

Condensed Consolidated Interim Financial Statements of

SILVER SPRUCE RESOURCES INC.

For the three and nine months ended July 31, 2020 and 2019

(Unaudited)

SILVER SPRUCE RESOURCES INC.

For the three and nine months ended July 31, 2020 and 2019

Notice of No Auditor Review of Interim Financial Statements

The accompanying unaudited condensed interim financial statements of Silver Spruce Resources Inc. (the “Company”) for the three and nine months ended July 31, 2020 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

In accordance with National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators, the Company herewith discloses that the accompanying unaudited condensed interim financial statements have not been reviewed by an auditor.

“Brian Penney”

Chief Executive Officer

Bedford, Nova Scotia
September 24, 2020

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 July 31, 2020	As at October 31, 2019
	\$	\$
Assets		
Current		
Cash	25,547	156,219
HST and other receivables	15,970	31,188
Prepaid expenses	106,065	84,000
Total assets	147,582	271,407
Liabilities		
Current		
Trade payables and accrued liabilities (Note 11)	256,938	549,563
Property acquisition obligation (Note 6 (a))	32,855	32,855
Loans payable (Note 10)	33,812	87,473
Total current liabilities	323,605	669,891
Shareholders' Equity		
Share capital (Note 7)	30,665,326	30,228,208
Warrant reserve (Note 8)	557,452	444,945
Equity reserve	8,798,440	8,696,106
Accumulated deficit	(40,197,241)	(39,767,743)
Total shareholders' equity	(176,023)	(398,484)
Total liabilities and shareholders' equity	147,582	271,407

Basis of preparation and going concern (Note 2)

Commitments and contingencies (Note 12)

Subsequent events (Note 13)

APPROVED BY THE BOARD OF DIRECTORS

Original signed by Brian Penney, CEO, Director

Original signed by Kevin O'Connor, Director

See accompanying notes to the condensed consolidated interim financial statements

SILVER SPRUCE RESOURCES INC.
Condensed Consolidated Interim Statements of Operations and
Comprehensive Loss (profit)
(Expressed in Canadian Dollars - Unaudited)

	For the three months ended July 31, 2020	For the three months ended July 31, 2019	For the nine months ended July 31, 2020	For the nine months ended July 31, 2019
	\$	\$	\$	\$
Expenses				
Exploration and evaluation expenditures (Note 6)	34,287	131,350	88,199	162,918
Share based compensation (Note 9)	102,334	-	102,334	-
Office and general	16,592	10,386	46,754	65,757
Accounting and audit	6,250	10,725	44,350	25,428
Legal	10,051	-	26,528	11,670
Consulting fees	37,905	3,150	102,311	64,917
Corporate relations	31,107	30,210	158,161	87,036
Loan interest (Note 10)	-	582	-	24,626
Listing and filing fees	6,890	6,388	75,418	21,742
Total expenses	245,416	192,791	644,055	464,094
Gain on sale of property	-	-	-	(29,954)
Gain on settlement of debt	-	-	(214,547)	-
Foreign exchange loss (gain)	(216)	(110)	(10)	3,283
Total other income	(216)	(110)	(214,557)	(26,671)
Net loss and comprehensive loss for the period	245,200	192,681	429,498	437,423
Net loss per share - basic and diluted	0.00	0.00	0.00	0.01
Weighted average number of shares outstanding - basic and diluted	105,845,833	85,930,833	99,295,468	78,423,422

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 \$	Equity reserve \$	Accumulated deficit \$	Total equity (deficiency) \$
Balance October 31, 2018	68,561,992	29,842,866	420,684	8,417,451	(38,842,681)	(161,680)
Net loss for the period	-	-	-	-	(437,423)	(437,423)
Private placement common shares issued	17,368,841	434,221	-	-	-	434,221
Share issuance costs	-	(6,588)	-	-	-	(6,588)
Fair value of warrants issued under private placement	-	(188,436)	188,436	-	-	-
Warrants expired	-	-	(234,488)	234,488	-	-
Balance July 31, 2019	85,930,833	30,082,063	374,632	8,651,939	(39,280,104)	(171,470)
Net loss for the period	-	-	-	-	(487,639)	(487,639)
Private placement common shares issued	5,225,000	261,250	-	-	-	261,250
Share issuance costs	-	(625)	-	-	-	(625)
Fair value of warrants issued under private placement	-	(114,480)	114,480	-	-	-
Warrants expired	-	-	(44,167)	44,167	-	-
Balance October 31, 2019	91,155,833	30,228,208	444,945	8,696,106	(39,767,743)	(398,484)
Net loss for the period	-	-	-	-	(429,498)	(429,498)
Private placement common shares issued	5,190,000	259,500	-	-	-	259,500
Share issuance costs	-	(22,875)	-	-	-	(22,875)
Fair value of warrants issued under private placement	-	(112,507)	112,507	-	-	-
Shares issued on settlement of finder fees	300,000	15,000	-	-	-	15,000
Shares issued on settlement of debt	8,700,000	278,000	-	-	-	278,000
Shares for property acquisition	500,000	20,000	-	-	-	20,000
Stock based compensation expense	-	-	-	102,334	-	102,334
Balance July 31, 2020	105,845,833	30,665,326	557,452	8,798,440	(40,197,241)	(176,023)

