

SILVER SPRUCE RESOURCES INC.
CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2005

CALGARY, ALBERTA

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SILVER SPRUCE RESOURCES INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JANUARY 31, 2005

NOTICE TO READER

Management of Silver Spruce Resources Inc. have compiled the consolidated balance sheet as at January 31, 2005 and the consolidated statements of loss and deficit, and consolidated statement of changes in financial position for the period then ended from information. These statements have not been audited, reviewed, or otherwise verified by the Company's external auditor as to the accuracy or completeness of such information. Readers are cautioned that these statements may not be appropriate for their purposes.

Halifax, Nova Scotia.
March 19, 2005

Signed "Gordon Barnhill"
Gordon Barnhill, Chief Financial Officer

SILVER SPRUCE RESOURCES INC.

CONSOLIDATED BALANCE SHEET

JANUARY 31, 2005

ASSETS

| | JAN 31, 2005 | Oct 31, 2004 |
|---|-------------------|-------------------|
| Current | | |
| Cash | \$ 2,028 | \$ 454 |
| Accounts receivable | 7,265 | 3,910 |
| Subscription receivable | 10,020 | 12,500 |
| Deposits and prepaid expenses | 200 | 200 |
| Loan receivable (Note 3) | 25,000 | 25,000 |
| | <u>44,513</u> | <u>42,064</u> |
| INTEREST IN MINERAL PROPERTIES (Note 4) | 193,469 | 193,469 |
| EQUIPMENT (Note 5) | 6,557 | 6,557 |
| | <u>\$ 244,539</u> | <u>\$ 242,090</u> |

LIABILITIES

| | | |
|--|------------|------------|
| Current | | |
| Accounts payable and accrued liabilities | \$ 141,437 | \$ 110,548 |
| | 141,437 | 110,548 |

CAPITAL STOCK AND DEFICIT

| | | |
|----------------------------|-------------------|-------------------|
| CAPITAL STOCK (Note 6 (a)) | 1,616,307 | 1,604,127 |
| WARRANTS (Note 6 (b)) | 49,840 | 43,750 |
| Deficit | (1,563,045) | (1,516,335) |
| | <u>103,102</u> | <u>131,542</u> |
| | <u>\$ 244,539</u> | <u>\$ 242,090</u> |

ON BEHALF OF THE BOARD

Signed "Gordon Barnhill" _____ Director
Gordon Barnhill

See accompanying notes to the financial statements

SILVER SPRUCE RESOURCES INC.
CONSOLIDATED STATEMENT OF LOSS AND DEFICIT
JANUARY 31, 2005

| | 3 Months Ended Jan. 31 | |
|--|------------------------|------------------|
| | 2005 | 2004 |
| INCOME | \$ - | \$ - |
| EXPENSES | | |
| Regulatory expenses | 6,868 | 2,123 |
| Bank charges | 85 | 18 |
| Management fees | 10,500 | 4,753 |
| Legal and accounting | 15,598 | - |
| Office expenses | 6,159 | - |
| Consulting fees | 7,500 | 9,350 |
| | <u>46,710</u> | <u>16,244</u> |
| NET LOSS FOR THE PERIOD | 46,710 | 16,244 |
| DEFICIT, BEGINNING OF PERIOD | 1,516,335 | 1,355,176 |
| DEFICIT, END OF PERIOD | <u>1,563,045</u> | <u>1,371,420</u> |
| | | |
| NET LOSS PER SHARE - Basic and diluted | <u>(0.009)</u> | <u>(0.003)</u> |
| | | |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING | <u>5,199,564</u> | <u>4,371,563</u> |

