES INC.**

(TSXV: SSE)

**Price: May 25** **\$0.07**  
**52-Week Range:** **\$0.14-\$0.05**

**Shares O/S:** **45.89 million**  
**Market Cap:** **\$3.21 million**

**Average Share Volume**  
**50-day:** **106,500**  
**200-day:** **99,500**

**Year-End:** **October 31**

**Symbol:** **TSX-V: SSE**

**Website:**  
**www.silverspruceresources.com**

**Financial Data**

Balance Sheet	Year End	3 Months
	Oct 31/2016	Jan 31/2017
Cash	\$141,439	\$11,317
Current Assets	\$163,142	\$106,094
Total Assets	\$166,854	\$109,064
Current/Total Liabilities	\$376,702	\$508,698
Working Capital	-\$213,560	-\$402,604
Working Capital Ratio	0.43	0.21
Total Equity	-\$209,848	-\$399,634
Actual Shares O/S	39,620,816	39,970,816
Weighted Average Shares O/S	28,694,586	39,772,990
Statement of Net Profit/(Loss)	12 Months	3 Months
	Jan 31/2017	Jan 31/2017
Non-discretionary OpEx ("Burn")	-\$466,386	-\$121,436
Average Monthly Burn	-\$38,866	-\$40,479
Equity Financing	\$1,001,466	\$198,900
Debt Financing/(Repayment)	-\$10,000	-\$5,000
Exploration/Evaluation Expenses	-\$570,119	-\$86,040
Net Profit/(Loss)	\$656,265	-\$228,886

Source: Company and eResearch

**eResearch Analyst (on this report):**  
**Bob Weir, B.Sc., B.Comm., CFA**



**UPFRONT**

Silver Spruce Resources Inc. ("Silver Spruce Resources" or the "Company") has tactically changed its corporate strategy.

The Company's focus has shifted from long-term mining property development, which encompasses exploration, discovery, and, eventually, production. Typically, from start to finish, the mining cycle of identifying a potentially productive property to actually bringing the property into production lasts 9-10 years.

Now, the Company's efforts are considerably shorter term in nature with an emphasis on finding mining properties that are substantially more advanced, which will reach production faster, and, therefore, will provide a quicker return to all stakeholders. This strategy also has the benefit of not requiring the Company constantly to raise capital, a necessity that dilutes shareholders.

Silver Spruce Resources has two key properties: a silver-gold-base metals property in Arizona, and a similar mineralized property in northern Mexico. Both properties are 100% owned.

The Company is small, with a market cap of just \$3.2 million, only 46 million shares outstanding, and a daily average trading volume of about 100,000 shares. The shares are unlikely to attract institutional interest, and are suitable primarily for retail investors with a speculative bias.

## THE COMPANY

Silver Spruce Resources Inc. is a junior mining exploration company with interests in:

- (i) a VMS (volcanogenic massive sulfides) property with silver-gold-copper-lead-zinc (Ag-Au-Cu-Pb-Zn) in Arizona;
- (ii) two silver-gold-base metal projects in Mexico; and
- (iii) uranium and rare earth elements (REE) in Labrador. These properties are inactive and are not discussed.

The Company made a transformational decision in early 2015 to change from being a miner that was focused on uranium to one that is more broadly based with an accent on investigating, identifying, and purchasing various types of mining properties that offered discernible upside potential at reasonable acquisition prices.

**COMMENT:** Silver Spruce Resources repositioned from being a company focused on early exploration potential to one seeking properties more advanced in the exploration cycle. To this end, the Company now owns two key properties with significant upside potential. Coincident with this process of reinventing itself, the Company deftly brought in, as President and Chief Executive Officer, Mr. Karl Boltz, an accomplished mining executive with more than 15 years of experience working in Mexico. He was instrumental, as a co-founder, as well as being its President and CEO, of the successful mining exploration company, Exmin Resources Inc., which was acquired by Sierra Metals Inc.

The two strategic projects are:

1. **Kay Mine:** located in the State of Arizona in the USA, and comprising a VMS deposit of silver-gold-base metals (Ag-Au-Cu-Pb-Zn).  
and
2. **Pino de Plata:** located in the Sierra Madre Occidental region of Chihuahua State in Mexico, also comprising Ag-Au-Cu-Pb-Zn.

