SILVER SPRUCE RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

Unaudited - see Notice of No Auditor Review

JANUARY 31, 2006

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FOR THE THREE MONTHS ENDED JANUARY 31, 2006 AND 2005

NOTICE OF NO AUDITOR REVIEW OF

INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Halifax, Nova Scotia.
March 27, 2006

SILVER SPRUCE RESOURCES INC.
Unaudited

CONSOLIDATED BALANCE SHEET

ASSETS

	JAN 31, 2006 $	Oct 31, 2005 $
CURRENT		
Cash	562,113	45,435
Accounts receivable	79,968	18,070
Deposits and prepaid expenses	3,901	200
	645,982	63,705
DEPOSITS	226,575	59,900
INVESTMENTS (Fair market value - $ 170,000)	191,250	191,250
INTEREST IN MINERAL PROPERTIES (Note 3)	307,902	239,452
EQUIPMENT (Note 4)	5,155	5,099
	1,376,684	559,406

LIABILITIES

	JAN 31, 2006	Oct 31, 2005
CURRENT		
Accounts payable and accrued liabilities	77,099	129,675
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 5 (a))	2,619,512	1,902,237
WARRANTS (Note 5 (b))	445,485	103,610
CONTRIBUTED SURPLUS (Note (5(d))	339,356	74,948
DEFICIT	(2,104,588)	(1,651,064)
	1,299,765	429,731
	1,376,864	559,406

APPROVED ON BEHALF OF THE BOARD

Signed "Lowell Weir" , Director

Signed "Gordon Barnhill" , Director

See accompanying notes to the financial statements

Unaudited

CONSOLIDATED STATEMENT OF LOSS AND DEFECIT

	3 Months Ended Jan. 31	
	2006	2005
	$	$
ADMINISTRATIVE EXPENSES		
Legal fees	58,990	14,848
Stock based compensation	264,408	-
Management fees	10,500	10,500
Consulting fees	77,750	7,500
Accounting and auditing	3,050	750
Shareholders' expense	7,000	4,206
Stock exchange fees	6,991	2,661
Telephone	3,274	1,342
Office and general	9,264	2,995
Occupancy costs	1,800	900
Travel	4,342	943
Bank Charges	91	85
Depreciation	294	-
	453,524	46,730
NET LOSS FOR THE PERIOD	453,524	46,730
DEFICIT, beginning of period	1,651,064	1,516,335
DEFICIT, end of period	2,104,588	1,563,065
NET LOSS PER SHARE - Basic and diluted	(0.039)	(0.009)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	11,430,064	5,199,564

See accompanying notes to the financial statements

SILVER SPRUCE RESOURCES INC.

Unaudited - see Notice to Reader

CONSOLIDATED STATEMENTS OF CASH FLOWS

	3 Months Ended Jan. 31 2006 $	2005 $
CASH FLOWS (USED IN) OPERATING ACTIVITIES		
Net (loss) for the period	(453,524)	(46,730)
Operating items not involving cash :		
Stock - based compensation	264,408	-
Depreciation	294	-
	(188,822)	(46,730)
(Increase) decrease in deposits and prepaids	(170,376)	-
Decrease (Increase) in accounts receivable	(61,898)	(3,355)
Decrease (Increase) in subscriptions receivable	-	2,480
(Decrease) Increase in accounts payable and liabilities	(52,576)	30,909
	(284,850)	30,034
Cash flows (used in) operating activities	(473,672)	(16,696)
CASH FLOWS FROM FINANCING ACTIVITIES		
Exercise of warrants	(2,600)	-
Issuance of shares for cash	816,125	14,210
Issuance of warrants for cash	344,475	6,090
Share issue costs	(98,850)	(2,030)
Cash flows from financing activities	1,059,150	18,270
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on mining interests and equipment	(68,800)	-
increase (Decrease) in cash	516,678	1,574
Cash, beginning of period	45,435	454
Cash, end of period	562,113	2,028

SUPPLEMENTAL INFORMATION		
Interest paid in the year	-	-
Income taxes paid in the year	-	-

See accompanying notes to the financial statements

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 an exploration stage company.

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. 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. First Labrador Resources Ltd. is inactive and has no assets or liabilities.