See accompanying notes to the financial statements

SILVER SPRUCE RESOURCES INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
JANUARY 31, 2005

| | 3 Months Ended Jan. 31 | |
|---|------------------------|------------------------|
| | 2005 | 2004 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net (loss) for the period | \$ (46,710) | \$ (16,244) |
| Adjustments for : | | |
| Depreciation and amortization | - | - |
| | <u>(46,710)</u> | <u>(16,244)</u> |
| Changes in non - cash working capital balances : | | |
| Decrease (Increase) in accounts receivable | (3,355) | 5,053 |
| Decrease (Increase) in subscriptions receivable | 2,480 | - |
| (Decrease) Increase in accounts payable and liabilities | 30,889 | <u>(24)</u> |
| | <u>30,014</u> | <u>5,029</u> |
| Cash flows from operating activities | <u>(16,696)</u> | <u>(11,215)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Issuance of shares for cash | 14,210 | 11,250 |
| Issuance of warrants for cash | 6,090 | - |
| Share issue costs | (2,030) | - |
| Cash flows from financing activities | <u>18,270</u> | <u>11,250</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Expenditures on mining interests | - | <u>2,000</u> |
| (DECREASE) INCREASE IN CASH | 1,574 | 2,035 |
| CASH, BEGINNING OF PERIOD | 454 | 533 |
| CASH, END OF PERIOD | \$ <u><u>2,028</u></u> | \$ <u><u>2,568</u></u> |

See accompanying notes to the financial statements

SILVER SPRUCE RESOURCES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2005

1. NATURE OF OPERATIONS AND GOING CONCERN

Silver Spruce Resources (the “Company”) was incorporated in Alberta on May 8, 1996 under the name First Labrador Acquisitions Inc. The Company changed its name to Silver Spruce Resources on October 22, 2003. The Company's business is exploration for precious and base minerals.

There has been no determination whether the Company's interest in mineral properties held for exploration contain reserves which are economically recoverable. To date, the Company has earned no revenues and is considered to be in the development stage.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. Accordingly, they 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 financial statements.

The Company has a need for equity capital and financing for working capital requirements. No agreement with investors have been reached and there is no assurance that such will take place. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations.

The accompanying financial statements do not include any adjustments relating to the recoverability and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The accompanying financial statements have been solely prepared by management and have not been discussed or reviewed with the auditors regarding any matters whatsoever.

2. SUMMARY OF ACCOUNTING POLICIES

Principles of Consolidation:

These consolidated financial statements include the accounts of the Company and its 100% owned subsidiary, First Labrador Resources Ltd.

Interest in Mineral Properties:

Mineral properties and deferred exploration expenditures are carried at cost until they are brought into production, at which time they are depleted on a unit-of-production method based on proven and probable reserves. If a property is subsequently determined to be significantly impaired in value, the property and related deferred costs are written down to their net realizable value. Other general exploration expenses are charged to operations as incurred. The cost of mineral properties abandoned or sold and their related deferred exploration costs are charged to operations in the current year.

The Company reviews its mineral properties on an annual basis to determine if events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. The recoverability of costs incurred on the mineral properties is dependent upon

SILVER SPRUCE RESOURCES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2005

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. In reviewing its mineral properties, the Company estimates the future cash flows expected to result from each asset and its eventual disposition. If the sum of the undiscounted, expected future cash flow is less than the carrying value of the asset, an impairment loss is recognized. It is reasonably possible, based on existing knowledge, that changes in future conditions in the near-term could require a change in the determination of the need for and amount of any write down.

Equipment and Amortization:

Equipment is stated at acquisition cost. Amortization is provided on the diminishing-balance basis at the following annual rates:

| | |
|-----------|------|
| Equipment | 20 % |
| Computer | 20 % |

Income Taxes:

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and the income tax bases of assets and liabilities, and are measured using the substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

Loss Per Share:

Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.

Stock-based Compensation Plan:

Effective November 1, 2002, the Company adopted the recommendations of CICA Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments. This Section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. These recommendations require that compensation for all awards made to non-employees and certain awards made to employees be measured and recorded in the financial statements at fair value. This Section also sets out a fair value based method of accounting for stock options issued to employees and applies to awards granted on or after November 1, 2002. These financial statements do not reflect the effect of stock options granted before November 1, 2002.

