SILVER SPRUCE RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

APRIL 30, 2005

CALGARY, ALBERTA

CONTENTS

SILVER SPRUCE RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED APRIL 30, 2005

NOTICE TO READER

Management of Silver Spruce Resources Inc. have compiled the consolidated balance sheet as at April 30, 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.
June 25, 2005

Signed "Gordon Barnhill"
Gordon Barnhill, Chief Financial Office

SILVER SPRUCE RESOURCES INC.

CONSOLIDATED BALANCE SHEET

APRIL 30, 2005

ASSETS

	APR 30, 2005	OCT 31, 2004
Current		
Cash	$ 1,606	$ 454
Accounts receivable	6,160	3,910
Subscription receivable	-	12,500
Deposits and prepaid expenses	200	200
Loan receivable (Note 3)	28,750	25,000
	36,716	42,064
Interest In Mineral Properties (Note 4)	199,051	193,469
Equipment (Note 5)	6,557	6,557
	$ 242,324	$ 242,090

LIABILITIES

Current		
Accounts payable and accrued liabilities	$ 122,769	$ 110,548
Deposits on sale of shares	55,010	-
	177,779	110,548

CAPITAL STOCK AND DEFICIT

Capital Stock (Note 6 (a))	1,612,997	1,604,127
Warrants (Note 6 (b))	63,240	43,750
Deficit	(1,611,692)	(1,516,335)
	64,545	131,542
	$ 242,324	$ 211,449

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

SIX MONTHS ENDED APRIL 30, 2005

	Three months ended April 30		Six months ended April 30	
	2005	2004	2005	2004
	$	$	$	$
INCOME	3,750	-	3,750	-
EXPENSES				
Regulatory expenses	4,875	10,746	11,741	12,869
Bank charges	81	93	167	111
Management fees	16,757	5,791	27,257	10,544
Legal and accounting	24,811	41,473	40,409	41,473
Consulting fees	3,000	652	10,500	10,002
Office expenses	2,873	5,400	9,033	5,400
	52,397	64,155	99,107	80,399
NET LOSS FOR PERIOD	48,647	64,155	95,357	80,399
DEFICIT, BEGINNING OF PERIOD	1,563,045	1,371,420	1,516,335	1,355,176
DEFICIT, END OF PERIOD	1,611,692	1,435,575	1,611,692	1,435,575
LOSS PER COMMON SHARE (Note 6)				
Basic and diluted	$ (0.0097)	$ (0.0005)	$ (0.0190)	$ (0.0033)

See accompanying notes to the financial statements

SILVER SPRUCE RESOURCES INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

SIX MONTHS ENDED APRIL 30, 2005

	Three months ended April 30		Six months ended April 30	
	2005	2004	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES				
Net (loss) for the period	$ (48,647)	$ (64,155)	$ (95,357)	$ (80,399)
Adjustments for :				
Depreciation and amortization	-	-	-	-
	(48,647)	(64,155)	(95,357)	(80,399)
Changes in non – working capital balances :				
Decrease (Increase) in accounts receivables	1,105	(6,721)	(2,250)	(1,668)
Decrease (Increase) in loans receivable	(3,750)	(13,565)	(3,750)	(13,565)
(Decrease) Increase in accounts payable	(18,668)	19,881	12,221	19,857
(Decrease) Increase in subscriptions	10,020	-	12,500	-
(Decrease) Increase in deposits on shares	55,010	-	55,010	-
	43,717	(405)	73,731	4,624
Cash flows from operating activities	(4,930)	(64,560)	(21,626)	(75,775)
Cash FLOWS FROM FINANCING ACTIVITIES				
Issuance of shares for cash	(3,010)	96,750	12,800	96,750
Issuance of warrants	13,400	6,000	19,490	17,250
Costs of issuing shares	(300)	(9,229)	(3,930)	(9,229)
Cash flows from financing activities	10,090	93,521	28,360	104,771
CASH FLOWS FROM INVESTING ACTIVITIES				
Expenditures on mining interests	(5,582)	-	(5,582)	2000
(DECREASE) INCREASE IN CASH	(422)	28,961	1,152	30,996
CASH, BEGINNING OF PERIOD	2,028	2,568	454	533
CASH, END OF PERIOD	$ 1,606	$ 31,529	$ 1,606	$ 31,529

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 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

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.

