

IN THE MATTER OF
THE *SECURITIES* ACT, R.S.N.S. 1989, CHAPTER 418, AS AMENDED ("Act")

-and-

IN THE MATTER OF SILVER SPRUCE RESOURCES INC.

SETTLEMENT AGREEMENT

PART I - INTRODUCTION

1. The parties to this Settlement Agreement are the Respondent, Silver Spruce Resources Inc. ["Silver Spruce"] and the Director of Enforcement for the Nova Scotia Securities Commission, Enforcement Branch [the "Director"].
2. The parties agree that the Nova Scotia Securities Commission [the "Commission"] has jurisdiction over this matter.
3. The parties agree to recommend to the Commission approval of this Agreement in accordance with the terms and process set out herein.

PART II - PROCEDURE FOR APPROVAL OF THE AGREEMENT

4. The Director agrees to request that a Notice of Hearing be issued setting down a hearing ["Settlement Hearing"] wherein the Commission will consider whether it is in the public interest to approve this Agreement and to issue an order in the form attached as **Schedule "A"**.
5. The parties agree that this Agreement constitutes the entirety of evidence to be submitted to the Commission at the Settlement Hearing.
6. The Director agrees to recommend that the allegations acknowledged and admitted by Silver Spruce be resolved and disposed of in accordance with this Agreement.
7. The parties acknowledge that this Agreement will become a public document upon its approval by the Commission at the Settlement Hearing.

PART III - STATEMENT OF AGREED FACTS

8. The Director and Silver Spruce agree with the facts and conclusions set out in this Agreement.

Background

9. Silver Spruce is an extra-provincial corporation that was incorporated in Alberta in 1996. Silver Spruce has a registered office at 205-5th Avenue SW STE 3700, Calgary, Alberta. Silver Spruce also has a mailing address in Nova Scotia, 1550 Bedford Highway, Halifax, Nova Scotia, B4A 1E6.
10. Silver Spruce is a junior exploration and development company.

11. Silver Spruce is a reporting issuer in British Columbia, Alberta, New Brunswick, Nova Scotia and Newfoundland and Labrador. Nova Scotia is Silver Spruce's principal regulator.
12. The common shares of Silver Spruce are listed on the TSX Venture Exchange under the stock symbol "SSE".
13. Silver Spruce sold units of bundled securities to forty-seven (47) purchasers between May 4, 2016, and February 26, 2019, raising a total of \$2,137,375 CAD in capital.
14. Silver Spruce sold further units of bundled securities to nine (9) purchasers on August 15, 2019, raising a total of \$251,250 CAD in capital.
15. The sales of securities by Silver Spruce between May 4, 2016, and August 15, 2019, constituted trades and distributions of securities under Nova Scotia securities laws [collectively, the "Distributions"].
16. Silver Spruce did not file a prospectus or preliminary prospectus with respect to the Distributions and the Commission did not issue any receipt for the same. Rather, Silver Spruce relied on exemptions to the prospectus requirements of section 58(1) of the *Securities Act*, RSNS 1989, c 418, as amended [the "Act"], for accredited investors and friends, family, and business associates pursuant to sections 2.3 and 2.5 of National Instrument 45-106 *Prospectus Exemptions* ["NI 45-106"].

Filings Regarding the May 4, 2016, to February 26, 2019, Distributions

17. On July 18, 2019, Silver Spruce provided enforcement staff with summaries of exempt distribution made with respect to certain of the Distributions [the "July 2019 Submission"].
18. The July 2019 Submission addressed the Distributions made between May 4, 2016, and February 26, 2019, except for those to eight (8) purchasers that were resident or domiciled in Australia, China, the United States, and Turks and Caicos at the time of the trade [the "Foreign Purchasers"]. In the July 2019 Submission, Silver Spruce identified that each of the Foreign Purchasers was compliant with the securities laws of their country of residence or domicile, as applicable, where these trades took place.
19. Communicating with enforcement staff throughout, Silver Spruce subsequently updated the July 2019 Submission and identified Nova Scotia prospectus exemptions in respect of its distributions to each of the Foreign Purchasers, namely sections 2.3 and 2.5 of NI 45-106.
20. A *Report of Exempt Distribution* in Form 45-106F1 for the Distributions made between May 4, 2016, and February 26, 2019, was filed on SEDAR on February 6, 2020, and amended on February 27, 2020 [the "Report"]. Subsequently, at the request of enforcement staff, further updates were made to the confidential Schedule I to the Report to amend the category of "accredited investor" applicable to three (3) of the Foreign Purchasers.