SILVER SPRUCE RESOURCES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2005

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Effective November 1, 2003, the Company adopted the revisions to CICA Handbook Section 3870, which require a fair value based method of accounting to be applied to all stock-based compensation arrangements. The fair value of each option is accounted for in operations, over the vesting period of the options, and the related credit is included in contributed surplus.

The Company's stock-based compensation plan is described in Note 6(c).

Asset Retirement Obligations

During the course of acquiring and exploring potential exploration properties, the Company must comply with government regulated environmental evaluation, updating and reclamation requirements. The costs of complying with these requirements are capitalized as incurred. The carrying value will be amortized over the life of the related assets on a unit-of-production basis and the related liabilities are accreted to the original value estimate. Asset retirement obligations, if any, cannot be determined at this time and no amount has been recorded in these financial statements.

The present value of the reclamation liabilities may be subject to change based on management's current estimates, changes in remediation technology or changes to the applicable laws and regulations by regulatory authorities, which affect the ultimate cost of remediation and reclamation. Such charges will be reflected in the accounts of the Company as they arise.

Use of Estimates:

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the related reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

3. LOAN RECEIVABLE

The loan receivable is unsecured, with no fixed terms of repayment and bears interest at a rate of 15% per annum.

4. INTEREST IN MINERAL PROPERTIES

Newfoundland

| | |
|--|-------------------|
| Balance, October 31, 2002 and 2003 | \$ 151,000 |
| Property taxes | <u>42,469</u> |
| Balance, October 31, 2004 and January 31, 2005 | <u>\$ 193,469</u> |

SILVER SPRUCE RESOURCES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2005

4. INTEREST IN MINERAL PROPERTIES (Continued)

The Company has a 100% interest in approximately 870 hectares in the Reid Lot 50 property located in the Province of Newfoundland, subject to a net smelter royalty of 1.75% with a minimum royalty of \$5,000 per year.

5. EQUIPMENT

| | <u>Cost</u> | <u>Accumulated Amortization</u> | <u>Net 2004</u> | <u>Net 2003</u> |
|-----------|---------------|-------------------------------------|---------------------|---------------------|
| | \$ | \$ | \$ | \$ |
| Equipment | 29,297 | 24,203 | 5,094 | 6,368 |
| Computer | <u>5,666</u> | <u>4,203</u> | <u>1,463</u> | <u>2,089</u> |
| | <u>34,963</u> | <u>28,406</u> | <u>6,557</u> | <u>8,457</u> |

6. CAPITAL STOCK

(a) The capital stock is as follows:

Authorized

Unlimited number of non-voting preference shares

Unlimited number of common shares

Issued

5,199,564 Common shares

\$1,616,307

The following is a summary of capital stock outstanding at January 31, 2005 :

| | <u>Number of Shares</u> | <u>Amount</u> |
|---------------------------|-----------------------------|------------------|
| | # | \$ |
| Balance, October 31, 2003 | 4,346,564 | 1,490,317 |
| Private placement | 525,000 | 108,750 |
| Warrants exercised | 125,000 | 18,750 |
| Share issue fees | <u>-</u> | <u>(13,690)</u> |
| Balance, October 31, 2004 | 4,996,564 | 1,604,127 |
| Private placement | 203,000 | 14,210 |
| Share issue fees | <u>-</u> | <u>(2,030)</u> |
| Balance, January 31, 2005 | <u>5,199,564</u> | <u>1,616,307</u> |

SILVER SPRUCE RESOURCES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2005

6. CAPITAL STOCK (Continued)

During the three months ended January 31, 2005, the Company issued 203,000 units at \$0.10 per unit. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of \$0.15 until February 26, 2007.

(b) WARRANTS

As at January 31, 2005, the Company had 1,439,000 share purchase warrants outstanding valued at \$49,840.

