

SILVER SPRUCE RESOURCES INC.
FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JANUARY 31, 2004

NOTICE TO READER

We have compiled the statements of changes in financial position, loss and deficit, and consolidated balance sheet of Silver Spruce Resources Inc. as at January 31, 2004 from information available to the corporation. These financial statements have not been audited, reviewed or otherwise verified as to the accuracy or completeness of such information. Readers are cautioned that these statements may not be appropriate for their purpose.

Goose Bay, Labrador
March 25, 2004

Signed:

“Signed” Lloyd Hillier
LLOYD HILLIER
President and Director

SILVER SPRUCE RESOURCES INC.

BALANCE SHEET

JANUARY 31, 2004

ASSETS

	\$	\$
	Oct 31, 2003	Jan 31, 2004
Current		
Cash	533	\$2,568
Accounts receivable	5,053	--
Deposits and Prepaid Expenses	<u>200</u>	<u>200</u>
	5,786	2,768
MINERAL PROPERTY ACQUISITION COSTS	151,000	151,000
CAPITAL ASSETS (Note 4)	8,457	8,457
ORGANIZATION COSTS (Note 5)	<u>-</u>	<u>-</u>
	\$ 165,243	\$ 162,225
	<u>LIABILITIES</u>	
Current		
Accounts payable and accrued liabilities (Note 4)	<u>30,102</u>	<u>30,078</u>
	30,102	30,078
	<u>EQUITY</u>	
Capital Stock (Note 5)		
Authorized		
Unlimited common voting shares		
Unlimited preferred shares		
Issued - 4,421,563 common shares (2003 - 11,972,500 – pre 8 old for 1 new consolidation)	1,490,317	1,501,567
	<u>(1,355,176)</u>	<u>(1,369,420)</u>
	<u>135,141</u>	<u>(132,147)</u>
	\$ 165,243	\$ 162,255
	=====	=====

ON BEHALF OF THE BOARD

Signed "Lloyd Hillier" _____ Director

Lloyd Hillier

Signed "Peter Dimmell" _____ Director

Peter Dimmell

See accompanying notes.

Page 2

SILVER SPRUCE RESOURCES INC.
CONSOLIDATED STATEMENT OF LOSS AND DEFICIT
JANUARY 31, 2004

	<u>Jan 31, 2003</u>	<u>Jan 31, 2004</u>
INCOME	--	\$2,000
OPERATING EXPENSES		
Loan Interest	3,562	--
CIBC Mellon	1,398	2,123
Bank Charges	26	18
Professional Fees	<u>3,562</u>	<u>14,103</u>
		\$16,244
LOSS FROM OPERATIONS		14,244
NET LOSS	<u> </u>	<u> -</u>
DEFICIT, BEGINNING OF PERIOD	<u>1,263,793</u>	<u>1,355,176</u>
DEFICIT, END OF PERIOD	\$ 1,271,989	\$1,369,420
LOSS PER COMMON SHARE (Note 6)		
Basic and diluted	<u>\$ 0.0007*</u>	<u>\$ 0.003</u>

*Based on pre consolidation calculation

SILVER SPRUCE RESOURCES INC.

STATEMENT OF CASH FLOWS

JANUARY 31, 2004

NET (OUTFLOW) INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES:	<u>Jan 31, 2003</u>	<u>Jan 31, 2004</u>
OPERATING		
Net loss	\$ (8,196)	\$ (14,244)
Items not affecting cash		
Gain settlement of debt		-
Depreciation and amortization		
	<u>(8,196)</u>	<u>(14,244)</u>
Changes in non-cash operating working capital items	<u>-----</u>	<u>-----</u>
	<u>(8,196)</u>	<u>(14,244)</u>
INVESTING		
Purchase of capital assets	-	-
Purchase of mineral property rights	-	-
	<u>-</u>	<u>-</u>
FINANCING	<u>-</u>	<u>-</u>
Issuance of common shares (net of issue costs)		11,250
Proceeds from mineral property revenue		2,000
(Reduction) Increase in Accounts Receivable		5,053
(Reduction) Increase In Accounts Payable	8,196	(16,250)
	<u>8,196</u>	<u>2,006</u>
CASH, BEGINNING OF YEAR	<u>156</u>	<u>553</u>
CASH, END OF YEAR	\$ <u>156</u>	\$ <u>2,558</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Amount of interest paid/accrued in the year/period		
	\$ <u>7,361</u>	\$ <u>-----</u>

SPRUCE RESOURCES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

JANUARY 31, 2004

1. DESCRIPTION OF BUSINESS

Silver Spruce Resources Inc. is a public company and was incorporated under the Business Corporations Act of the Province of Alberta on May 8, 1996 as First Labrador Acquisitions Inc. It changed its name on October 22, 2003. The Company's principal activity is the acquisition, exploration, and development of mineral properties.

2. ACCOUNTING POLICIES

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the fiscal period ended October 31, 2003 and as such the interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto.

3. CONTINUATION OF BUSINESS

The consolidated financial statement has been prepared on the basis of accounting principles applicable to a going concern, that is, that assets can be realized and liabilities discharged in the normal course of business. As of January 31, 2004, the Company had a working capital deficiency of \$27,510 and incurred a loss of \$14,244. The Company has experienced significant losses as a result of its exploration program. The Company's continued existence is dependent on its ability to raise additional capital in order to financial future exploration activities. If the going concern assumption were not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, the reported net earnings, and the balance sheet classifications used.

4. RELATED PARTY TRANSACTIONS

During the period from November 1, 2003 to January 31, 2004, there were no related party transactions other than as described below. There was \$11,178.78 owing to Lloyd Hillier (President and Director) as of October 31, 2003. These sums were reflected in the accounts payable as they related mostly to monies paid on behalf of the Corporation by Lloyd Hillier. The debts along with \$132.22 of another creditor were exchanged for 75,000 shares at \$0.15/share upon exercise of warrants. In addition there remains an obligation to issue 10,000 pre consolidated common shares to Krinor Resources Inc, a corporation owned or controlled by Peter Dimmell relating to a property acquisition agreement.

These transactions occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

SPRUCE RESOURCES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

JANUARY 31, 2004

5. CAPITAL STOCK

Authorized

An unlimited number of common shares of one class

An unlimited number of preferred shares (a)

(a) Common shares

	January 31, 2004 unaudited	
	# of Shares	Consideration
Issued		
Common shares		
Balance, beginning of period	4,346,563	\$1,490,317
Issued for cash (net of issue cost)	<u>75,000</u>	<u>11,250</u>
Balance, end of period	4,421,563	\$1,501,567

(b) Preferred Shares

The preferred shares may be issued in one or more series, and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series. No preferred shares have been issued.

The Company has established stock option plans for the purpose of granting incentive common share options primarily to directors, officers, employees and consultants of the Company. There are no options outstanding. Warrants to purchase 875,000 common shares up until October 22, 2005 for \$0.15/share.

6. PER SHARE INFORMATION

Both the basic loss per share and diluted loss per share are calculated using the weighted average number of shares outstanding during the period. The weighted average number of shares outstanding for the three month period ended January 31, 2004 was \$0.003 (three month ended January 31, 2003 was 11,972,500 – pre 8 old for 1 new consolidation). There were no outstanding options during the period. There were 875,000 warrants outstanding.