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

Continued...

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

recoverable. The recoverability of costs incurred on the mineral properties is dependent upon 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	30 %

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.

Continued...

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Effective November 1, 2004, 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 5(c).

Investments

The company accounts for investments at the lower of cost or fair market value.

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. INTEREST IN MINERAL PROPERTIES

Newfoundland and Labrador

Balance, October 31, 2005	$ 239,452
Additions	68,450
Balance, January 31, 2006	$ 307,902

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. The Company has a 100% interest in approximately 4,200 hectares called the Motherlode Gold Property located in the Province of Newfoundland, subject to a net smelter royalty of 2.0 % .The Company with its 50 % joint partner, Universal Uranium Ltd., have staked 4,963 claims in Seal Lake - Central Mineral Belt and the Company has a 100 % interest in an additional 2,050 claims of which 758 are located in the Double Mer Property, 492 claims in the Mount Benedict Property and 800 claims in the Straits Property.

Continued...

4. EQUIPMENT

	Cost	Accumulated Amortization	Net 2006	Net 2005
	$	$	$	$
Equipment	29,297	25,426	3,871	4,075
Computer	6,016	4,732	1,284	1,024
	34,963	30,158	5,155	5,099

5. CAPITAL STOCK

(a) The capital stock is as follows:

Authorized
Unlimited number of non-voting preference shares
Unlimited number of common shares
Issued
13,365,814 Common shares $2,619,512

The following is a summary of capital stock outstanding at January 31, 2006 :

	Number of Shares	Amount
	#	$
Balance, October 31, 2004	4,996,564	1,604,127
Private placement	1,623,000	174,840
Warrants exercised	940,000	143,600
Share issue fees	-	(20,330)
Balance, October 31, 2005	7,559,564	1,902,237
Private placement	5,741,250	803,775
Warrants exercised	65,000	12,350
Share issue fees	-	(98,850)
Balance, January 31, 2006	13,365,814	2,619,512

During the three months ended January 31, 2006, the Company issued 5,741,250 units at $0.20 per unit. Each unit consists of one common share and one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of $0.30 until December 10, 2007.

Continued...

5. CAPITAL STOCK (Continued)

(b) WARRANTS

The following is a summary of warrants outstanding at January 31, 2006 :

	Number of Warrants	Average Price
	$	$
Balance, October 31, 2004	1,337,500	0.25
Warrants granted	1,186,500	0.25
Warrants exercised	(940,000)	(0.15)
Balance, October 31, 2005	1,584,000	.31
Warrants granted	5,741,250	0.30
Warrants exercised	(65,000)	(.15)
Balance, January 31, 2006	7,260,250	0.30

Summary of warrants outstanding at January 31, 2006 :

Number of Warrants	Exercise Price	Fair Value of Warrants	Expiry Date
#	$	$	
400,000	0.50	40,000	February 20, 2006
369,000	0.15	16,010	February 26, 2007
750,000	0.30	45,000	November 14, 2006
5,741,250	0.30	344,475	December 10, 2007
		445,485	

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

reserved for issuance to anyone person shall not exceed 5% 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. All options are exercisable upon issuance.

Continued...

5. CAPITAL STOCK (Continued)

Stock option activity for the period ended January 31, 2006 and October 31, 2005 is summarized as follows :

	Common Shares	Weighted Average Exercise Price
	#	$
Balance, October 31, 2004	-	-
Granted	600,000	0.30
Balance, October 31, 2005	600,000	-
Granted	700,000	0.70
Balance, January 31, 2006	1,300,000	0.51

(d) Contributed Surplus

The following is a summary of contributed surplus activity :

Balance, October 31, 2004	-
Employee stock - based compensation	74,948
Balance, October 31, 2005	74,948
Employee stock - based compensation	264,408
Balance, January 31, 2006	339,356

6. RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities as at January 31, 2006 is $ 15,632 (2005 - $10,500) owing to directors of the Company. During the quarter ending January 31, 2006 a director of the Company was reimbursed $ 362,325 (2005 - Nil) for services and expenses spent on the Company's behalf. Another director was paid $ 5,979 (2005 - Nil) for services and expenses spent on the Company's behalf.

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.

Continued...