The following is a summary of warrants outstanding at January 31, 2005 :

| | <u>Number of Warrants</u> | <u>Average Price</u> |
|---------------------------|-------------------------------|--------------------------|
| | \$ | \$ |
| Balance, October 31, 2003 | 1,000,000 | 0.15 |
| Warrants granted | 400,000 | 0.50 |
| Warrants granted | 62,500 | 0.15 |
| Warrants exercised | <u>(125,000)</u> | <u>(0.15)</u> |
| Balance, October 31, 2004 | 1337,500 | 0.25 |
| Warrants granted | <u>101,500</u> | <u>0.15</u> |
| Balance, January 31, 2005 | <u>1,439,000</u> | <u>0.24</u> |

Summary of warrants outstanding at January 31, 2005 :

| <u>Number of Warrants</u> | <u>Exercise Price</u> | <u>Fair Value of Warrants</u> | <u>Expiry Date</u> |
|-------------------------------|---------------------------|-----------------------------------|--------------------|
| # | \$ | \$ | |
| 875,000 | 0.15 | - | October 22, 2005 |
| 400,000 | 0.50 | 40,000 | February 20, 2006 |
| 164,000 | 0.15 | <u>9,840</u> | February 26, 2007 |
| | | <u>49,840</u> | |

The grant date fair value of the warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate at 4%, expected life of two years, dividend rate at 0% and volatility of 100%.

(c) Stock Options

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 10% of the issued and outstanding capital of the Company and the aggregate number of shares.

SILVER SPRUCE RESOURCES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2005

6. CAPITAL STOCK (Continued)

reserved for issuance to anyone person shall not exceed 8% 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 at the market price of the common shares, subject to all applicable regulatory requirements.

Stock-based compensation:

The Company does not record compensation cost on the grant of stock options to employees prior to August 1, 2003, as described in Note 2.

Stock option activity for the three months ended January 31, 2005 and years ended October 31, 2004 and 2003 is summarized as follows:

| | <u>Common Shares</u> | <u>Weighted Average Exercise Price</u> |
|---|----------------------|--|
| | # | \$ |
| Balance, October 31, 2002 | 200,000 | 0.40 |
| Expired | <u>(200,000)</u> | <u>(0.40)</u> |
| Balance, October 31, 2003 and 2004 and Jan 31, 2005 | <u>=====</u> | <u>=====</u> |

7. RELATED PARTY TRANSACTIONS

During the period from November 01, 2004 to January 31, 2005 there were no related party transactions (\$ 1,500 owing from a director as at October 31, 2004).

All of the above transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration agreed to by the related parties.

8. FINANCIAL INSTRUMENTS

Fair Value:

Canadian generally accepted accounting principles require that the company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts for cash, amounts receivable, deposits and prepaid expenses, loan receivable and accounts payable and accrued liabilities on the balance sheets approximate fair value because of the limited term of these instruments.

SILVER SPRUCE RESOURCES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2005

9. SUBSEQUENT EVENTS

On November 6, 2003 the Company signed a Letter of Intent to acquire all of the issued and outstanding shares of Synxx Sinfuels Inc. (Synxx) and Ethxx International Inc. (Ethxx). The Company is waiting for Synxx and Ethxx to provide the requisite financial statements and due diligence documentation in order to complete this transaction.

In February 2005, 150,000 stock options were issued to a director of the corporation, under the Stock Option Plan.

On February 22, 2005, the Company issued 160,000 units at \$0.10 per unit with each unit consisting of one common share and one half common share purchase warrant. Each warrant entitles the holder to purchase one share of the Company at \$0.15 until February 26, 2007

On February 26, 2005, the Company issued 62,500 warrants attached to the 125,000 common shares issued during the year ended October 31, 2004. Each warrant entitles the holder to purchase one share of the Company at \$0.15 until February 26, 2007.

