SILVER SPRUCE RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED

JULY 31, 2006

CONTENTS

NOTICE TO READER OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of the Company. Management is responsible for the information and representations contained in these consolidated financial statements and other sections of this report. These consolidated financial statements have not been reviewed by the auditors of Silver Spruce Resources Inc.

"Signed"
Gordon Barnhill
Director
September 15,2006

"Signed"
Lowell Weir
Director
September 15, 2006

SILVER SPRUCE RESOURCES INC.
Unaudited
CONSOLIDATED BALANCE SHEET

ASSETS

	July 30, 2006 $	Oct 31, 2005 $
CURRENT		
Cash	4,329,179	45,435
HST and other receivables	209,248	18,070
Prepaid expenses	14,088	200
	4,552,515	63,705
STAKING DEPOSITS ON MINERAL PROPERTIES	232,075	59,900
INVESTMENTS (At lower of cost or fair market value)	80,750	191,250
DEFERRED INCOME TAXES (Note 6)	1,036,800	-
MINERAL PROPERTIES (Note 3)	707,231	239,452
EQUIPMENT (Note 4)	8,579	5,099
	6,617,950	559,406

LIABILITIES

	July 30, 2006 $	Oct 31, 2005 $
CURRENT		
Accounts payable and accrued liabilities	139,252	129,675
Prepaid exploration expense	96,636	-
Current portion of long term debt (Note 7)	8,964	
	244,852	129,675
LONG TERM DEBT (Note 7)	34,364	-
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 5(a))	6,005,804	1,902,237
WARRANTS (Note 5(b))	1,790,838	103,610
CONTRIBUTED SURPLUS (Note 5(d))	549,781	74,948
DEFICIT	(2,007,689)	(1,651,064)
	6,338,734	429,731
	6,617,950	559,406

Subsequent events (Note 12)
See accompanying notes to the financial statements

Unaudited

CONSOLIDATED STATEMENT OF INCOME / (LOSS) AND DEFECIT

	Three months ended July 31		Nine months ended July 31	
	2006	2005	2006	2005
	$	$	$	$
INCOME				
Management fees	14,812	-	29,878	-
Interest income	29,251	938	29,251	4,688
	44,063	938	59,129	4,688
ADMINISTRATIVE EXPENSES				
Legal fees	123,641	-	227,260	34,304
Stock based compensation	52,719	-	368,741	-
Management fees	30,957	10,500	82,458	37,757
Consulting fees	67,974	10,500	253,324	21,000
Accounting and auditing	2,300	600	7,370	6,705
Shareholders' expense	38,442	-	86,780	1,129
Loss in market value of investment	51,000	-	110,500	-
Stock exchange fees	30,980	3,212	46,498	13,826
Telephone	2,375	1,416	8,849	4,251
Office and general	36,481	773	60,650	4,226
Occupancy costs	2,100	900	5,800	2,700
Travel	12,500	45	21,927	988
Bank Charges	287	92	518	259
Depreciation	597	-	1,389	-
	452,353	28,038	1,282,064	127,145
NET INCOME / (LOSS) FOR THE PERIOD, BEFORE	408,290	(27,100)	(1,222,935)	(122,457)
Abandonment of properties (Note 8)	(170,490)	-	(170,490)	-
Recovery of income taxes (Note 6)	1,036,800	-	1,036,800	-
	866,310	-	866,310	-
NET INCOME / (LOSS) FOR THE PERIOD	458,020	(27,100)	(356,625)	(122,457)
DEFICIT, beginning of period	2,465,709	1,611,692	1,651,064	1,516,335
DEFICIT, end of period	2,007,689	1,638,792	2,007,689	1,638,792
NET INCOME / (LOSS) PER SHARE – Basic	0.023	(0.005)	(0.018)	(0.023)
NET INCOME / (LOSS) PER SHARE – FULLY DILUTED	0.021			
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC	19,358,145	5,279,564	19,094,826	5,279,564
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - FULLY DILUTED	26,521,667			