Filings Regarding the August 15, 2019, Distribution

21. The August 15, 2019, Distribution was made subsequent to requests by enforcement staff for information regarding Silver Spruce's compliance with section 58(1) of the Act and NI 45-106.
22. On January 17, 2020, Silver Spruce filed on SEDAR a Report of Exempt Distribution in Form 45-106F1 for the Distributions made on August 15, 2019, upon enforcement staff's request for further information on post-July 2019 distributions made by Silver Spruce.

Violations of Nova Scotia Securities Laws

23. As a result of late filing its reports of exempt distribution with respect to the Distributions, Silver Spruce violated section 6.1 of NI 45-106.

PART IV - STATEMENT OF ALLEGATIONS ACKNOWLEDGED AND ADMITTED BY THE RESPONDENT

24. Silver Spruce admits the facts set forth in Part III herein and acknowledges that it violated Nova Scotia securities laws.
25. Specifically, Silver Spruce admits that it violated section 6.1 of NI 45-106.
26. Silver Spruce acknowledges that its actions undermined investor confidence in the fairness and efficiency of capital markets and were contrary to the public interest.

PART V - MITIGATING FACTORS

27. Silver Spruce acknowledges and accepts responsibility for its conduct which is the subject matter of this Agreement.
28. Silver Spruce cooperated fully with the investigation of this matter and responded to requests from enforcement staff in a timely manner.
29. Silver Spruce has no past record of violations of Nova Scotia securities laws.

PART VI - TERMS OF SETTLEMENT

30. The terms of settlement are set forth in this Agreement and in the order contained in **Schedule "A"** to this Agreement, which is expressly incorporated herein.
31. Silver Spruce consents to the order contained in **Schedule "A"**.
32. The terms of settlement as set out in the order contained in **Schedule "A"** are as follows:
 - (a) Pursuant to section 134(1)(a) of the Act, Silver Spruce shall comply with Nova Scotia securities laws;
 - (b) Pursuant to section 135 of the Act, Silver Spruce shall forthwith pay an administrative penalty in the amount of twelve thousand dollars (\$12,000.00); and

- (c) Pursuant to section 135A of the Act, Silver Spruce shall forthwith pay costs in the amount of two thousand dollars (\$2,000.00) in connection with the investigation and conduct of this proceeding.

PART VII - COMMITMENTS

- 33. If this Agreement is approved and the order as set out in **Schedule "A"** is granted, the parties agree to waive any right to a full hearing and judicial review and appeal of this matter.
- 34. If this Agreement is approved by the Commission, the parties will not in any way make any statement, public or otherwise, that is inconsistent with the terms of this Agreement.
- 35. If this Agreement is approved by the Commission, Silver Spruce agrees to abide by all terms of this Agreement.
- 36. If, for any reason whatsoever, this Agreement is not approved, or the order set forth in **Schedule "A"** is not granted by the Commission:
 - (a) The Director and Silver Spruce will be entitled to proceed to a hearing of the allegations which are the subject matter of this Agreement unaffected by the Agreement or the settlement negotiations;
 - (b) The negotiations that led to this Agreement will not be raised in any other proceeding or disclosed to any person except with the written consent of the Director and Silver Spruce or as may otherwise be required by law; and
 - (c) Silver Spruce agrees that it will not raise in any proceeding the Agreement or the negotiations or process of approval thereof as a basis of any attack or challenge of the Commission's jurisdiction, alleged bias, appearance of bias, alleged unfairness, or any other challenge that may otherwise be available.
- 37. Silver Spruce acknowledges that the Director has the discretion to withdraw from this Agreement if additional facts or issues are discovered that cause her to conclude that it would not be in the public interest to request approval of this Agreement. In the event of such withdrawal, notice will be provided to Silver Spruce in writing and the provisions of paragraph 36 of this Agreement will apply.