7. 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.

8. SUBSEQUENT EVENTS

(a) Staking of Mineral Claims-Double Mer-Lake Melville

Silver Spruce Resources Inc. has staked 758 claims (approximately 19,000 hectares or 190 square kilometres) in the Double Mer-Lake Melville area of Labrador, Canada, which is approximately 110 kilometres to the east of Happy Valley-Goose Bay.

The claims were staked by Silver Spruce after being identified and staked with the assistance of Alex Turpin, a local prospector. Pursuant to an agreement dated Feb. 21, 2006, between Mr. Turpin and Silver Spruce for his services, Mr. Turpin is an arm's-length service provider and will be paid $12,000 per year for the next three years by Silver Spruce for researching and outlining the staking for Silver Spruce, and as a result of such work, Mr. Turpin will also retain a 1-per-cent net smelter return (NSR) for production in respect of the claims.

(b) Acquisition of Mineral Claims-Straits Property

In March 2006 Silver Spruce Resources Inc. acquired 800 claims (20,000 hectares or 200 square kilometres), called the Straits property, in four contiguous claim blocks in the Barge Bay-Henley Harbour area of Labrador, approximately 300 kilometres to the southeast of Happy Valley-Goose Bay. The claims were staked by Silver Spruce after being identified, researched and outlined with the assistance of Alex Turpin, an arm's-length Newfoundland prospector. Pursuant to an agreement dated March 15, 2006, between Mr. Turpin and Silver Spruce, Mr. Turpin shall be paid $12,000 per year for each the next three years (if the property is retained), and will also retain a 1-per-cent net smelter return (NSR) for production from the claims.

Silver Spruce Resources Inc.
Management Discussion & Analysis
For the Three Months Ended January 31, 2006

This Management and Discussion and Analysis of Financial Condition and Results of operations ("MD&A") and the accompanying unaudited interim consolidated financial statements and notes thereto should be read in conjunction with the Corporation's Audited Consolidated Financial Statements and MD&A for the year ended October 31, 2005. This MD&A has been prepared as of March 27, 2006.

Management's discussion and analysis of financial condition and results of operations contains forward-looking statements. By their nature, these statements involve risk and uncertainties, many of which are beyond the Corporation's control, which could cause actual results to differ materially from those expressed in such forward looking statements. Readers are cautioned not to place undue reliance on these statements. The Corporation disclaims any intension or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Additional information regarding the Corporation, including copies of the Corporation's continuous disclosure materials is available on the Corporation's website at www.sse-tsx.com or through the SEDAR website at www.sedar.com.

Corporate Overview

Silver Spruce Resources Inc. ("Silver Spruce" or the Corporation) is a mineral exploration Corporation engaged in the acquisition and exploration of mineral properties (primarily uranium, base and precious metals). All of the Corporation's current mineral properties are located in the Province of Newfoundland and Labrador. The Corporation does not have any mineral properties in production at this time. Please refer to the "Mineral Exploration Properties" section for further details on all properties.

During this fiscal quarter ended January 31, 2006 the Corporation staked an additional 2,050 mineral claims in Labrador to give the Corporation total mineral holdings of 7,013 mineral claims, making Silver Spruce the second largest landholder in this area.

Financing for the exploration of the Corporation's mineral properties is provided by the Corporation directly and also through earn-in/joint venture agreements with other exploration and mining companies. The Corporation entered into an agreement with Universal Uranium Limited to pay half the cost of the staking the initial 4,963 Labrador uranium claims and earn a 60 % interest in these properties by expending $2 million (Cdn) on exploration on the properties.

Results of Operations

	3 Months Ended Jan. 31	
	2006	2005
	$	$
ADMINISTRATIVE EXPENSES		
Legal fees	58,990	14,848
Stock based compensation	264,408	-
Management fees	10,500	10,500
Consulting fees	77,750	7,500
Accounting and auditing	3,050	750
Shareholders' expense	7,000	4,206
Stock exchange fees	6,991	2,661
Telephone	3,274	1,342
Office and general	9,264	2,995
Occupancy costs	1,800	900
Travel	4,342	943
Bank Charges	91	85
Amortization	294	-
	453,524	46,730
NET LOSS FOR THE PERIOD	453,524	46,730

The Corporation had no revenues in the quarter and the comparative quarter in the prior year.