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	42,469
Balance, October 31, 2004	193,469
Increases during 2005 fiscal year	5,582
Balance April 30, 2005	$ 199, 501

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

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

6. CAPITAL STOCK

(a) The capital stock is as follows:

Authorized
- Unlimited number of non-voting preference shares
- Unlimited number of common shares

Issued
- 5,156,564 Common shares $1,612,997

The following is a summary of capital stock outstanding at April 30, 2005 :

	Number of Shares	Amount
	#	$
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	-	(13,690)
Balance, October 31, 2004	4,996,564	1,604,127
Private placement	160,000	12,800
Share issue fees	-	(3,930)
Balance, April 30, 2005	5,156,564	1,612,997

6. CAPITAL STOCK (Continued)

During the six months ended April 30, 2005, the Company issued 160,000 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 April 30, 2005, the Company had 1,417,500 share purchase warrants outstanding valued at $ 63,240.

The following is a summary of warrants outstanding at April 30, 2005 :

	Number of Warrants	Average Price
	$	$
Balance, October 31, 2003	1,000,000	0.15
Warrants granted	400,000	0.50
Warrants granted	62,500	0.15
Warrants exercised	(125,000)	(0.15)
Balance, October 31, 2004	1,337,500	0.25
Warrants granted	386,,500	0.15
Balance, April 30, 2005	1,724,000	0.23

Summary of warrants outstanding at April 30, 2005 :

Number of Warrants	Exercise Price	Fair Value of Warrants	Expiry Date
#	$	$	
875,000	0.15	-	October 22, 2005
400,000	0.50	40,000	February 20, 2006
203,000	0.15	23,240	February 26, 2007
		63,240	

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.

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 six months ended April 30, 2005 and years ended October 31, 2004 and 2003 is summarized as follows:

	Common Shares	Weighted Average Exercise Price
	#	$
Balance, October 31, 2002	200,000	0.40
Expired	(200,000)	(0.40)
Balance, October 31, 2003 and 2004 and April 30, 2005	-	-

7. RELATED PARTY TRANSACTIONS

During the period from November 01, 2004 to April 30, 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.

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.

SILVER SPRUCE RESOURCES INC.
SECOND QUARTER REPORT

To Our Shareholders

Silver Spruce Resources Inc. (the "Corporation") is a junior mineral exploration company. On November 7, 2003, the Corporation 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"). The Corporation is no longer pursuing a business combination with Synxx and Ethxx. The Corporation is in the process of negotiating with Synxx and Ethxx for compensation rated to the expenses incurred by the Corporation in pursuing the business combination.

On behalf of the Board

Gordon Barnhill
Director, Chief Financial Officer

Halifax, Nova Scotia
June 25, 2005

SILVER SPRUCE RESOURCES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE 6 MONTH PERIOD ENDED APRIL 30, 2005

DISCUSSION OF OPERATIONS AND FINANCIAL POSITION

This discussion and analysis of financial position and results of Silver Spruce Resources Inc. (the "Corporation") is current as of June 25, 2005 and should be read in conjunction with the Corporation's unaudited consolidated financial statements of the Corporation and the notes thereto for the 6 month interim period ended April 30, 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 Corporation's activities can be found on SEDAR at www.sedar.com.

1.2 Overall Performance

The Corporation recorded a net loss of $95,357 for the six months ended April 30, 2005.