## KAY MINE

- Silver Spruce Resources is in the process of acquiring a 100% interest in a 71-acre property (the Kay Mine property) located in Yavapai County, Arizona, about 50 miles north of Phoenix, and near Black Canyon City;
- The total consideration is US\$977,000 comprising (i) US\$50,000 cash up-front (paid); (ii) US\$450,000 cash; and (iii) 8,648,000 shares at C\$0.075 per share. The shares have a C\$ value of C\$648,600 or, at current exchange rates, a US\$ equivalent value of US\$477,000. The transaction, which requires regulatory approval, is expected to close on or before June 20, 2017.
- Discovered in the 1800s, the Kay Mine was mined on a small scale until 1916 and intermittently until 1956. Nothing much happened on the property until Exxon Minerals Company purchased it in 1972. Over the next ten years, Exxon Minerals spent about \$1.5 million exploring, mapping, sampling, and drilling. Total drill activity was 23 holes comprising 26,500 feet. A 1982 internal Exxon Minerals report (not NI 43-101 compliant) indicated that the deposit comprised about 6.4 million tons grading an estimated 2.2% Cu (copper), 3.0% Zn (zinc), 1.6 oz/ton of Ag (silver), and 0.082 oz/ton of Au (gold);
- Additional drilling is required to confirm (or not) the Exxon Minerals' estimates. The Company expects to spend approximately \$1.5 million in exploration expenditures on the Kay Mine property in 2017. This will include further exploration, geophysics, mapping, and the drilling of about 5000 metres.

**COMMENT:** Silver Spruce Resources plans to complete a NI 43-101-compliant Technical Report on this VMS property within about 6 months of the Company being able to complete its initial work on the project or, at the outside, 12 months from now (mid-2018).

