



Price: July 17 **\$0.045**
52-Week Range: **\$0.06-\$0.015**
Shares O/S: **86.06 million**
Market Cap: **\$3.87 million**

Average Share Volume
50-day: **110,760**
200-day: **180,000**

Fiscal Year-End: **October 31**

Symbol: **TSXV: SSE**

Website:
<https://www.silverspruceresources.com>

Financial Data:

	Actual Year End <u>Oct 31/2018</u>	Actual TTM <u>Apr 30/2019</u>
Balance Sheet		
Cash	8,132	20,347
Other Current Assets	42,240	488,452
Total Assets	1,041,762	508,799
Current Liabilities	468,729	366,956
Working Capital	-\$426,489	\$121,496
Working Capital Ratio	0.09	1.33
Total Equity	-161,680	21,211
Actual Shares O/S	68,561,992	85,930,833
Weighted Average Shares O/S	65,598,288	72,691,086
Statement of Net Profit/(Loss)	12 Months <u>Oct 31/2018</u>	12 Months <u>Apr 30/2019</u>
Non-discretionary OpEx ("Burn")	-394,578	-390,614
Average Monthly Burn	-\$32,882	-\$32,551
Other Operating Expenses	-28,166	-36,202
Non-Operating + Non-Cash Exp.	<u>-276,557</u>	<u>-172,743</u>
Net Profit/(Loss)	-699,301	-599,559
Statement of Cash Flow	12 Months <u>Oct 31/2018</u>	12 Months <u>Apr 30/2019</u>
Cash Flow From Operations	-511,708	-504,637
Capex	0	35,458
Free Cash Flow	-511,708	-469,179
Working Capital Changes	159,800	-63,772
Equity Financing	267,984	519,357
Debt Financing/(Repayment)	53,100	-16,566
Change In Cash	-30,824	-30,160

Source: Company and eResearch

eResearch Analyst:

Bob Weir, B.Sc., B.Comm., CFA

Silver Spruce Resources, Inc.

(TSXV: SSE; OTC: SSEB.F; DB: S6Q1)

Focused on developing its flagship Pino de Plata property in Mexico and advancing its pending acquisition of the Cocula Project also in Mexico.

COMPANY UPDATES

eResearch published its Update Report on Silver Spruce Resources Inc. ("Silver Spruce Resources" or the "Company") on July 11, 2019. To access that report, click on the following link: [SSE-071119-U.pdf](#)

Since then, the Company has made three (3) important announcements:

I. Sale of Kay Mine Concluded

Silver Spruce Resources received the final payment, being \$150,000, from Croesus Gold Corp. to complete the sale to Croesus of the Kay Mine located in Arizona. The Company has no further involvement with the property.

II. Pino de Plata Update

Silver Spruce Resources has provided an update commentary concerning its flagship Pino de Plata property in Mexico. Just as initial drilling was set to commence, the Company received an unsolicited offer from a Mexico corporation, which is controlled by the surface landowners, that insisted that the corporation be allowed to make an investment in the Company's Mexican subsidiary before the Phase I drill program gets underway and a possible "discovery" is made.

The offer envisions that the surface landowners' Mexican corporation will make a payment of US\$250,000 for: (i) a 5% carried interest in the Company's Mexican subsidiary; and (ii) a 5% interest in the mining titles for each of the four mining concessions that comprise the Pino de Plata project and which are held under purchase option by the Company and its Mexican subsidiary from the private Mexican title owner of the mining concessions.

The management of Silver Spruce Resources indicated to the Mexican corporation that it was willing to accept its offer as it placed a favourable value on the project and, also, that it would permit drilling to commence.

An unexpected glitch occurred when it was learned that the widow of the original land title owner was not yet registered as the 100% title-holder of the claims. Silver Spruce Resources is working with the widow's attorneys to resolve this situation as quickly as possible.

The Company has stated that it welcomes the land owners' investment and looks forward to working with them to advance the project as soon as possible.

III. Pending Acquisition of the Cocula Property, an Advanced Gold Project

Silver Spruce Resources has signed a binding Letter of Agreement (“LOA”) with a Mexican company (referred to as “ProDeMin”) which entitles the Company to assume ProDeMin’s option agreement to acquire a 100% interest in an advanced gold project, known as the Cocula Project, that is located in the Ameca mining district in Jalisco State in Mexico. The Company has been granted a six-month due diligence period.