Operations

For the three months ended January 31, 2006, the Corporation incurred a net loss of $ 453,524 (loss per share -$0.039) compared to a net loss of $ 46,730 (loss per share - $0.009) for the comparative period in the prior year. The loss is comprised of the general and administrative expenses of $ 453,230 (2005 – $ 46,730) and amortization expense of $ 294 (2005 - $ Nil).

In the three month period ended January 31, 2006 the Corporation increased its exploration, corporate and financing activities staking new claims and hiring new consultants. Additional administration, accounting and management time was required as the Corporation increased activities. As a result, the Corporation's operating expenses increased by $ 406,794 in the three months ended January 31, 2006 compared to the same period of 2005. The major expense categories were stock-based compensation $ 264,408 (2005 - $ Nil); consulting fees $ 77,750 (2005 - $ 7,500); management fees $ 10,500 (2005 - $ 10,500); legal fees $ 58,990 (2005 - $14,848); travel expenses $ 4,342 (2005 - $ 943); depreciation and amortization $ 294 (2005 - Nil); and office and miscellaneous expenses $ 37,240 (2005 - $ 12,939).

During the three months ended January 31, 2006, the Corporation spent a total of $ 235,125 on its properties (including $ 166,675 in deposits when staking claims) compared to $ Nil incurred during the three months ended January 31, 2005.

Cash Flow

The Corporation generated a net $ 1,059,150 from financing activities during the three month period ended January 31, 2006. The Corporation utilized $ 473,672 to cover operating activities (including $166,675 in staking deposits) and spent $ 68,800 in expenditures on mineral claims.

The Corporation cash position increased by $ 516,678 to $ 562,113 during the three months ended January 31, 2006.

Summary of Quarterly Financial Information

The table below outlines selected financial information related to the Corporation's revenue, net income (loss) and net income (loss) per share for each of the nine quarters ending January 31, 2006. The financial information is extracted from the Corporation's interim unaudited financial statements.

	Jan.06 Quarter	Oct. 05 Quarter	July 05 Quarter	April 05 Quarter	**Jan. 05 Quarter**	Oct. 04 Quarter	July 04 Quarter	April 04 Quarter	**Jan. 04 Quarter**
Total Revenue	**Nil**	Nil	Nil	Nil	**Nil**	Nil	Nil	Nil	**Nil**
Earnings (loss) for the period	**(453,524)**	(12,272)	(27,100)	(48,647)	**(46,710)**	(37,968)	(42,792)	(64,155)	**(16,244)**
Earnings (loss) per Share (Basic & Diluted)	**(0.039)**	(0.011)	(0.005)	(0.009)	**(0.009)**	(0.009)	(0.009)	(0.003)	**(0.003)**
Total Assets	**1,376,684**	559,406	241,838	242,324	**244,539**	242,090	165,243	242,324	**242,090**
Total long-term liabilities	**Nil**	Nil	Nil	Nil	**Nil**	Nil	Nil	Nil	**Nil**
Cash dividends declared	**Nil**	Nil	Nil	Nil	**Nil**	Nil	Nil	Nil	**Nil**

Mineral Exploration Projects

The Corporation holds several exploration projects that are being advanced with a goal of attracting joint venture partners with strong financial and mine development capability to the projects. These projects are summarized below.

Central Mineral Belt Labrador: The Corporation holds 4,963 claims, totalling approximately 124,000 hectares or 1,240 square kilometres in the Central mineral belt (CMB) of Labrador, make Silver Spruce the second-largest claimholder in the CMB. The properties are being explored jointly under an agreement with Universal Uranium Ltd. (UUL) of Vancouver. Under the terms of the agreement, Universal can earn a 60-per-cent interest in the properties by spending $2-million on exploration over a three-year period. Silver Spruce is the operator during the earn-in period.

The properties cover anomalous government uranium in lake sediment values ranging from 10 parts per million to 213 parts per million against a background of approximately five parts per million hosted in geological units, which are favourable as hosts for uranium deposits. Peter Dimmell, PGeo, Vice President of Exploration is the Qualifying Person supervising this project.