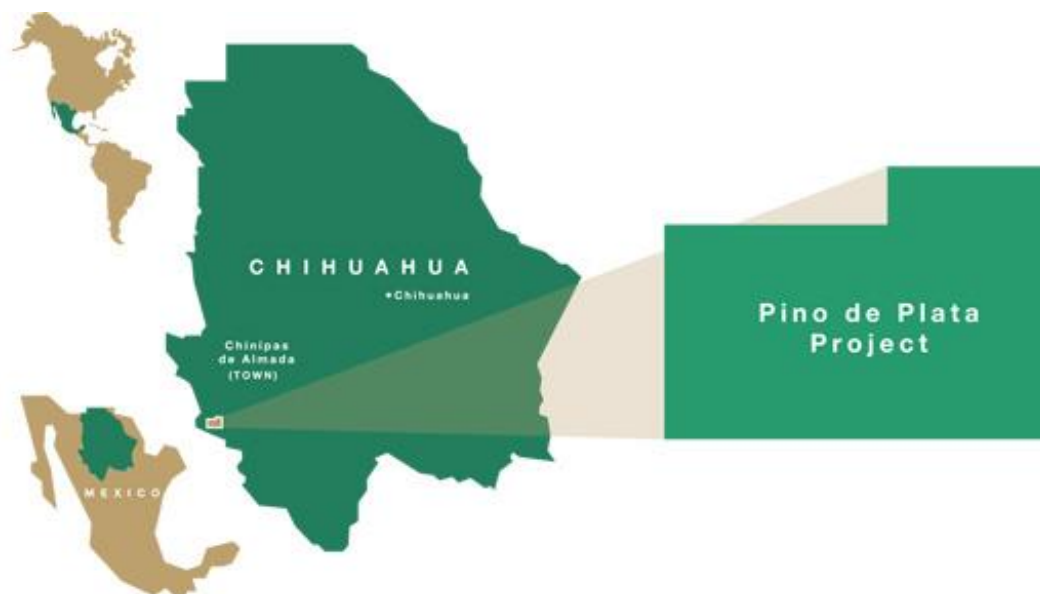
## PINO DE PLATA

- The Company acquired a 100% interest in this 397-hectare (980 acres) property in 2015;
- Mexico is a very mining-friendly jurisdiction; the property is located in the south-west part of the northern state of Chihuahua, and at the western edge of the prolific Sierra Madre Occidental silver-gold belt;
- The Sierra Madre Occidental hosts many producing gold and silver mines that are classified as having epithermal deposits, which often results in the mineralization being hosted in multiple veins, breccias (a type of sedimentary rock that often hosts mineralization), and replacement zones that come from hydrothermal activity. High base metal indications are often associated with high precious metals values in these veins.
- The property is approximately 15km southwest of Coeur Mining's open pit/underground silver-gold complex with its sizable Proven+Probable tonnage reserves;
- Some historic surface mining at Pino De Plata revealed high levels of silver but little exploration has been conducted in the last 200+ years;
- A recent NI 43-101 exploration assessment report, prepared by the Company, identified three areas for exploration and drilling;
- The Company has embarked on a Phase I exploration program with the goal of defining a mineable resource, capable of lower-cost open-pit mining techniques. The drilling budget for 2017: \$250,000-\$300,000; and
- The property is located 5-6 km, by a dirt road, south of the town of Chinipas de Almada, which is about 440 km south-west (9-hour drive) of Ciudad Chihuahua. The nearby Chinipas River has several crossings about 7 km south of the town. Crossings would present no difficulties during the dry season, but could prove problematic in the wet season. There is a small, paved airstrip about 1 km north of the town. Labour and supplies are available in Chinipas de Almada. A power-line runs across a corner of the property. There is no rail-line nearby, so transportation will have to rely on the road.

### Location of Pino De Plata

Map 1, below, shows the Company's project in Mexico.

#### Map 1: Location of Pino De Plata, Chihuahua, Mexico



Source: Company

**Three Exploration Targets**

The Company’s on-site field examination and sampling program found widespread epithermal (deposits of minerals formed from warm water at shallow depth) mineralization and, in particular, three target areas worthy of a concerted drilling program.

**1. The Terrero Epithermal Target**

Comprising an area over 2 hectares (20,000 m<sup>3</sup>), the sampling indicated good silver grades at surface. The average sampling was a silver grade of 250 g/t (8 oz/ton). The area is well known, and little additional mapping and/or sampling is required prior to instigating the actual drilling program.

**2. The Santa Elena Carbonate Replacement Target**

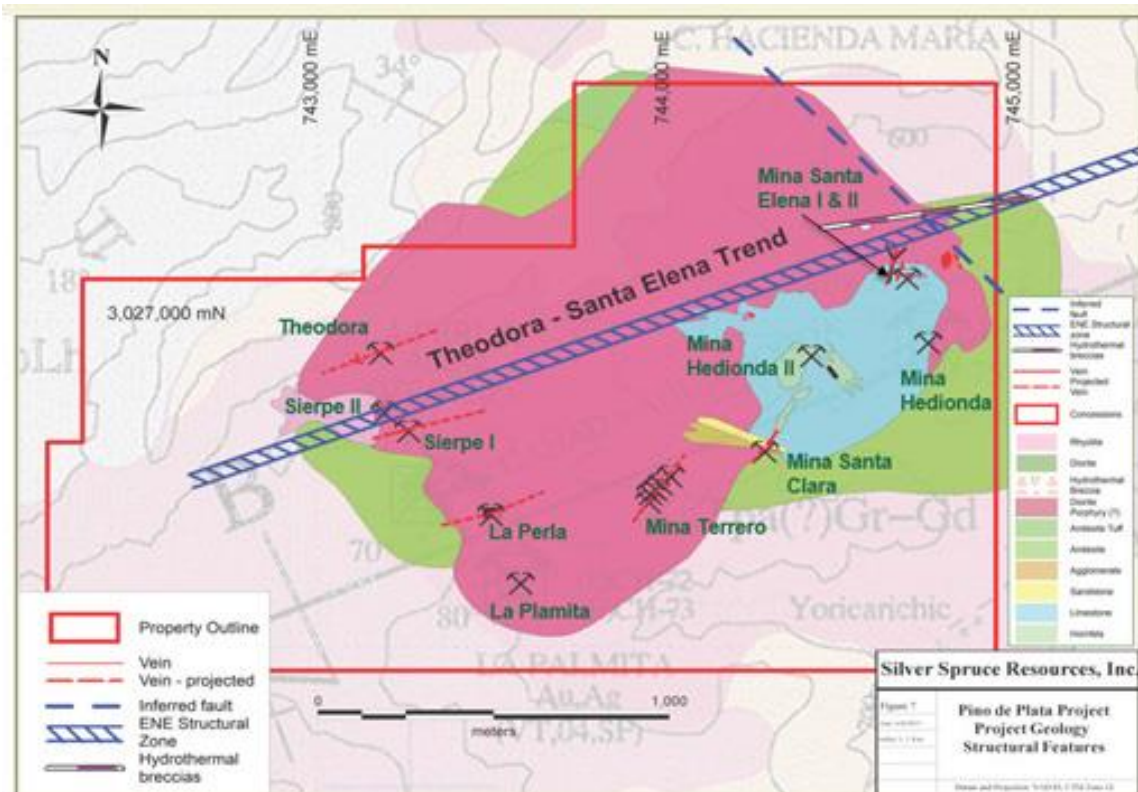
This gossan (rock that is usually the exposed part of an ore deposit or mineral vein) target area provides a viable opportunity for replacement silver-lead-zinc-copper deposits over more than 20 hectares (about 50 acres). The sampled mineralization indicated almost 200 g/t (6.4 oz/t) of silver. There were also good indications of zinc (up to 2%-3%), as well as intermittent gold, copper, and lead.