The environs of the Cocula property are well established as a viable mining district, primarily for gold, silver, and base metals. Notable activity nearby is the El Barqueno exploration project of Agnico Eagle and the Terronera development project of Endeavour Silver.

Description of the Cocula Project

The Cocula Project encompasses 233.5 hectares (577 acres). It is an epithermal deposit, which is an *ore deposit formed in and along openings in rocks by deposition at shallow depths from ascending hot solutions.* (*Free Dictionary*) Epithermal veins usually do not have great vertical continuity, but many are exceedingly rich and deserving of the term “bonanza”.

The Cocula Project comprises a breccia structure. *Breccia is a rock composed of broken fragments of minerals or rock cemented together by a fine-grained matrix that can be similar to or different from the composition of the fragments.* (*Wikipedia*)

The gold-rich breccia structure runs along the surface for at least 800 metres, along strike, and open in both directions and down dip.

Previous Exploration

There was a modicum of exploration and development work undertaken on the property that concluded in 2011. Channel sampling returned 136m of 2.39 g/t gold (Au), 19 g/t silver (Ag), 1.07% lead (Pb), and 0.12% zinc (Zn). There were also grades up to 25 g/t Au in individual samples. A total of 27 reverse-circulation holes were drilled, and these identified the 800-metre strike length, open in all directions.

Although not conforming to NI 43-101 standards, the non-qualified inferred resource estimate, which was based on 1,552 assays, was 108,081 ounces of gold (no cut-off) and about 75,000 ounces of gold (0.5 g/t of gold cut-off) with some silver, lead, and zinc.

Strategy for the Cocula Project

- Previous samples from the historic drill program will be analyzed to confirm the assay values for gold.
- Negotiations for surface access should be concluded soon.
- A NI 43-101 Technical Report has been initiated and new samples are being collected for this purpose.
- An environmental crew has been commissioned and a permit has been filed to begin a drill program that is designed to confirm previous drilling results as well as expand the resource to meet qualifying standards.
- Drilling will commence as soon as the drill permit has been approved.

Acquisition Terms and Conditions

The key terms for the acquisition transaction are as follows:

- US\$160,000 is to be paid within two years of Silver Spruce Resources assuming the ProDeMin contract.
- US\$330,000 is due before the end of the third year.
- US\$2,500,000 is due before the end of the fourth year.
- The Owners of the property will retain a 2% Net Smelter Return royalty, which is capped at US\$1,500,000 and 1% of which can be purchased for US\$500,000.
- There are minimum work requirements consisting of a total of US\$250,000 in the first two years, and a further US\$500,000 in the following two years.
- ProDeMin will be paid US\$125,000 over two years to reimburse it for option payments that it made to the Owners, and ProDeMin will receive 3 million Silver Spruce shares over four years.

NOTE: *The remainder of this report is taken from the eResearch Update Report of July 11, 2019, with some minor edits.*

COMPANY DESCRIPTION

Silver Spruce Resources Inc. is a Canadian junior mining exploration company that is focused on developing its epithermal gold/silver Pino de Plata project located in the Sierra Madre Occidental region of western Chihuahua State, Mexico.

The Company has also signed a binding Letter of Agreement to acquire a 100% interest in the advanced Cocula gold project in Jalisco State, Mexico.

The funds from the sale of the Kay Mine will be used by Silver Spruce Resources to reduce its debt, provide monies for its initial drilling initiative at Pino de Plata, and to fund its due diligence at Cocula.

Silver Spruce Resources is a small company, with a market cap of just \$3.9 million, only 86.06 million shares outstanding, and a 50-day average trading volume of about 110,000-115,000 shares. The shares are unlikely to attract institutional interest, and are suitable primarily for retail investors with a speculative bias.

Corporate Strategy

Silver Spruce Resources 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 offer discernible upside potential at reasonable acquisition prices.

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, and which will reach production faster. This strategy also has the benefit of not requiring the Company constantly to raise capital, a necessity that dilutes shareholders.

To that end, the Company is now focused on developing its Pino de Plata property that is located in Mexico, and completing the acquisition of the advanced Cocula Project, also located in Mexico.