Burin Peninsula-Motherlode Gold Property

In the three months ended January 31, 2006 Silver Spruce acquired this 168-claim (4,200 hectares) Motherlode gold property in southeastern Newfoundland. The property represents a new gold target area in an untested portion of the southern Burin Peninsula in eastern Newfoundland Host rocks are ophiolitic units of the Burin group, which includes mafic volcanics and gabbros, both of which provide good chemical and physical hosts for gold mineralization. Iron formation has also been noted in the area. A lake-bottom survey has given values from two to 18 parts per billion gold (background less than two parts per billion gold) within the claims. Gold values varying from anomalous (two to 300 parts per billion gold) to 10.1 grams per tonne over 1.5 metres in chip samples, from anomalous to 25.5 grams per tonne in the iron formation in grab samples and from anomalous to 11.65 grams per tonne gold in the sheared, altered volcanics in grab samples, have been located by the vendor and during due diligence sampling by Silver Spruce. The property has never been evaluated for gold, except for the limited prospecting and lake-bottom geochemistry, over the past two years and follow-up trenching this past fall by the vendor. This is the first discovery of gold in this part of the Burin group. Gold mineralization has been found to the north in the Burin area, where Braithwaite Minerals has reported values from its Kitchen showing which include: grab samples to 19.4 grams per tonne, channel samples to 4.85 grams per tonne over four metres and drill core samples from anomalous to 35.2 grams per tonne over 2.85 metres.

The Corporation can earn a 100-per-cent interest in the property subject to a 2-per-cent net smelter return (NSR), which may be completed earlier at the option of Silver Spruce, by making total payments of $55,000 cash and 200,000 shares, and spending $800,000 on exploration on the property over a three-year period. Peter Dimmell, PGeo, Vice President of Exploration is the Qualifying Person supervising this project.

Double Mer –Lake Melville Property

Silver Spruce Resources Inc. has staked 758 claims (approximately 19,000 hectares or 190 square kilometres) in the Double Mer-Lake Melville area of Labrador, Canada, which is approximately 110 kilometres to the east of Happy Valley-Goosebay.

The claims were staked by Silver Spruce after being identified and staked with the assistance of Alex Turpin, a local prospector. Pursuant to an agreement dated Feb. 21, 2006, between Mr. Turpin and Silver Spruce for his services, Mr. Turpin is an arm's-length service provider and will be paid $12,000 per year for the next three years by Silver Spruce for researching and outlining the staking for Silver Spruce, and as a result of such work, Mr. Turpin will also retain a 1-per-cent net smelter return (NSR) for production in respect of the claims.

The properties cover strong uranium in lake sediment anomalies located by the Newfoundland government (Open File 408) with anomalous values ranging from 10 parts per million to 470 parts per million against a background of approximately five parts per million hosted in leucogranites of Helikian age. Four values greater than 100 parts per million U, with two values over 400 parts per million, are noted in this survey, all of which are covered by the Silver Spruce staking.

Nineteen seventy-eight work by the government, which included a one-kilometre spaced line radiometric survey and ground follow-up, located uranium mineralization in float/outcrop with three values over 0.1 per cent U_3O_8, including a value of 0.29 per cent U_3O_8, from eight samples (OF 408). These values have not been independently verified.

Exploration by Silver Spruce in 2006 will consist of data compilation, airborne radiometrics and magnetics at probable 100-metre spaced lines, followed by prospecting, geological mapping and ground geophysics to evaluate targets located. Trenching and diamond drilling will evaluate mineralized showings located by the ground exploration. The fieldwork, budgeted at approximately $200,000, will begin in the spring/summer once the snow cover is gone.

This project will be supervised by Peter Dimmell, PGeo, vice-president of exploration of Silver Spruce, who is a qualified person as defined in National Instrument 43-101

Straits Property

Silver Spruce has acquired 800 claims (20,000 hectares or 200 square kilometres), called the Straits property, in four contiguous claim blocks in the Barge Bay-Henley Harbour area of Labrador, approximately 300 kilometres to the southeast of Happy Valley-Goose Bay. The claims were staked by Silver Spruce after being identified, researched and outlined with the assistance of Alex Turpin, an arm's-length Newfoundland prospector. Pursuant to an agreement dated March 15, 2006, between Mr. Turpin and Silver Spruce, Mr. Turpin shall be paid $12,000 per year for each the next three years (if the property is retained), and will also retain a 1-per-cent net smelter return (NSR) for production from the claims.