See accompanying notes to the financial statements

Unaudited

CONSOLIDATED STATEMENT OF CASH FLOWS

	Three months ended July 31		Nine months ended July 31	
	2006	2005	2006	2005
	$	$	$	$
CASH FLOWS (USED IN) OPERATING ACTIVITIES				
Net income (loss) for the period	458,020	(27,100)	(356,625)	(122,457)
Operating items not involving cash :				
Stock – based compensation	52,719	-	368,741	-
Loss in fair market value of investment	51,000	-	110,500	-
Amortization	597	-	1,389	-
Abandonment of properties	170,490	-	170,490	-
Deferred income taxes	(1,036,800)	-	(1,036,800)	-
	(197,882)	(27,100)	(636,213)	(122,457)
(Increase) decrease in working capital	(15,256)	(27,775)	(262,064)	33,455
Cash flows (used in) operating activities	(213,138)	(54,875)	(898,277)	(89,002)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of shares for cash	4,883,437	55,010	5,776,462	78,410
Issuance of warrants for cash	-	-	344,475	19,490
Issuance of shares for debt	6,600	-	203,100	-
Stock – broker options	106,092	-	106,092	-
Share issue costs	(434,392)	-	(533,242)	(2,030)
Increase (decrease) in long tem debt	34,364	-	34,364	-
Cash flows from financing activities	4,490,009	55,010	5,825,159	95,870
CASH FLOWS FROM INVESTING ACTIVITIES				
Expenditures on mining interest	(297,011)	-	(638,269)	(5,581)
Expenditures on equipment	(1,755)	-	(4,869)	-
Cash flows from investing activities	(298,766)	-	(643,138)	(5,581)
INCREASE (DECREASE) IN CASH	3,978,105	135	4,283,744	1,287
CASH, beginning of period	351,074	1,606	45,435	454
CASH, end of period	4,329,179	1,741	4,329,179	1,741
SUPPLEMENTAL INFORMATION				
Interest paid in period	-	-	-	-
Income taxes paid in the period	-	-	-	-

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 from exploration and development 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.

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.

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 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 %

Continued...

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

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.

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.

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2. SUMMARY OF ACCOUNTING POLICIES (Continued)

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. MINERAL PROPERTIES

Newfoundland

Balance, October 31, 2005	$ 239,452
Additions	638,269
	877,721
Abandonment of properties	170,490
Balance, July 31, 2006	$ 707,231

The Company has an agreement in place with Universal Uranium Ltd., whereby 4,963 claims in Seal Lake and Central Mineral Belt properties have been staked. The Company also has a 100 % interest in 2,550 claims of which 500 claims are located in Central Mineral Belt, 758 are located in the Double Mer Property, 492 claims in the Mount Benedict Property and 800 claims in the Straits Property. The Company has an agreement in place whereby it can earn 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 has another agreement in place whereby it can earn a 100% interest in the Snegamook Lake Claims located in the Province of Newfoundland, subject to a net smelter royalty of 2.0 %

4. EQUIPMENT

	Cost	Accumulated Amortization	Net 2006	Net 2005
	$	$	$	$
Equipment	29,297	25,833	3,464	4,075
Computer	10,535	5,420	5,115	1,024
	39,832	31,253	8,579	5,099

Continued…

5. CAPITAL STOCK

(a) The capital stock is as follows:

Authorized

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

Issued

22,874,938 Common shares	$ 6,005,804

The following is a summary of capital stock outstanding at July 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	14,492,250	4,290,135
Warrants exercised	488,124	143,574
Shares for debt	335,000	203,100
Share issue fees	-	(533,242)
Balance, July 31, 2006	22,874,938	6,005,804

During the nine months ended July 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. During the nine months ended July 31, 2006, the Company issued 315,000 shares for debt with no warrant attached, 150,000 units at $ 0.76 and 165,000 units at $ 0.50. During the nine months ended July 31, 2006, the Company issued 8,751,000 brokered units of which 4,800,000 were flow through at $0.60 per unit with each unit consisting of one common share and one common share purchase warrant and 3,951,000 were non flow through at $0.50 per unit with each unit consisting of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at $ 0.65 until November 18, 2007. During the nine months ended July 31, 2006, the Company issued 20,000 shares for debt with no warrant attached.