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 utilizing the proceeds that it received from selling its entire interest in the Kay Mine in Arizona to further its work at Pino de Plata and to advance its acquisition of the Cocula Project. It will also provide the Company with an opportunity to reduce its debt.
- The Company is solely focused on advancing its significant silver-gold-base metals property, Pino de Plata, in northern Mexico by initiating its drilling activities and working towards 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.
- The Cocula Project is advantageously located in Mexico's Jalisco State where, nearby, Agnico Eagle and Endeavour Silver have significant projects. A NI 43-101 Technical Report has been commissioned for Cocula.

B. Challenges

- The Company's market cap is about \$3.9 million, with only 86.06 million shares outstanding and, therefore, not suitable for institutional ownership; fairly illiquid share trading (average 110,760 per day over last 50 days, and 180,000 over the last 200 days).
- Silver Spruce Resources has not yet gained outright ownership of the Pino de Plata property. Formalization of the transaction has been delayed because of access restrictions to the property. Instead of being a Fixed Asset on the Balance Sheet, the transaction is shown as a Current Liability (Property Acquisition Obligation).
- The Company needs to firm up its deposit information at Pino de Plata, and publish a resource estimate.
- Production at its Pino de Plata property is still years away.
- The Company needs to complete its due diligence work at Cocula, and finalize a NI 43-101 Technical Report.
- The Company regularly needs financing, and equity financing is often difficult when shares sell for less than \$0.05 each.
- There is "key person" management risk as the Company relies heavily on the extensive mining experience of its President/CEO.

Pino De Plata

The Company agreed to acquire a 100% interest in this 397-hectare (980-acre) property in 2015. Further discussions led to revised purchase terms, but the transaction was never formalized and the revised agreement was suspended (not terminated) because of access restrictions to the property.

The revised purchase terms are as follows:

- (a) Cash payment of US\$500,000 to be paid over two years, of which US\$125,000 has been paid;
- (b) 2,500,000 Silver Spruce Resources common shares at C\$0.07 per share, or C\$175,000;
- (c) C\$250,000 worth of Silver Spruce Resources common shares at a formula-determining per share price;
- (d) 3% gross production royalty capped at US\$4 million. This obligation can be purchased for US\$1,333,333 per percentage point, which would be reduced by any advanced royalty payments made (see (e) below); and
- (e) Advanced royalty payments of US\$10,000 per month to begin 30 days after the acquisition is formally completed.

Silver Spruce Resources does not have a carrying value on the asset side of its balance sheet because the transaction has not been completed. However, the Company does show a current liability for the “Property Acquisition Obligation” of C\$32,855. See Financial Information on Page 6 for more details.

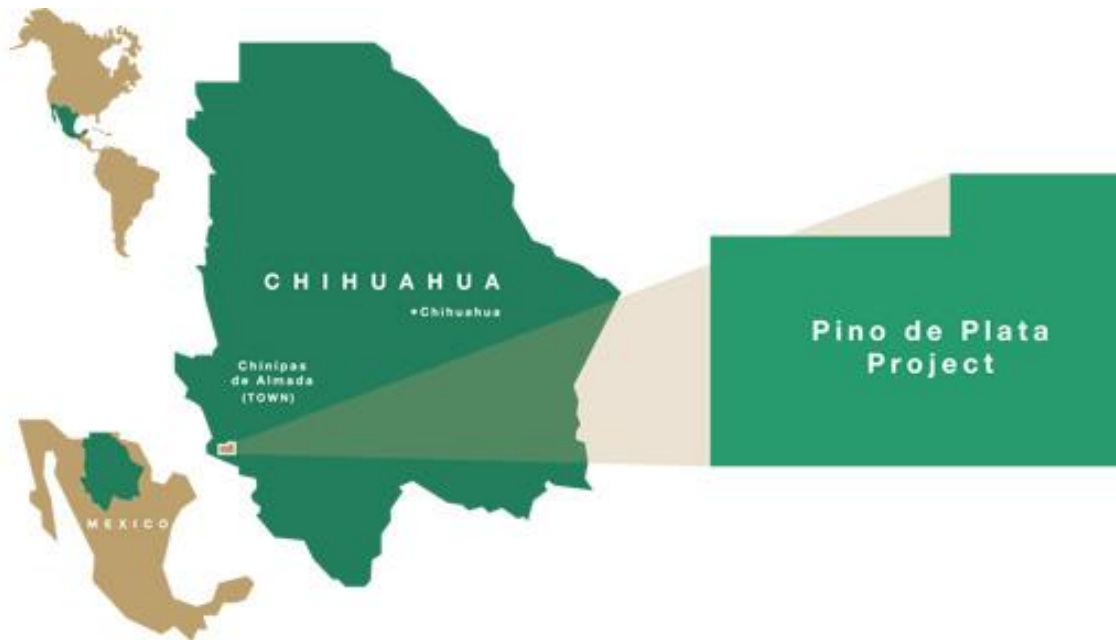
Salient information regarding the Company’s project in Mexico is provided below:

