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Know when to hold-em!
Know when to fold-em!
Know where to set stops!
Know when to run!
Never count your portfolio
Until the sells are done..

Top Junior Exploration pick for 2016

I have decided to add a new junior explorer to our list, as I mentioned in my year end summary I have only picked two in the last 3 years and Viscount last year was one of our best performers up 85%. I believe this pick can perhaps better that gain for us in 2016.

To me it is really like deja vu going back to 2005, because this stock to me is like Paramount 2 but much better in many ways.

Paramount was a pick in September 2005 as my top pick for 2005 and 2006. The stock just started to trade in late August 2005 and for the year fluctuated between US\$0.75 and US\$1.50, ending the year at the high. By early 2006 it hit US\$4.00 and eventually seen a high over \$5.00, but then came the 2008 crash.

Paramount had 3 main factors going for it then:

- Market timing was excellent, just before a big run in Gold and Gold stocks.
- It was relatively new with a good share structure
- A property in the Sierra Madre, Mexico, long held privately that seen no modern exploration.

Silver Spruce Resources TSXV:SSE Recent Price \$0.07

52 week trading range \$0.02 to \$0.10

Shares outstanding 21.1 million Fully diluted 25.2 million approx.

Silver Spruce has these same 3 factors as Paramount did, but more so.

Market timing is better because Gold stocks are at a lower level than 2005 but poised to move higher.

The share structure is better because there is fewer shares outstanding and SSE is starting at 8 cents instead of 50 cents.

Comparing the 2 properties, they are pretty much the same when you compare Paramount's San Miguel when they first acquired it to Silver Spruce's Pino de Plata now. Both were held a long time privately and seen no modern exploration **and they are only about 15 kms apart .**

Both seen high grade mining in the past and are littered with old mine workings. Both exhibited high grade outcrops on the surface. However, Silver Spruce is starting with 100% ownership vs 70% that Paramount first owned with San Miguel.

If you were a subscriber and remember Paramount you will quickly see what I am saying about deja vu. What might not be as obvious is market timing, at least until you look at the chart below.



In late 2005, Gold started to move from around the \$430 level to around \$560 in early 2006 and Gold stocks seen a big move from around 90 to 165 on the XAU index.

Now the XAU is back to it's 2000 bottom which was the lowest point in it's history. You can also see on this chart we are moving off a historic over sold market. Very seldom any market or stock shows a drop below 20 on the RSI (relative strength index), but the XAU seen a large drop below 15. perhaps this has happened before with some stock or index, but I have never seen it and cannot find any other example. On the RSI, a reading of 20 is consider extremely over sold.

In March of 2015, Silver Spruce appointed a new CEO and Director, Stephan Jedynek, and then recruited and appointed a new Board of Directors, lead by new Chairman, Bill Macpherson. The new management group did a small financing and shares for debt to clean up the balance sheet, They then acquired their 1st project - the highly prospective Pina del Plata high-grade silver/lead/zinc/copper/gold project in Northern Mexico.

It is also noteworthy that this is their 1st acquisition and I expect their will likely be more!

Management

Mr. Stephan Jedynak, LL.B. President, CEO and Director, a General Counsel, with over 15 years of corporate experience and regulatory compliance for a senior public company. He earned an undergraduate degree from the University of Ottawa and a Bachelor of Laws from Dalhousie University and the University of Auckland, New Zealand

Gordon Barnhill CFO, VP Corporate Affairs and Director joined Silver Spruce 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, Gordon worked for 25-years with Canada's largest banking institution ending this portion of his careers in the position of senior commercial lending officer.

Karl J. Boltz Consulting General Manager, Mexico was Co-founding President, CEO and Director of EXMIN Resources Inc. (since merged with Sierra Metals), Fluent in Spanish, Karl has worked for and with numerous public and private mining companies in Mexico, in various management capacities. He has over fifteen years leading and managing mining project activities with the most recent ten years concentrating on public company creation, project acquisition, funding, market development and administrative management.

Leonard J. Karr, Certified Professional Geologist, Consulting Exploration and Project Manager (Pino de Plata) with 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 difficult 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.

William A. MacPherson BSc P.Eng (Ret'd) Chairman and Director, a geologist with over 50 years of experience in the mining industry, Mr. A MacPherson began his career in 1955 as a mining geologist and has held various positions with public listed companies including President and Director of companies such as Nalco Nfld. Corporation Ltd, Turene Gold, and more recently American Manor Resources. Mr. MacPherson has also held directorships with Canadian Javelin, Bison Petroleum and Acqa Gold.

Dr. Brian Penney PhD, DIC, P. Eng. Director 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 Abridgeanin Halifax; Chairman of Intertainment Media Inc, a TSX-V public company in Toronto; CEO and Chairman of e-djuster Inc in Ottawa. He has been a board member of several government and academic-industry boards as well including the Communications Research Centre and CANARIE.