**3. The Sierpe and Theodora Vein Targets**

The Sierpe I, Sierpe II, and Theodora vein targets are open on-strike. They showed an average of 250 g/t (8 oz/t) of silver. Vein widths exceeded one metre. There were also good indications of up to 5% lead and up to 7% zinc, with additional gold indications.

Map 2, below, shows the project geology and structural features of the three target areas.

**Map 2: Pino De Plata Project Geology/Structural Features**



Source: Company

## **ENCINO DE ORO**

The Encino De Oro property is located close to Pino De Plata, and near to the town of Chinipas de Almada in the state of Chihuahua, Mexico.

Like Pino De Plata, Encino De Oro contains epithermal gold-silver targets.

Silver Spruce Resources late last year released results from its sampling program that occurred over about 3 km<sup>2</sup>. The sampling results ranged up to 8 g/t of gold (Au), 77 g/t of silver (Ag), and irregular indications of copper (Cu), lead (Pb), zinc (Zn), arsenic (As), and antimony (Sb) that suggest there could be a large system present.

In December 2016, the Company signed a binding Letter of Intent to buy additional land of over 300 hectares (740 acres) that, together with yet additional land that is being investigated, could form part of the Encino De Oro project.

At time of writing, there is no further information available about these initiatives.

## **INVESTMENT CONSIDERATIONS**

### **A. Strengths**

- The change in the Company's operating emphasis, away from being an early exploration play to one that is focused on developing properties further advanced in the exploration cycle, will shorten the development timetable and allow the Company to bring promising properties into production much sooner;
- Silver Spruce Resources is in the process of acquiring the Kay Mine in Arizona (the purchase is expected to close on or before June 20, 2017), and will provide the Company with a substantial silver-gold-base metals project. A significant drilling program will take place over the remainder of this year.
- The Company is also intent on advancing its significant silver-gold-base metals property, Pino De Plata, in northern Mexico by increasing its drilling and by completing a NI 43-101 Technical Report with a mineral estimate;
- Pino De Plata is strategically located at the western edge of the prolific Sierra Madre Occidental, an area that hosts many producing mines, most notably the Coeur Mining Palmerajo silver-gold complex with significant tonnage.

### **B. Challenges**

- The Company's market cap is about \$3.2 million, with only 46 million shares outstanding and, therefore, not suitable for institutional ownership; fairly illiquid share trading (average 106,500 per day over last 50 days);
- The Company regularly needs financing, and equity financing is often difficult when shares sell for less than \$0.10 each;
- The Company needs to firm up its deposit information at both the Kay Mine and Pino De Plata, and publish a resource estimate for both projects; and
- Silver Spruce Resources needs to initiate its permitting process for both of its key properties. The permitting for the exploration of Kay Mine should be granted in 2017, probably about a month after initial application, but the actual permitting process will not start until the Company has raised the necessary financing. Permitting for Pino de Plata is also expected in 2017.
- Production at its properties is still years away.

## **MANAGEMENT and DIRECTORS**

The following information on the Company's management and directors was taken from the Company's website.