PART VIII - DISCLOSURE OF SETTLEMENT AGREEMENT

- 38. The Director of Enforcement or Silver Spruce may refer to any or all parts of this Agreement as required by the General Rules of Practice and Procedure and in the course of the Settlement Hearing. Otherwise, this Settlement Agreement and its terms will be treated as confidential by all parties to it until approved by the Commission, and forever if, for any reason whatsoever, this settlement is not approved by the Commission.

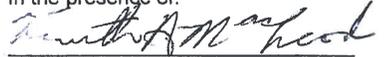
PART IX - EXECUTION OF SETTLEMENT AGREEMENT

- 39. Silver Spruce acknowledges that orders made by the Commission may form the basis for parallel orders in other jurisdictions in Canada. The securities laws of some other Canadian jurisdictions may allow orders made in this matter to take effect in those other jurisdictions automatically without notice to Silver Spruce.
- 40. This Agreement may be signed in one or more counterparts that together shall constitute a binding agreement and a facsimile copy of any signature shall be as effective as an original signature.

DATED at HALIFAX, Nova Scotia, this 15 day of JUNE 2020.

SIGNED, SEALED AND DELIVERED

In the presence of:


Witness: KEN MACLEOD

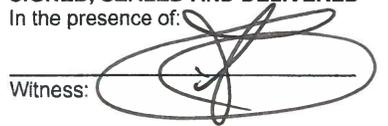
SILVER SPRUCE RESOURCES INC.


Per: BRIAN PENNEY, CEO

DATED at HALIFAX, NOVA SCOTIA, this 16 day of JUNE 2020.

SIGNED, SEALED AND DELIVERED

In the presence of:


Witness:


Stephanie Atkinson
Acting Director of Enforcement
NS Securities Commission

SCHEDULE "A"

IN THE MATTER OF

THE SECURITIES ACT, R.S.N.S. 1989, CHAPTER 418, AS AMENDED ("Act")

-and-

IN THE MATTER OF SILVER SPRUCE RESOURCES INC.

ORDER

(Sections 134, 135 and 135A)

WHEREAS on _____, 2020, the Nova Scotia Securities Commission issued a Notice of Hearing to the Respondent, Silver Spruce Resources Inc. ["Silver Spruce"], pursuant to sections 134(1)(a), 135, and 135A of the *Securities Act*, RSNS 1989, c 418 [the "Act"];

AND WHEREAS Silver Spruce entered into a Settlement Agreement with the Director of Enforcement for the Commission whereby it agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

AND WHEREAS the Director of Enforcement and Silver Spruce recommend approval of the Settlement Agreement;

AND WHEREAS the Commission determined that Silver Spruce has contravened Nova Scotia securities laws and it is in the public interest to make this order;

AND UPON reviewing the Settlement Agreement, and upon hearing submissions of counsel for the Director of Enforcement and counsel for Silver Spruce;

IT IS HEREBY ORDERED that:

1. The Settlement Agreement dated _____, 2020, a copy of which is attached, is approved;
2. Pursuant to section 134(1)(a) of the Act, Silver Spruce shall comply with Nova Scotia securities laws;
3. Pursuant to section 135 of the Act, Silver Spruce shall forthwith pay an administrative penalty in the amount of twelve thousand dollars (\$12,000.00); and
4. Pursuant to section 135A of the Act, Silver Spruce shall forthwith pay costs in the amount of two thousand dollars (\$2,000.00) in connection with the investigation and conduct of this proceeding.

DATED at Halifax, Nova Scotia, this _____ day of _____, 2020.

NOVA SCOTIA SECURITIES COMMISSION
(Chair)