SILVER SPRUCE RESOURCES INC. FIRST QUARTER REPORT

To Our Shareholders

Silver Spruce Resources Inc. (the "Company") is a junior mineral exploration company. On November 7, 2003, the Company signed an Arms Length Letter of Intent to acquire all of the issued and outstanding shares of Synxx Synfuels Inc. ("Synxx") and Ethxx International Inc. ("Ethxx"). If the transaction closes, it will constitute a Change of Business and a Reverse Take-Over as defined by the policies of the TSX Venture Exchange. If the transaction closes, it is expected that the Company will dispose of its mineral properties. Notwithstanding the fact that the time periods as set out in the Letter of Intent for execution of a definitive agreement and closing of the transaction have lapsed, the parties have continued to work towards closing. The delay in signing a definitive agreement and in making the regulatory application for approval of the transaction has been caused by the delay in obtaining: (a) audited financial statements of Ethxx and Synxx; (b) comparative interim financial statements for Ethxx and Synxx; and (c) due diligence documentation for business ventures proposed by Synxx and Ethxx. The consideration proposed to be paid for all of the issued and outstanding shares of Synxx and Ethxx shall be \$11,550,000 payable by issuance of 33,000,000 common shares of the Company (\$0.35 per common share). The pricing was agreed upon using a concurrent financing valuation. The transaction is subject to: (a) satisfactory due diligence reviews; (b) execution of definitive agreements; (c) TSX Venture Exchange or CNQ approval; (d) shareholder approval, if necessary; (e) sponsorship approval, if necessary; and (f) a favorable business valuation. Closing is expected to occur prior to June, 2005.

On behalf of the Board

Gordon Barnhill
Director, Chief Financial Officer

Halifax, Nova Scotia
March 23, 2005

SILVER SPRUCE RESOURCES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE 3 MONTH PERIOD ENDED JANUARY 31, 2005

DISCUSSION OF OPERATIONS AND FINANCIAL POSITION

This discussion and analysis of financial position and results of Silver Spruce Resources Inc. (the "Company") is current as of March 23, 2005 and should be read in conjunction with the Company's unaudited consolidated financial statements of the Company and the notes thereto for the 3 month interim period ended January 31, 2005 together with the audited consolidated financial statements for the years ended October 31, 2004, 2003 and 2002 and the notes thereto. Those financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Policies. All dollar figures included therein and in the following discussion and analysis is quoted in Canadian dollars unless otherwise noted. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

1.2 Overall Performance

The Company recorded a net loss of \$46,710 for the quarter ended January 31, 2005.

| 3 months ended January 31 | 2005 | 2004 |
|-----------------------------------|-------------|-------------|
| Sales Revenue | \$0 | \$0 |
| Costs and expenses | 46,710 | 16,244 |
| Depreciation and amortization | 0 | 0 |
| Income (loss) before income taxes | (46,710) | (16,244) |
| Capital Assets | 6,557 | 8,457 |
| Mineral Rights | 193,469 | 151,000 |
| Cash | 2,028 | 2,568 |

1.3 Selected Financial Information

The following tables set forth selected consolidated financial information of the Company as of the end of each of the last three fiscal years for the year ended October 31, 2004.

| ANNUAL FINANCIAL DATA | | | |
|---|-------------|-------------|-------------|
| Cdn \$ thousands except for share data | | | |
| | 2004 | 2003 | 2002 |
| Revenues (\$) | 0 | 0 | 0 |
| Net income(loss) before discontinued operations (\$) | (161,159) | (91,383) | (43,420) |
| Net Income(loss)(\$) | (161,159) | (91,383) | (43,420) |
| Total Assets | 238,340 | 165,243 | 165,311 |
| Long term Liabilities | n/a | n/a | n/a |
| Net income(loss) before discontinued operations per common share – Basic and diluted (\$/share) | (0.035) | (0.021)(1) | (0.003)(2) |
| Net income(loss) per common share – Basic and diluted (\$/share) | (0.035) | (0.021)(1) | (0.003)(2) |

Note: (1) Based on 4,346,564 common shares after the common shares of the Company were consolidated on an 8 old for 1 new basis October 22, 2003.
(2) Based on 11,972,500 pre consolidated common shares.