- 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 result 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; 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 m³), 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

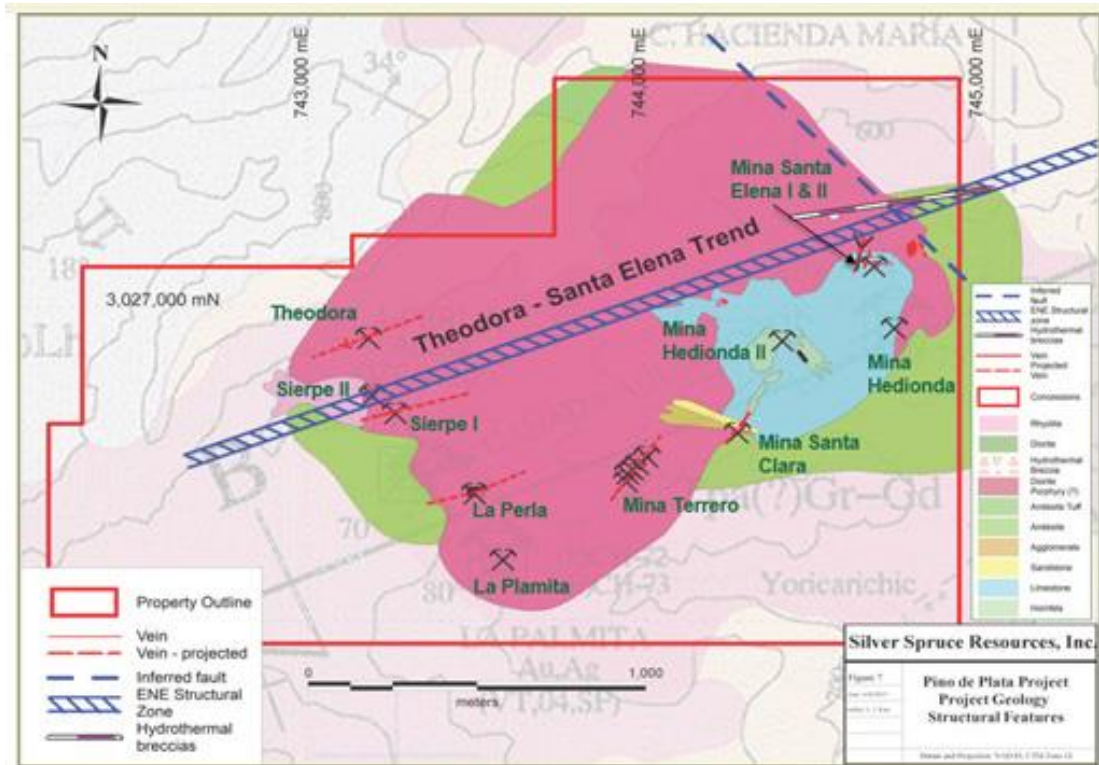
This gossan (rock that is usually the exposed part of an ore deposit or mineral vein) target area provides a viable opportunity for replacement silver-lead-zinc-copper deposits over more than 20 hectares (about 50 acres). The sampled mineralization indicated almost 200 g/t (6.4 oz/t) of silver. There 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

Overview of Pino de Plata

Further information on Pino de Plata can be found on the Company’s website <Ctrl-Click> [HERE](#).

Recent Event

As set out on Page 1, Silver Spruce Resources is working in tandem with the widow (and her attorneys) of the original mining concession title owner to resolve the title ownership. This should be a formality.

Stock Chart

ONE-YEAR



FIVE-YEAR



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ANALYST ACCREDITATION

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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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