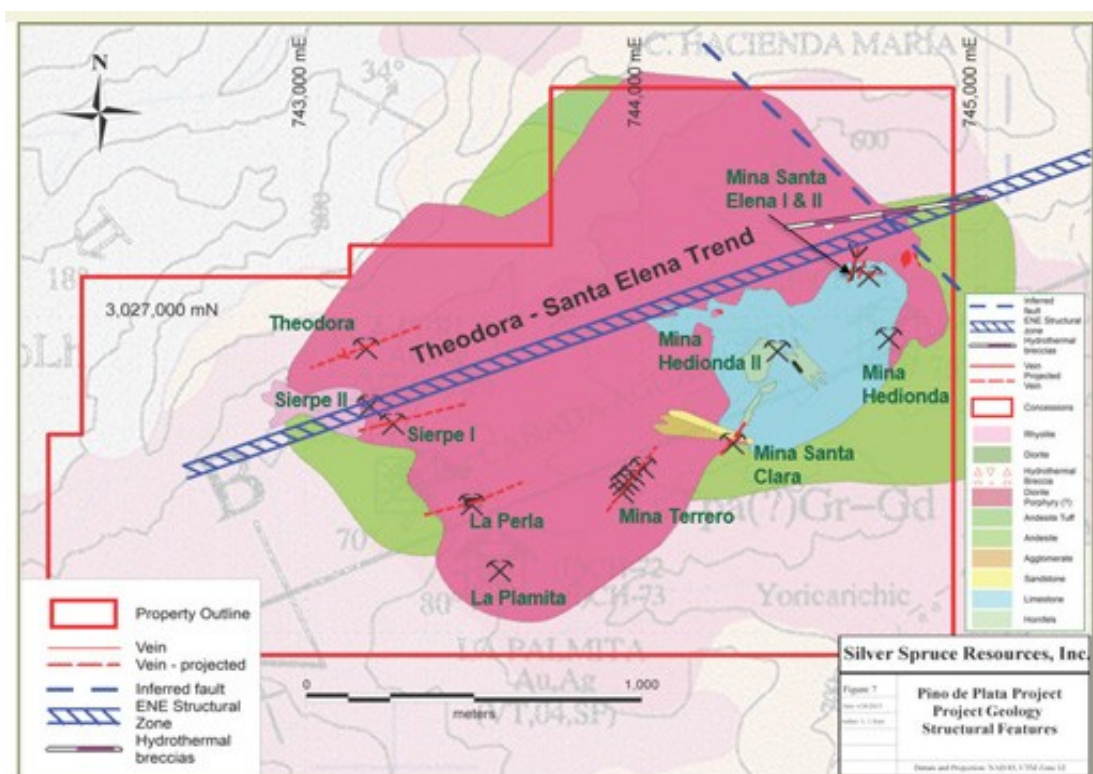
Mr. Art Brown, Director has over 30 years of business experience. Mr. Brown has served as on the board of directors of eight companies in total, ranging from technology to mineral exploration and oil and gas. He is currently Chairman of Maxim Resources Inc, a TSX--Venture traded junior oil and gas explorer and producer.

Projects: Pino de Plata Project – 100% interest 397 hectare

The project is located approximately fifteen kilometres from Coeur Mining Inc.'s Palmerajo open pit and underground operations. **While small scale surface mining of high grade silver (> 1,000 g/ton) has taken place on this property since the 1600's it has never been drilled or fully explored.** In May 2015, Silver Spruce completed an initial NI 43-101 exploration assessment report which identified three excellent areas for follow-on exploration and drilling.

The project has been privately held by the same individual since 1984

The recent National Instrument 43-101 on-site field examination systematically sampled the areas of known small scale historical production. These areas represent approximately one quarter of the total project area. Ninety-two samples were taken during the recent field examination and show the examined project area to host widespread intrusive epithermal mineralization at surface with silver values, **on average, of greater than 50 grams per tonne (g/t)**, that is 1.6 ounces per tonne (opt), over an area of more than 1 square km (>100 Ha). Within the area examined, specific targets were sampled **with silver (Ag) assays of up to 557 g/t or 17.9 opt in outcrop**



The Terrero target, was identified as having an area of over 20,000 square metres (>2 Ha), where “the replacement epithermal mineralization in igneous rocks contains good silver grades at surface in unoxidized rock. **Seven out of nine samples contained > 1 opt Ag to as much as 17.9 opt Ag.** Little additional work in the way of mapping and sampling is required prior to drilling this prospect.” Based on current geologic mapping, sampling and interpretation, the Company’s internal potential ore vessel modeling suggests that the Terrero target could contain 11.2 million tonnes of mineralized rock. Based on the nine samples taken from the Terrero target **at surface with an average silver grade of 250 g/t (8 opt) Ag**, the Terrero target represents a potential in-situ resource of up to 90 million ounces of silver.