1.4 Operating Activities

Results of Operations

For the 3 months ended January 31, 2005, the Company incurred a loss of \$46,710, as compared to a loss of \$16,244 for the same period in 2004. Certain items accounted for the large loss for the 3 month period ended January 31, 2005: (a) \$7,500 in consulting fees; (b) \$10,500 in management fees; (c) \$15,598 in legal and accounting fees; (d) office costs \$6,159; and (e) regulatory expenses of \$6,868. No funds were spent on mineral exploration.

Revenues for the 3 month period ended January 31, 2005 were nil.

General and Administrative Expenses totaled \$46,710 for the 3 month period ended January 31, 2005.

Depreciation and amortization was not accrued for the first quarter.

Income taxes are calculated based on the expected tax treatment of the transactions recorded in the Company's consolidated financial statements. The Company has tax losses carry forward which may be applied to reduce future taxable income of the Company. As virtual certainty does not exist on the ability to use these losses before expiry, a recovery amount has not been recorded in the financial results of the Company.

1.5 Summary of Quarterly Results

| | Jan-05 | Oct-04 | July -04 | Apr-04 | Jan-04 | Oct-03 | Jul-03 | Apr-03 |
|---|----------|----------|----------|----------|----------|------------|-------------|-------------|
| Revenues (\$) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net income(loss) before discontinued operations (\$) | (46,710) | (39,968) | (42,792) | (49,588) | (16,244) | (68,830) | (5,942) | (26,113) |
| Net Income(loss) (\$) | (46,710) | (39,968) | (42,792) | (49,588) | (16,244) | (51,330) | (5,942) | (26,113) |
| Net income(loss) before discontinued operations per common share Basic and diluted (\$/share) | (0.009) | (0.009) | (0.009) | (0.0105) | (0.003) | (0.016)(1) | (0.0005)(2) | (0.0022)(2) |
| Net income(loss) per common share Basic and diluted (\$/share) | (0.009) | (0.009) | (0.009) | (0.0105) | (0.003) | (0.012)(1) | (0.0005)(2) | (0.0022)(2) |

- Note: (1) Based on 4,346,564 common shares after the common shares of the Company were consolidated on an 8 old for 1 new basis October 22, 2003.
(2) Based on 11,972,500 pre consolidated common shares.

1.6 Liquidity

At January 31, 2005, the Company had a working capital deficiency of \$96,924 and accounts payable of \$141,437. The Company has obtained approval to issue 2,000,000 Series IV Private Placement Units at \$0.10 per Unit entitling the Company to raise \$200,000. Each Series IV Unit is to consist of 1 common share and 1/2 common share purchase warrant, entitling the holder of a full warrant the right to purchase 1 common share for \$0.15 per common share. As at January 31, 2005, the Company has sold 328,000 Units of the Series IV Private Placement. It is expected that the Company will complete the sale of an additional \$75,000 – 750,000 Series IV Units by the end of March 2005. The Funds will be required to fund the working capital deficiency and the approval by the TSX Venture Exchange or CNQ (estimated to be at least \$85,000 including sponsorship costs, accounting costs, valuation costs, professional fees and TSX Venture Exchange or CNQ filing costs). In addition, it is expected that the Company will raise an additional \$900,000 - \$1,000,000 to fund the obligations to Synxx and Ethxx. The Company expects to raise the funds by private placement at \$0.35 per Unit (Series III). Each Series III Unit shall consist of 1 common share and 1 common share purchase warrant. The exercise price for the Company's Series III common share purchase warrants will be \$0.50 per common share exercisable at any time up until 2 years from closing. The funds are to be used to repay debt and for working capital of Synxx and Ethxx.