(b) WARRANTS

The following is a summary of warrants outstanding at April 30, 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	14,492,250	0.51
Warrants exercised	(488,124)	(0.24)
Balance, July 31, 2006	15,588,126	0.50

Continued...

5. WARRANTS (Continued)

Summary of warrants outstanding at July 31, 2006 :

Number of Warrants	Exercise Price	Fair Value of Warrants	Expiry Date
#	$	$	
400,000	0.50	40,000	December 01, 2006
289,000	0.15	12,810	February 22, 2007
700,000	0.30	42,000	November 14, 2006
5,448,126	0.30	326,888	December 10, 2007
8,751,000	0.65	1,369,140	November 18, 2007
15,588,126		1,790,838	

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 20% of the issued and outstanding capital of the Company as at the last annual general meeting 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.

Stock option activity for the period ended July 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	1,055,000	0.65
Balance, July 31, 2006	1,655,000	0.52

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(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	368,741
Brokered stock options	106,092
Balance, July 31, 2006	549,781

6. DEFERRED INCOME TAXES

This represents 36 % of proceeds of $ 2,880,000 received from the issuance of flow thru shares on May 18, 2006.

7. LONG TERM DEBT

Chattel Loan Payable	43,328
Less due in 12 months	8,964
Long term portion	34,364

Repayable at $ 747 monthly, principle plus 0 % interest,
in 60 equal installments secured by 2006 GMC vehicle.

8. ABANDONMENT OF PROPERTIES

During the quarter, the Company abandoned it's investment in The Reid Lot 50 area located in The Province of Newfoundland. The Company had invested $ 170,490 at the time of write off and has no invested interest left in the property.

9. RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities as at July 31, 2006 is $ 14,012 (2005 - $20,632) owing to directors of the Company. During the nine months ending July 31, 2006 a director of the Company was reimbursed $ 445,053 (2005 - Nil) for services and expenses spent on the Company's behalf. A second director was paid $ 61,534 (2005 - Nil) for services and expenses spent on the Company's behalf. A third director was paid $ 42,991 (2005 - $ 43,405) for services and expenses spent on the Company's behalf.

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

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10. 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, prepaid expenses, staked mineral claims, investments, deferred income taxes, accounts payable and accrued liabilities, and long term debt on the balance sheets approximate fair value because of the limited term of these instruments.

11. SUBSEQUENT EVENTS

On August 29, 2006, September 08, 2006 and September 11, 2006 an additional 600 claims were staked in the Central Mineral Belt (to date Universal Uranium Ltd. has not exercised it's option and purchased 50 % thereof).

The Company has been receiving initial analysis and reports back from its fly over of its potential uranium claims in the CMB and Seal Lake areas.

In August 2006 the company entered into an agreement to purchase 56 uranium claims located in the province of Newfoundland in the Mount Benedict area, for $ 15,000.00 cash The Company will earn 100 % interest subject to a 1 % NSR. If either party terminates the agreement, then any unpaid amounts and undelivered shares is forfeited.

12. CONTINGENT LIABILITIES

On January 13, 2006 the company entered into an agreement to purchase 168 gold claims in approximately 4,200 hectares of land called the Motherlode Gold property located in the province of Newfoundland, for $ 55,000.00 cash and 200,000 shares, payment as follows: year one $ 25,000 cash and 150,000 shares with a value of $ 0.76 each totaling $ 114,000 (already paid), year two cash payment of $ 15,000.00 and deliver of 25,000 shares and year three cash payment of $ 15,000.00 and deliver of 25,000 shares. The Company has a work commitment in place whereby it must spend $ 800,000 on exploration over three years to earn a 100 % interest subject to a 2 % NSR. If either party terminates the agreement, then any unpaid amounts and undelivered shares is forfeited.

During the nine month period ending July 31, 2006, the Board of Directors agreed to pay a finders fee of 265,000 shares at a value of $ 0.50 per share to an agent of the company upon a successful consummation of a contract to joint venture it's uranium exploration and development within the regions of Central Mineral Belt and Seal Lake with Universal Uranium Ltd. On January 17, 2006 a contract was executed and signed by both parties. Upon the company receiving a deposit from Universal Uranium Ltd., it agreed to release 165,000 shares leaving a balance of 100,000 shares to be paid at a later date. If either party terminates the agreement then any and all undelivered shares will be forfeited.