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 nine months ended July 31, 2020	For the nine months ended July 31, 2019
	\$	\$
Operating activities		
Net loss for the year	(429,498)	(437,423)
Items not involving cash:		
Loss on foreign exchange	-	2,251
Gain on settlement of debt	(214,547)	-
Gain on sale of property	-	(29,954)
Exploration and evaluation expenses paid with shares	20,000	-
Share based compensation	102,334	-
Accrued interest	-	1,313
	<u>(521,711)</u>	<u>(463,813)</u>
Changes in non-cash working capital		
Increase in prepaid expenses	(22,065)	(44,000)
Decrease in HST and other receivables	15,218	1,361
Increase/(decrease) in trade payables and accrued liabilities	116,449	(113,499)
	<u>109,602</u>	<u>(156,138)</u>
Change in non-cash operating working capital	<u>109,602</u>	<u>(156,138)</u>
Net cash flows used for operating activities	<u>(412,109)</u>	<u>(619,951)</u>
Financing activities		
Proceeds from issuance of shares and warrants	259,500	434,221
Share issue costs	(7,875)	(6,588)
Repayment of loan payable	-	(47,800)
Proceeds from loan payable	29,812	23,434
Net cash flows from financing activities	<u>281,437</u>	<u>403,267</u>
Investing activities		
Proceeds from sale of property	-	385,458
Net cash flows from investing activities	<u>-</u>	<u>385,458</u>
(Decrease)/increase in cash	(130,672)	168,774
Cash, beginning of period	156,219	8,132
Cash, end of period	<u>25,547</u>	<u>176,906</u>
Supplemental cash flow information		
Shares issued in settlement of finder fees	\$ 15,000	\$ -
Shares issued in settlement of debt	278,000	-
Shares issued on property acquisition	20,000	-
Settlement of debt on sale of property	-	593,641
Settlement of accrued interest on sale of property	-	42,244

See accompanying notes to the condensed consolidated interim financial statements

SILVER SPRUCE RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended July 31, 2020 and 2019

(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 802, 1550 Bedford Highway, Bedford, Nova Scotia, B4A 1E6.

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. 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, 2019. 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. The condensed interim consolidated financial statements of the Corporation were approved by the Board of Directors on September 24, 2020.

These condensed consolidated interim statements should be read in conjunction with the Company’s consolidated annual financial statements for the year ended October 31, 2019.

Basis of presentation

The condensed consolidated interim financial statements of the Company have been prepared in accordance with IFRS on a going concern basis 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.

SILVER SPRUCE RESOURCES INC.
Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended July 31, 2020 and 2019
(Unaudited)

2. BASIS OF PREPARATION AND GOING CONCERN (continued)

Basis of presentation (continued)

While the condensed consolidated interim 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 condensed consolidated interim 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 period ended July 31, 2020, a working capital deficiency and a cumulative deficit as at July 31, 2020. However, subsequent to the quarter end (note 13 b &c), the Company raised over \$1,900,000 with the closing of a private placement and the exercise of warrants.

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, 2019. These financial statements should be read in conjunction with those consolidated financial statements.

4. 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.

SILVER SPRUCE RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited)

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.

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 endeavor to ensure that it will have sufficient liquidity to meet liabilities when due. As at July 31, 2020, the Company had a cash balance of \$25,547 (October 31, 2019 - \$156,219) to settle current liabilities of \$323,605 (October 31, 2019 - \$669,891). Of the Company's current financial liabilities, \$290,750 (October 31, 2019 - \$637,076) have contractual maturities of less than 30 days and are subject to normal trade terms.

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 6) is denominated in United States Dollars ("US\$") and is subject to fluctuations in that currency's value relative to the Canadian dollar.

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.

SILVER SPRUCE RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended July 31, 2020 and 2019

(Unaudited)

6. 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 new revised financial terms are as follows:

- Total cash payments reduced from US\$1,000,000 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 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 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. In June 2020, the Company engaged a Mexican legal counsel to engage in discussions with landowner representatives and as of this date, land access discussions continue.

The present value of the Company's minimum commitment as at July 31, 2020 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 \$32,855 (US\$25,000) (October 31, 2019 - \$32,855 (US\$25,000)).