1.7 Capital Resources

The Company has no commitments for capital expenditures. For details of the Company's mineral properties see the AIF filed on October 17, 2003 on SEDAR (www.sedar.com). The Company may have obligations for capital expenditures as a result of its agreement with Shane Resources Ltd., United Carina Gold Corp and Consolidated Pine Channel Gold Corp to develop claims 134434S and 134435S in Saskatchewan. There are no present plans to expend funds on the Saskatchewan properties at this time. There are sufficient credits to offset government expenditure requirements for 5 years. The Company has a commitment to pay for \$55,805 in impost taxes relating to its Lake Bond Reid Lot 50 property for the calendar year ended December 31, 2004. The Company surrendered 1,637 hectares of land to the Government of Newfoundland in December 2004. There are 870 hectares remaining. The Company has an obligation to expend \$10,875 on their Lake Bond property in the 2005 calendar year. A work program is underway to satisfy this obligation.

1.8 Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements.

1.9 Transactions with Related Parties

During the period from November 1, 2004 to January 31, 2005, there were no related party transactions. 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. This transaction occurred in the normal course of operations and is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

1.11 Proposed Transactions

The Company is a junior mineral exploration company. On November 7, 2003, the Company signed an Arms Length Letter of Intent to acquire all of the issued and outstanding shares of Synxx and Ethxx. If the transaction closes, it will constitute a Change of Business and a Reverse Take-Over as defined by the policies of the TSX Venture Exchange. If the transaction closes, it is expected that the Company will dispose of its mineral properties. Notwithstanding the fact that the time periods as set out in the Letter of Intent for execution of a definitive agreement and closing of the transaction have lapsed, the parties have continued to work towards closing. The delay in signing a definitive agreement and in making the regulatory application for approval of the transaction has been caused by the delay in obtaining: (a) audited financial statements of Ethxx and Synxx; (b) comparative interim financial statements for Ethxx and Synxx; and (c) due diligence documentation for business ventures proposed by Synxx and Ethxx. The consideration proposed to be paid for all of the issued and outstanding shares of Synxx and Ethxx shall be \$11,550,000 payable by issuance of 33,000,000 common shares of the Company (\$0.35 per common share). The pricing was agreed upon using a concurrent financing valuation. The transaction is subject to: (a) satisfactory due diligence reviews; (b) execution of definitive agreements; (c) TSX Venture Exchange or CNQ approval; (d) shareholder approval, if necessary; (e) sponsorship approval, if necessary; and (f) a favorable business valuation. Closing is expected to occur prior to June, 2005.

1.12 Critical Accounting Estimates

There are no critical accounting estimates.

1.13 Changes in Accounting Policies including Adoption

There have been no changes in accounting policies for the 3 month interim period ended January 31, 2005.

1.14 Financial Instruments

The Company's significant financial and other instruments have not materially changed since February 1, 2005.

1.15 Other MD&A Requirements

Any additional information for the Company can be found on SEDAR at www.sedar.com.

Disclosure of Outstanding Share Data

The authorized capital of the Company consists of an unlimited number of common shares and an unlimited number of preferred shares issuable in series. As of the end of March 23, 2005 there were 5,199,564 common shares issued and outstanding. There are obligations to issue 30,000 common shares to Krinor Resources Inc, North East Exploration Services Inc. and Alexander Turpin. As of March 23, 2005, there are no stock options outstanding. However, the Company has applied to the TSX Venture Exchange for approval to grant 150,000 options to a director Lowell Weir exercisable at \$0.35 per share. As of March 23, 2005, there were: (a) 875,000 warrants exercisable at \$0.15 per share exercisable until October 22, 2005; (b) 400,000 warrants exercisable at \$0.50 per share exercisable until February 20, 2006; and (c) 164,000 warrants exercisable at \$0.15 per common share exercisable until February 26, 2007.

Business Risks and Outlook

The Company has experienced significant losses as a result of its exploration program. In the event that the Company is unable to purchase all of the shares of Synxx and Ethxx, Silver Spruce's continued existence is dependent on its ability to raise additional capital in order to financial future exploration activities. Because the Company is not spending funds on mineral exploration it is likely some of the Company's mineral property rights will be forfeited to the Crown.

CAUTIONARY STATEMENT

This MD&A contains “forward looking statements” that reflect Silver Spruce Resources Inc.’s current expectations about its future results. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A. or otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. Silver Spruce Resources Inc. disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.