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12. CONTINGENT LIABILITIES (Continued)

On February 28, 2006 the company entered into an option and royalty agreement on The Double Mer Property which allows the company to own the 758 claims in six licenses outright. Terms of the agreement is that Silver Spruce Resources paid $ 12,000 on execution of the agreement and pays $ 12,000 on each of February 28, 2007 and 2008. In addition a 1 % Net Smelter Return royalty (NSR) is payable derived from commercial production from the property. At any time during the agreement if the company terminates the agreement by abandoning the property the other party has the option to relicense the claims, at his cost, in his own name. Any unpaid monies will be forfeited.

On March 15, 2006 the company entered into an option and royalty agreement on The Straits Property which allows the company to own the 800 claims in four licenses outright. Terms of the agreement is that Silver Spruce Resources paid $ 12,000 on execution of the agreement and pays $ 12,000 on each of March 15, 2007 and 2008. In addition a 1 % Net Smelter Return royalty (NSR) is payable derived from commercial production from the property. At any time during the agreement if the company terminates the agreement by abandoning the property the other party has the option to relicense the claims, at his cost, in his own name. Any unpaid monies will be forfeited.

On June 27, 2006 the company entered into an option and royalty agreement on The Snegamook Property which allows the company to own the 86 claims in four licenses outright. Terms of the agreement is that Silver Spruce Resources paid $ 8,000 and 20,000 common shares of Silver Spruce on execution of the agreement and pays $ 8,000 and 20,000 common shares on each of June 27, 2007 and 2008. In addition a 2 % Net Smelter Return royalty (NSR) is payable derived from commercial production from the property. At any time during the agreement if the company terminates the agreement by abandoning the property the other party has the option to re license the claims, at his cost, in his own name. Any unpaid monies will be forfeited.

Containing information up to and including September 15, 2006

Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the Silver Spruce Resources Inc**.** (the "Company") financial statements. The information provided herein should be read in conjunction with the Company's unaudited financial statements and notes for the six months ended April 30, 2006 and 2005. The following comments may contain management estimates of anticipated future trends, activities or results. These are not a guarantee of future performance, since actual results could change based on other factors and variables beyond management control.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company's board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

The reader is encouraged to review Company statutory filings on www.sedar.com and to review general information including reports and maps on the Company's website at www.sse-tsx.com.

DESCRIPTION OF BUSINESS AND OVERVIEW

The Company is a mineral exploration company engaged in the acquisition and exploration of mineral properties (primarily uranium, base and precious metals). The Company's business is focused on the exploration and evaluation of various mineral deposits in the Province of Newfoundland and Labrador. The company does not have any producing mineral properties at this time.

SELECTED QUARTERLY INFORMATION

Selected financial indicators for the past nine quarters are shown in the following table:

	July 06 Quarter	April 06 Quarter	Jan.06 Quarter	Oct. 05 Quarter	**July 05 Quarter**	April 05 Quarter	Jan. 05 Quarter	Oct. 04 Quarter	**July 04 Quarter**
Total Revenue	**44,063**	15,067	Nil	Nil	**Nil**	Nil	Nil	Nil	**Nil**
Earnings (loss) for the period	**458,020**	(361,121)	(453,524)	(12,272)	**(27,100)**	(48,647)	(46,710)	(37,968)	**(42,792)**
Earnings (loss) per Share (Basic)	**.023**	(0.026)	(0.039)	(0.011)	**(0.005)**	(0.009)	(0.009)	(0.009)	**(0.009)**
Earnings (loss) per Share (Diluted)	**.021**	(0.026)	(0.039)	(0.011)	**(0.005)**	(0.009)	(0.009)	(0.009)	**(0.009)**
Total Assets	**6,617,950**	1,428,698	1,376,684	559,406	**241,838**	242,324	244,539	242,090	**165,243**
Total long-term liabilities	**34,364**	Nil	Nil	Nil	**Nil**	Nil	Nil	Nil	**Nil**
Cash dividends declared	**Nil**	Nil	Nil	Nil	**Nil**	Nil	Nil	Nil	**Nil**