The Santa Elena – Gossan target area presents a viable target for replacement Ag-Pb-Zn-Cu deposits. Unoxidized replacement mineralization from the Santa Elena Mine approaches 200 g/t (6.4 opt) Ag. This area has the potential for relatively shallow replacement mineralization over an area of > 20 Ha.” Based on current geologic mapping, sampling and interpretation, the Company’s internal potential ore vessel modeling suggests that the Santa Elena – Gossan target could contain 1.3 million tonnes of mineralized rock with an average grading of 250 g/t (8 opt) Ag which suggests an in-situ resource of up to 10.5 million ounces of silver.*** The sampling in the Santa Elena – Gossan target area also revealed elevated values of >2-3% Zn and anomalous Au, Cu and Pb

Vein Targets “The Sierpe and Theodora veins are open on strike and have indications of ore grade Ag (>250 g/t or 8 opt Ag) and reasonably minable widths (>= 1 m). Newly exposed, Ag mineralized quartz veins in road cuts to the west along with favorable alteration west of the Sierpe and Theodora mines make these attractive vein targets.” Based on current geologic mapping, sampling and interpretation, the Company’s internal potential ore vessel modeling suggests that the Sierpe I, Sierpe II and Theodora high-grade vein targets could contain 1.8 million tonnes of mineralized rock with an average grading of up to 500 g/t (16 opt) Ag. This suggests an in-situ resource of up to 28.5 million ounces of silver. The sampling in the Sierpe I, Sierpe II and Theodora vein target areas also revealed elevated values of up to 5% Pb and up to 7% Zn, with anomalous Au values up to 0.461 g/t.

Only approximately 50% of the Pino de Plata project surface was examined during the SSE's 1st geologic reconnaissance conducted on the project area and no doubt other targets will be found.

The entire project sits on top of an intrusive system with widespread anomalous mineralization

Even so on just what was seen on this first visit, management put **the potential at over 130 million ounces of silver plus other metals. Keep in mind this is just pie in the sky potential** and there is little sampling and no drilling to back any of this up.

But again at Paramount's San Miguel the first focus was the high grade silver zones on surface, just what we see at Pino de Plata with 9 samples taken from the Terrero target **at surface with an average silver grade of 250 g/t (8 opt) Ag.**

Paramount's San Miguel had almost 80M ozs silver M&I with 1.1 million ounces Gold when it was sold to Coeur Mining. At Pino de Plata, 65M ozs silver would be half of Managements possible potential so we are in a similar ball park.

The Company plans an efficient and effective Phase I exploration program to quickly define a significant maiden resource with open pit mining potential to exploit in the near to medium future with minimal capex requirements. I believe this is a good strategy for this point in time as juniors can exploit the low cost of exploration in this market.

Financial

In July/August last year, the new management group did a small financing and shares for debt at 2.5 cents and 5 cents that mostly cleaned up the balance sheet and provided required corporate funds. Currently they are part way through a funding at 7.5 cents to provide capital for phase 1 exploration.

Summary

About a year ago after significant declines in the mining market Coeur Mining paid approx. US\$156 million for Paramount's San Miguel (includes \$10M cash to spinco). In Cdn\$ that is about \$207 million compared to Silver Spruce's puny market cap today of less than \$2 million.

Of course Silver Spruce has to do a lot of drilling and there will be share dilution, but a future valuation between \$50 and \$100 million is a valid speculation.

Pino de Plata is an exceptional project, where very seldom you can find numerous high grade outcrops right on surface that have seen no drilling or modern exploration

I believe Viscount share price seen a strong rise because it is a similar story. A high grade project with several historic mines and has seen no modern exploration and located in a very prolific mineral belt.

In a poor market, Viscount has moved to \$0.50 per share with 35 million shares out before we have seen any drill results. I see no reason why Silver Spruce could not do something similar. Considering the current financing, Silver Spruce will have somewhat less shares outstanding and enough funds to see the first drill results.

It is obvious to me that we will see some very good early exploration results on sampling, channeling and drilling that could move this stock, even in this market. New stories on exceptional properties are still seeing good traction and the Gold price movement or price is not so relevant.

A lot depends on the management group and SSE has a lot of strength here both on the Geological and Financial side, so well balanced as well.

The current capital raise will likely keep a lid on the stock price that should allow us to buy at these levels and with that in mind, I would not chase this stock above 10 cents.

The stock was as high as \$2.00 in better days, but so was everything. A one year chart is most relevant as it covers the period of restructuring and the news of the Pino de Plata acquisition.



The stock chart is set up very nicely. It seen it's first run following news of the project and a 43-101 completed in August and now a normal pull back and consolidation. **More important, it has crossed the 200 Day MA and the MA has also turned up. This is a strong indicator that a new bullish trend has begun.**

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