3 months ended April 30	**2005**	**2004**		**6 months ended April 30**	**2005**	**2004**
Sales Revenue	$3,750	$0		Sales Revenue	$3,750	$0
Costs and expenses	52,397	64,155		Costs and expenses	99,107	80,399
Depreciation and amortization	0	0		Depreciation and amortization	0	0
Income (loss) before income taxes	(48,647)	(64,155)		Income (loss) before income taxes	(95,357)	(80,399)
Capital Assets	6,557	6,557		Capital Assets	6,557	6,557
Mineral Rights	199,051	151,000		Mineral Rights	199,051	151,000
Cash	1,606	31,529		Cash	1,606	31,529

1.3 Selected Financial Information

The following tables set forth selected consolidated financial information of the Corporation 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 Corporation 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 6 months ended April 30, 2005, the Corporation incurred a loss of $95,357, as compared to a loss of $80,399 for the same period ended April 30, 2004. Certain items accounted for the large loss for the 6 months period ended April 30, 2005: (a) $10,500 in consulting fees; (b) $27,257 in management fees; (c) $39,158 in legal and accounting fees; (d) office costs $9,032; and (e) regulatory expenses of $11,742. No funds were spent on mineral exploration.

Revenues for the 6 month period ended April 30, 2005 were nil.

General and Administrative Expenses totaled $99,107 for the 6 month period ended April 30, 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 Corporation's consolidated financial statements. The Corporation has tax losses carry forward which may be applied to reduce future taxable income of the Corporation. As virtual certainty does not exist on the ability to use these loses before expiry, a recovery amount has not been recorded in the financial results of the Corporation.

1.5 Summary of Quarterly Results

	April 05	Jan -05	Oct-04	July -04	Apr-04	Jan-04	Oct-03	Jul-03
Revenues **($)**	3,750	0	0	0	0	0	0	0
Net income(loss) before discontinued operations **($)**	(48,647)	(46,710)	(39,968)	(42,792)	(49,588)	(16,244)	(68,830)	(5,942)
Net Income(loss**) ($)**	(48,647)	(46,710)	(39,968)	(42,792)	(49,588)	(16,244)	(51,330)	(5,942)
Net income(loss) before discontinued operations per common share Basic and diluted **($/share)**	(0.009)	(0.009)	(0.009)	(0.009)	(0.0105)	(0.003)	(0.016)(1)	(0.0005)(2)
Net income(loss) per common share Basic and diluted **($/share)**	(0.009)	(0.009)	(0.009)	(0.009)	(0.0105)	(0.003)	(0.012)(1)	(0.0005)(2)

Note: (1) Based on 4,346,564 common shares after the common shares of the Corporation 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 April 30, 2005, the Corporation had a working capital deficiency of $86,053 and accounts payable of $122,769. The Corporation has obtained approval to issue 2,000,000 Series IV Private Placement Units at $0.10 per Unit entitling the Corporation 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 April 30, 2005, the Corporation has sold 160,000 Units of the Series IV Private Placement. As of June 25, 2005, the Corporation has sold 980,000 Series IV Units. The Corporation expects to complete the sale of an additional Series IV Units by the end of June 2005. The Funds will be required to fund the working capital deficiency and the approval by the TSX Venture Exchange.

1.7 Capital Resources

The Corporation has no commitments for capital expenditures. For details of the Corporation's mineral properties see the AIF filed on October 17, 2003 on SEDAR (www.sedar.com). The Corporation 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 Corporation 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 Corporation surrendered 1,637 hectares of land to the Government of Newfoundland in December 2004. There are 870 hectares remaining. The Corporation 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 April 30, 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 Corporation is a junior mineral exploration company. On November 7, 2003, the Corporation signed an Arms Length Letter of Intent to acquire all of the issued and outstanding shares of Synxx and Ethxx. The Corporation has decided not to pursue the business combination.

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 6 month interim period ended April 30, 2005.

1.14 Financial Instruments

The Corporation's significant financial and other instruments have not materially changed since November 1, 2004.

1.15 Other MD&A Requirements

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

Disclosure of Outstanding Share Data

The authorized capital of the Corporation consists of an unlimited number of common shares and an unlimited number of preferred shares issuable in series. As of the end of June 25, 2005 there were 5,976,564 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 June 25, 2005, there are no stock options outstanding. However, the Corporation 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 June 25, 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) 490,000 warrants exercisable at $0.15 per common share exercisable until February 26, 2007.

Business Risks and Outlook

The Corporation has experienced significant losses as a result of its exploration program. The Corporation's continued existence is dependent on its ability to raise additional capital in order to financial future exploration activities. Because the Corporation is not spending funds on mineral exploration it is likely some of the Corporation'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.