Containing information up to and including September 15, 2006

Results of Operations for the three months ended July 31, 2006 and three months ended July 31, 2005

For the three months ended July 31, 2006, the Company had net earnings of $ 458,020 (earnings per share - $ 0.023) compared to a net loss of $ 27,100 (loss per share - $0.001) for the same period in the prior year. The earnings is comprised of revenues of $ 44,063 (2005 – $ 938), less general and administrative expenses of $ 451,756 (2005 – $ 28,038), amortization expense of $ 597 (2005 - $ Nil), less abandonment of properties of $ 170,490 (2005 – $ Nil) plus recovery of income taxes of $ 1,036,800 (2005 – $ Nil).

In the three month period ended July 31, 2006 compared to the same period in prior year, the Company increased its exploration, administration and financing activities by hiring new consultants and contractors. Additional administration, accounting and management time was required as the Company became more active. As a result, the Company's operating expenses increased by $ 424,315 in the three months ended July 31, 2006 compared to the same period of 2005. The major expense categories were stock based compensation $ 52,719 (2005 – $ Nil); consulting fees of $ 67,974 (2005 - $ 10,500); management fees $ 30,957 (2005 - $ 10,500); legal fees $ 123,641 (2005 - $ Nil); travel expenses $ 12,500 (2005 - $ 45); loss in fair market value of investment $ 51,000 (2005 - $ Nil); amortization $ 597 (2005 - Nil); and office and miscellaneous expenses $ 112,965 (2005 - $ 6.993).

During the three months ended July 31, 2006, the Company spent a total of $ 146,697 on its properties compared to $ 40,402 incurred during the three months ended July 31, 2005.

Results of Operations for the nine months ended July 31, 2006 and nine months ended July 31, 2005

For the nine months ended July 31, 2006, the Company incurred a net loss of $ 356,625 (loss per share - $ 0.018) compared to a net loss of $ 122,457 (loss per share - $0.019) for the same period in the prior year. The loss is comprised of revenues of $ 59,129 (2005 – $ 4,688), less general and administrative expenses of $ 1,280,675 (2005 – $ 127,145), amortization expense of $ 1,389 (2005 - $ Nil), less abandonment of properties of $ 170,490 (2005 – $ Nil) plus recovery of income taxes of $ 1,036,800 (2005 – $ Nil)

In the nine month period ended July 31, 2006 compared to the same period in prior year, the Company increased its exploration, administration and financing activities by hiring new consultants and contractors. Additional administration, accounting and management time was required as the Company became more active. As a result, the Company's operating expenses increased by $ 829,711 in the nine months ended July 31, 2006 compared to the same period of 2005. The major expense categories were stock based compensation $ 368,741 (2005 – $ Nil); consulting fees of $ 253,324 (2005 - $ 21,000); management fees $ 82,458 (2005 - $ 37,757); legal fees $ 227,260 (2005 - $ 34,304); travel expenses $ 21,927 (2005 - $ 988); loss in fair market value of investment $ 110,500 (2005 - $ Nil); amortization $ 1,389 (2005 - Nil); and office and miscellaneous expenses $ 216,465 (2005 - $ 33,096).

During the nine months ended July 31, 2006, the Company spent a total of $ 638,269 on its properties compared to $ 321,082 incurred during the nine months ended July 31, 2005.

Containing information up to and including September 15, 2006

NEWFOUNDLAND AND LABRADOR

The Company has acquired 8,169 claims with uranium potential in the Central Mineral Belt (CMB), Seal Lake, Double Mer , Mount Benedict and the Straits areas of Newfoundland and Labrador up to September 15, 2006. The Company has entered into an option agreement with Universal Uranium Ltd. to fund the costs of exploration on 4,963 of the claims in the CMB and Seal Lake areas. Universal has to spend $ 2,000,000 prior to April 1, 2008 to acquire a 60% ownership in these claims.