SILVER SPRUCE RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended July 31, 2020 and 2019

(Unaudited)

6. MINERAL EXPLORATION PROPERTIES (continued)

b) Melchett Lake, Ontario

In September 2019, the Company signed a binding letter of intent with three parties to acquire 100% of the Melchett Lake zinc-gold-silver volcanogenic massive sulphide (VMS) project, an advanced precious and base metal project in the Thunder Bay mining district, Northern Ontario, Canada.

After completing due diligence, the Company entered into a purchase agreement on November 20, 2019 to acquire 100% of the property. As consideration, the Company will pay the vendors \$150,000 in cash and 5,000,000 common shares of the Company, spread over three years.

Minimum work expenditures total \$1,000,000, with \$100,000 during the first year, \$200,000 in the second year and \$700,000 prior to the third anniversary. The vendors will retain a 2% net smelter return royalty, of which 1% can be purchased by the Company for \$1,000,000 and the remaining 1% at market price.

c) El Mezquite

On June 9, 2020, the Company signed a binding Option Agreement with Colibri Resource Corp. to acquire 50% interest in its wholly owned Mexican subsidiary Yaque Minerals S.A. de C.V. which holds the El Mesquite Gold project.

As consideration, the Company will pay \$82,500 by September 1, 2020, \$127,500 by September 1, 2021 (or \$107,500 if paid by December 31, 2020), and a promissory note of \$500,000 for a debenture due in October 2023.

Minimum work expenditure total US\$600,000 over the four-year term of the agreement by September 1, 2024, with no specific annual requirement. During the period of the option, the Company will be responsible for 100% payment of the surface rights agreements when exploration is active, 50% of the property taxes and 50% of the interest due at 2.5% annually on the debenture.

SILVER SPRUCE RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended July 31, 2020 and 2019

(Unaudited)

7. SHARE CAPITAL

The share capital is as follows:

Authorized:

An unlimited number of non-voting preference shares

An unlimited number of common shares, no par value

	Nine month period ended July 31, 2020		Year ended October 31, 2019	
	Number of shares	Ascribed value	Number of shares	Ascribed value
Issued and outstanding:		\$		\$
Balance - Beginning of periods	91,155,833	30,228,208	68,561,992	29,842,866
Issued during the periods				
Shares issued for cash, net of issuance costs	4,890,000	114,871	22,593,841	385,342
Shares issued as part of finders fees	300,000	15,000	-	-
Shares issued as flow-through units for cash	300,000	9,247	-	-
Shares issued as part of an option and purchase agreement	500,000	20,000	-	-
Shares issued for property obligation	1,700,000	68,000	-	-
Shares issued as debt settlement	7,000,000	210,000	-	-
Balance - End of periods	105,845,833	30,665,326	91,155,833	30,228,208

- a) In February 2019, the Company closed a non-brokered private placement to raise gross proceeds of \$434,221. The offering consisted of the issuance of 17,368,841 units ("Unit") of the Company. Each Unit was offered at a price of \$0.025 and consisted of one common share and one share purchase warrant, with each whole warrant exercisable at a price of \$0.05 per common share if exercised within 36 months of the closing of the offering. Officers and directors of the Company subscribed for 12,213,840 Units for gross proceeds of \$305,346. Of the gross proceeds of \$434,221, a total of \$188,436 was assigned to the warrants was estimated using the Black Scholes option pricing model and \$245,785 was allocated to share capital.

SILVER SPRUCE RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended July 31, 2020 and 2019

(Unaudited)

7. SHARE CAPITAL (continued)

- b) In August 2019, the Company closed a non-brokered private placement to raise gross proceeds of \$261,250. The offering consisted of the issuance of 5,225,000 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 800,000 Units for gross proceeds of \$40,000. Of the gross proceeds of \$261,250, a total of \$114,480 was assigned to the warrants was estimated using the Black Scholes option pricing model and \$146,770 was allocated to share capital.
- c) In December 2019, the Company closed a non-brokered flow through private placement to raise gross proceeds of \$15,000. The offering consisted of the issuance of 300,000 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 12 months of the closing of the offering. Officers and directors of the Company subscribed for 200,000 Units for gross proceeds of \$10,000. Of the gross proceeds of \$15,000, a total of \$5,753 was assigned to the warrants was estimated using the Black Scholes option pricing model and \$9,247 was allocated to share capital.
- d) In January 2020, the Company closed a non-brokered private placement to raise gross proceeds of \$244,500. The offering consisted of the issuance of 4,890,000 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 390,000 Units for gross proceeds of \$19,500. Of the gross proceeds of \$244,500, a total of \$106,754 was assigned to the warrants was estimated using the Black Scholes option pricing model and \$137,746 was allocated to share capital.