The Straits properties cover uranium in lake sediment anomalies located by the GSC (OF 2790) with anomalous values ranging from 10 to 239 parts per million against a background of approximately five parts per million (97 percentile -- 28 parts per million) associated with copper values over 75 parts per million (99 per cent) against a background of less than 20 parts per million, associated with a north-northwest-trending fault structure. The anomalies are hosted in quartzofeldspathic rocks, thought to be derived from felsic volcanics, and associated alkali rich granitoids of the Pinware formation of the Grenville province in southern Labrador. The Newfoundland government (Gower et al., 1995), has studied the area indicating they see iron oxide copper gold (IOCG) potential based on coincident anomalous Cu-Mo-U-Ag values in the lake sediments associated with supracrustal units (proterozoic felsic volcanics) localized in late faults or unconformities. No recorded follow up has evaluated these anomalies.

Exploration by Silver Spruce in 2006 for this property will consist of data compilation, airborne radiometrics and magnetics at probable 100-metre spaced lines, followed by prospecting, geological mapping and ground geophysics to evaluate targets located. Trenching and diamond drilling will evaluate mineralized showings located by the ground exploration. The fieldwork, budgeted at approximately $200,000, will begin in the spring/summer once the snow cover is gone.

This project will be supervised by Peter Dimmell, PGeo, vice-president of exploration, who is a qualified person (QP) as defined in National Instrument 43-101

Mount Benedict Property

The Mount Benedict property, consisting of four claim blocks totalling 492 claims (12,300 hectares/123 square kilometres) has been acquired by staking in the Benedict Mountains area, 180 kilometres to the northeast of Happy Valley Goose Bay and to the south of the Central mineral belt. The properties cover uranium in lake sediment anomalies located by the Newfoundland government with anomalous values ranging from 10 to 87 parts per million against a background of less than five parts per million hosted mainly in felsic plutonic rocks of the Benedict Mountains suitem with some felsic supracrustal units. One of the groups covers Brinex Radiometric anomaly 22 (B-22), which is described as being hosted in agglomeritic felsic volcanics associated with pyrite and hematite alteration. Sampling is reported to have given values from 200 to 400 parts per million U (MODS 13 J/15/U 001). None of the lake sediment values or the reported Brinex value has been independently verified.

Exploration by Silver Spruce in 2006 for this property will consist of data compilation, airborne radiometrics and magnetics at probable 100-metre spaced lines, followed by prospecting, geological mapping and ground geophysics to evaluate targets located. Trenching and diamond drilling will evaluate mineralized showings located by the ground exploration. The fieldwork, budgeted at approximately $200,000will begin in the spring/summer once the snow cover is gone.

This project will be supervised by Peter Dimmell, PGeo, vice-president of exploration, who is a qualified person (QP) as defined in National Instrument 43-101.

LIQUIDITY, FINANCINGS AND CAPITAL RESOURCES

Liquidity

The Corporation had cash on hand of $562,113 as of January 31, 2006 (January 31, 2005 - $2,028). The Corporation currently has sufficient cash resources to meet its ongoing obligations as they become due. The working capital / (deficiency) at January 31, 2006 was $ 568,883 (January 31, 2005 - $ (137,024)).

Capital Resources

The Corporation's authorized capital consists of unlimited number of common and preference shares without par value. At January 31, 2006 the Corporation had 13,365,814 issued and outstanding common shares (January 31, 2005 – 5,199,564 issued and outstanding common shares), and at March 27, 2006, the Corporation had 13,495,814 issued and outstanding common shares.

On December 10, 2005 the Corporation closed the non-brokered private placement which consists of 5,741,250 units at a price of $ .20 per Unit for aggregate proceeds of $ 1,148,250. Each Unit is comprised of one common share and one purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Corporation at a price of $ 0.30 per share until December 10, 2007.

The Corporation paid a commission of $ 98,850 of which was taken in $ 600 cash and $ 98,250 in 491,250 Common Share Units with a full warrant attached.