### **Dr. Brian Penney PhD, DIC, P. Eng. Chairman, Director, and Audit Committee Chairman**

Brian Penney has extensive experience in guiding early stage companies, both as CEO and Chairman. Recent positions include founding CEO of TARA, a Halifax-based Telecoms R&D firm; Chairman and CEO of Abridean in Halifax; Chairman of Intertainment Media Inc., a TSX-V public company in Toronto; and CEO and Chairman of e-djuster Inc. in Ottawa. He has been a board member of several government and academic-industry boards as well as including the Communications Research Centre and CANARIE. Earlier in his career he held various research and academic positions in physics and in computing science, and worked as a software engineer, system architect, and development manager at Bell Northern Research and other companies in the telecommunications industry. Dr. Penney holds a Ph.D. in high energy nuclear physics from Imperial College of Science & Technology, University of London, and he is a professional engineer.

### **Karl Boltz President, CEO, and Director**

Karl Boltz is a natural resources consultant with 15+ years working with public and private companies in Mexico. He is the co-founding President, CEO, and Director of EXMIN Resources Inc. (now Sierra Metals). Fluent in Spanish, Mr. Boltz has worked for, and with, numerous public and private mining companies in Mexico, in various management capacities. Over the past ten years, Mr. Boltz has concentrated on public company creation, project acquisition, funding, market development, and administrative management. Mr. Boltz has provided services to the Company as the General Manager of Mexico Operations since June 2015.

### **Gordon Barnhill CFO, Vice-President of Corporate Affairs, and Director**

Gordon Barnhill joined Silver Spruce Resources in 2003, leaving his position as President of a management consultancy focusing on capital research, business evaluations, deal structuring, and investment strategy. Prior to his role as a consultant, Mr. Barnhill worked for 25 years with Canada's largest banking institution, latterly as a senior commercial lending officer.

### **Leonard J. Karr, Certified Professional Geologist Exploration and Project Manager (Pino de Plata)**

Leonard Karr has 30 years of experience in a wide range of geologic and metallogenic environments. He has successfully managed exploration, drilling, construction, and development projects on four continents, often in various logistical, cultural, and political situations. He is an entrepreneur with solid business and negotiating skills who works well with foreign cultures and has expertise in precious and base metal systems, industrial minerals, coal, and hydrocarbons.

### **Art Brown Director**

Art Brown has over 30 years of business experience. He was initially involved as a sales agent and, later, as an owner-operator of business technology and computer systems enterprises. Mr. Brown has served on the board of directors of eight companies, ranging from technology to mineral exploration to oil and gas. He is currently President of Alba Minerals Ltd., a junior precious metals explorer. His experience and knowledge of the resources necessary to make a public company successful has resulted in many successful financings for the various companies he has been involved with.

**Greg Davison MSc, PGeo  
Director**

Greg Davison is a professional consulting exploration geologist, project manager, and ore mineralogist with thirty-nine years of practical field, commercial laboratory, and management experience from diverse geological settings in more than forty countries. Mr. Davison has VMS expertise, from exploration targeting through ore mineralogy and process development. He graduated with an MSc in Geological Sciences from Brock University and an Honours BSc in Geology from Dalhousie University. He is a professional geologist (P.Geol.) licensed with the Association of Professional Geoscientists of Ontario and the Association of Professional Engineers & Geoscientists of British Columbia.

**Brad Donovan  
Director**

Brad Donovan is a native of Nova Scotia but is currently resident in Guadalajara, Mexico with considerable knowledge about the culture, business, and government processes of Mexico. Mr. Donovan has gained extensive business experience working in Canada, Sweden, Egypt, Tunisia, and at the Canadian Embassy in Washington D.C. Mr. Donovan is the President and CEO of the Nova Monarca Group, and the President and CEO of Spirits Trading International, based in Guadalajara, Mexico. He was also appointed Consul (H) of Iceland in Mexico. Mr. Donovan serves as a director of several international organizations.

**SHAREHOLDINGS**

Officers and Directors own or control, directly or indirectly, approximately 10% of the issued and outstanding common shares of the Company, and have rights to acquire an additional 5%. There is no other known shareholder, or group of shareholders, with more than the required admission holding of 10.0%.

**CORPORATE INFORMATION**

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## ANALYST ACCREDITATION

**eResearch Analyst on this Report:** Bob Weir, B.Sc., B.Comm., CFA

**Analyst Affirmation:** I, Bob Weir, hereby state that, at the time of issuance of this research report, I do not own shares of Silver Spruce Resources Inc.

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