8. WARRANTS

The following is a summary of warrants activity for the periods ended July 31, 2020 and October 31, 2019:

	July 31, 2020		October 31, 2019	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		\$		\$
Balance, beginning of periods	28,347,841	0.08	16,551,250	0.09
Granted in connection with private placements	5,190,000	0.075	22,593,841	0.06
Exercised during the periods	-	-	-	-
Expired during the periods	-	-	-10,797,250	0.10
Balance, end of periods	33,537,841	0.08	28,347,841	0.08

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

8. WARRANTS (continued)

- a) In connection with the December 2019 private placement disclosed in Note 8, the Company issued 300,000 warrants. The grant date fair value of \$5,753 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 205%, a risk free interest rate of 1.71%, and an expected life of 1 year.
- b) In connection with the January 2020 private placement disclosed in Note 8, the Company issued 4,890,000 warrants. The grant date fair value of \$106,754 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 194%, a risk free interest rate of 1.71%, and an expected life of 2 years.

Summary of warrants outstanding as at July 31, 2020:

Warrants #	Exercise price \$	Grant date fair value of warrants \$	Expiry date
300,000	0.075	5,753	December 31, 2020
5,225,000	0.075	114,480	August 29, 2021
4,890,000	0.075	106,754	January 23, 2022
17,368,841	0.05	188,436	February 26, 2022
5,754,000	0.06	142,029	May 7, 2023
33,537,841		557,452	

9. 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.

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9. SHARE BASED PAYMENTS (continued)

Share based payment activity for the periods ended July 31, 2020 and October 31, 2019 are summarized as follows:

	<u>July 31, 2020</u>		<u>October 31, 2019</u>	
	<u>Number</u>	<u>Weighted average exercise price</u> \$	<u>Number</u>	<u>Weighted average exercise price</u> \$
Balance, beginning of periods	300,000	0.15	3,800,000	0.14
Granted during the periods	6,750,000	0.05	-	-
Expired during the periods	(300,000)	0.15	(3,200,000)	0.15
Balance, end of periods	6,750,000	0.05	600,000	0.15

At July 31, 2020, 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>
0.05	6,750,000	4.88	0.035	2,250,000
	6,750,000	4.88	0.035	2,250,000

The weighted average grant date fair value of options granted during period was \$0.038 (2019- \$nil) The amount of stock-based compensation expense of \$102,334 (2019- \$nil) was charged to the income statement and credited to the equity reserve in the statement of financial position.

The fair value of the options granted was estimated at the grant date based on the Black-Scholes option pricing model using the following assumptions:

Risk-free interest rate	0.41%
Expected life	5 years
Expected volatility	187%
Expected dividend yield	nil

SILVER SPRUCE RESOURCES INC.
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10. LOANS PAYABLE

The following table summarizes the loans payable for the period ended July 31, 2020 and October 31, 2019:

	As at October 31, 2019	Addition	Repayments	As at July 31, 2020
Loan payable - former director	83,473	-	(83,473)	-
Promissory notes – Directors	-	29,812	-	29,812
Loan payable – others	4,000	-	-	4,000
	\$	\$	\$	\$
Total loans payable outstanding	87,473	29,812	(83,473)	33,812

11. RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities as at July 31, 2020 is \$30,003 (October 31, 2019 - \$325,207) 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 July 31, 2020 the total loans payable to directors or former directors is \$29,812 (October 31, 2019 - \$83,473). The loans are unsecured and non-interest bearing.

During the period ended July 31, 2020 key management personnel compensation consisted of services provided by companies owned by directors of \$53,000 (2019 - \$nil) which are classified as consulting fees on the consolidated statement of operations.

See also Note 7 (a,b,c & d).

12. 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.

SILVER SPRUCE RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended July 31, 2020 and 2019

(Unaudited)

13. SUBSEQUENT EVENTS

- a) On January 30, 2020, the World Health Organization declared the coronavirus outbreak ("COVID- 19") a "Public Health Emergency of International Concern" and on March 10, 2020, declared COVID-19 a pandemic. In the first quarter of 2020 through the date of this report, the local and global markets experienced significant losses by the worldwide spread of COVID-19. As of the date of these financial statements, the extent to which the COVID-19 pandemic impacts the Company's financial results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the COVID-19 pandemic and actions taken to contain it or its impact, among others
- b) On August 19, 2020, the Company closed a non-brokered private placement raising gross proceeds of \$1,819,500 (the "Offering"). The Offering consisted of 36,390,000 units offered at \$0.05 per unit consisting of one common share in the capital of the Company and one share purchase warrant. Each full warrant entitles the holder to purchase an additional common share of the Company for \$0.10 at any time prior to the expiry date of August 18, 2023.
- c) Subsequent to the quarter end, 2,100,000 warrants were exercised at \$0.05 for a total of \$105,000.
- d) On August 26, 2020, the Company granted 300,000 stock options to an officer of the Company with an exercise price of \$0.05 and an expiry date of August 26, 2025.