During the three months ended January 31, 2006, the Corporation granted 700,000 stock options at 0.70 per share expiring December 22, 2007.

As at January 31, 2006 the Corporation had 7,260,250 warrants outstanding ranging from an exercise price of $0.15 per share to $0.50 per share with expiry dates ranging from February 20,2006, to December 10, 2007. Subsequent to January 31, 2006, 400,000 warrants at an exercise price of $0.50 per share were not exercised and expired.

Contributed surplus was $ 339,356 as at January 31, 2006 (January 31, 2005 - $ Nil). The increase of $ 339,356 represents the fair value of the options granted since January 31, 2005. The fair value of the outstanding options and compensation options was calculated using the Black-Scholes method of valuation.

Related Party Transactions

The Corporation entered into transactions with related parties as follows:

During the three months ended October 31, 2005, the Corporation accrued management fees of $10,500 (2004 – $ 10,500) from a director and officer. At January 31, 2006, $15,632 (January 31, 2005 - $ 10,500) was owing to this party.

During the three months ended January 31, 2006, the Corporation incurred mining and exploration expenses of $ 5,979 (2005 – Nil) to a director of the Corporation. At January 31, 2006, $ 1,500 (January 31, 2005 - $ Nil) was owed to this party.

During the three months ended January 31, 2006, the Corporation incurred staking deposits and exploration fees of $ 362,325 (2005 – $Nil) to a director. At October 31, 2005, $ Nil (January 31, 2005 - $ Nil) was owed to this party.

During the three months ended January 31, 2006, a director and his spouse participated in the non-brokered private placement and purchased 200,000 common shares with a full warrant attached for proceeds of $ 40,000 (2005 - $ Nil).

These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

Subsequent Events

(a) Staking of Mineral Claims-Double Mer-Lake Melville

Silver Spruce Resources Inc. has staked 758 claims (approximately 19,000 hectares or 190 square kilometres) in the Double Mer-Lake Melville area of Labrador, Canada, which is approximately 110 kilometres to the east of Happy Valley-Goose Bay.

The claims were staked by Silver Spruce after being identified and staked with the assistance of Alex Turpin, a local prospector. Pursuant to an agreement dated Feb. 21, 2006, between Mr. Turpin and Silver Spruce for his services, Mr. Turpin is an arm's-length service provider and will be paid $12,000 per year for the next three years by Silver Spruce for researching and outlining the staking for Silver Spruce, and as a result of such work, Mr. Turpin will also retain a 1-per-cent net smelter return (NSR) for production in respect of the claims.

(b) Acquisition of Mineral Claims-Straits Property

In March 2006 Silver Spruce Resources Inc. acquired 800 claims (20,000 hectares or 200 square kilometres), called the Straits property, in four contiguous claim blocks in the Barge Bay-Henley Harbour area of Labrador, approximately 300 kilometres to the southeast of Happy Valley-Goose Bay. The claims were staked by Silver Spruce after being identified, researched and outlined with the assistance of Alex Turpin, an arm's-length Newfoundland prospector. Pursuant to an agreement dated March 15, 2006, between Mr. Turpin and Silver Spruce, Mr. Turpin shall be paid $12,000 per year for each the next three years (if the property is retained), and will also retain a 1-per-cent net smelter return (NSR) for production from the claims.

Risks and Uncertainties

The Corporation's financial success will be dependent upon the extent to which it can acquire and fund the development of mineral properties. The market price of minerals and/or metals is volatile and cannot be controlled. There is no assurance that the Corporation's mineral exploration and development activities will be successful. The development of mineral resources involves many risks in which even a combination of experience, knowledge and careful evaluation may not be able to overcome.

Outlook

The Corporation's objective is to work aggressively on the exploration of its present mineral properties in the Province of Newfoundland and Labrador, Canada.

Forward Looking Statements

All statements in this report that do not directly and exclusively relate to historical facts constitute forward-looking statements. These statements represent the Corporation's intentions, plans, expectations and beliefs, and are subject to risks, uncertainties, and other factors of which many are beyond the control of the Corporation. These factors could cause actual results to differ materially from such forward-looking statements. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, as a result of new information, future events or otherwise.