In each of past nine quarters, the Company incurred the following expenditures on exploration of properties:

Expressed in $	**July 06 Quarter**	April 06 Quarter	Jan.06 Quarter	Oct. 05 Quarter	**July 05 Quarter**	April 05 Quarter	Jan. 05 Quarter	Oct. 04 Quarter	**July 04 Quarter**
Seal Lake	**Nil**	763	24,878	25,206	**Nil**	Nil	Nil	Nil	**Nil**
Central Mineral Belt	**Nil**	1,094	8,891	21,999	**Nil**	Nil	Nil	Nil	**Nil**
Double Mer	**34,188**	50,268	7,755	Nil	**Nil**	Nil	Nil	Nil	**Nil**
Mount Benedict	**23,448**	26,992	4,920	Nil	**Nil**	Nil	Nil	Nil	**Nil**
Straits	**35,787**	52,080	8,000	Nil	**Nil**	Nil	Nil	Nil	**Nil**
Reid Lot 50	**Nil**	(6,500)	3,031	(25,092)	**Nil**	5,582	Nil	Nil	**Nil**
Motherlode	**103,522**	127,683	10,525	18,288	**Nil**	Nil	Nil	Nil	**Nil**
Snegamook	**14,825**	Nil	Nil	Nil	**Nil**	Nil	Nil	Nil	**Nil**

PROPERTIES - URANIUM

Central Mineral Belt

The Central Mineral Belt properties, acquired by staking and now part of the Silver Spruce/Universal Uranium option agreement, are located in the Postville-Makkovik area of Labrador, approximately 150 kilometers northeast of Happy Valley-Goose Bay. The properties consist of 2,794 map-staked claims of 25 hectares each (623.5 km^2) in 10 separate blocks and 32 licenses.

They cover uranium in lake sediment anomalies located by the Newfoundland and Labrador government with anomalous values ranging from 8 to 98 ppm, with many in the 20 to 70 ppm range, against a background of <5 ppm hosted in felsic volcanic, sedimentary and plutonic rocks, with potential for unconformity style deposits similar to those in the Athabasca Basin, iron oxide copper gold deposits such as the Olympic Dam, shear hosted style uranium deposits such as the Michelin and granite hosted deposits such as the Rossing Mine in Namibia.

Silver Spruce's Seal Lake properties, also included in the Universal Uranium joint venture, consist of 2,469 map-staked claims of 25 hectares each (617.25 km^2) in three separate blocks located in the Naskaupi River area to the west of Postville-Makkovik, approximately 150 kilometers to the northwest of Happy Valley-Goose Bay. The claims cover extensive copper mineralization in mafic volcanic units and uranium in lake sediment anomalies located by the Newfoundland and Labrador government with anomalous values ranging from 10 to 213 ppm against a background of <5 ppm. No significant uranium exploration has covered this area.

Previous Work

Occurrences of copper, silver, uranium, rare earth elements, nickel, platinum group elements, cobalt and titanium-vanadium are noted in the Seal Lake area. Copper occurrences are similar to the White Pine, Calumet-Hecla and Kearsarga deposits in Michigan with the majority of the occurrences located to the south of Seal Lake, extending from the east end of Whisky Lake to the western end of Adeline Lake, and from Seal Lake south to Salmon Lake, a distance of approximately 50 km.

Detailed uranium exploration, similar to that done in the CMB to the east, hasn't been carried out in the Seal Lake area; however, uranium values have been noted associated with a radioactive conglomerate bed, giving values up to 25 ppm. Limited exploration consisting of prospecting and stream sediment sampling (four samples), aimed at evaluation of the copper/gold potential of the area was carried out in the summer of 2005 by a two-man crew in the Salmon Lake/Whisky Lake area. Representative grab samples were sent for assays with one sample giving >1 percent copper.

In the fall of 2005, a three-man crew carried out a quick reconnaissance visit to the Seal Lake area and claims located to the northwest of Bessie Lake, where a 213 ppm uranium in lake sediment was noted. A conglomerate bed in the Colford Lake area, which was reported to contain elevated radiometric readings, was also evaluated. Twenty rock samples and four stream sediment samples were taken. The only significant value was one anomalous stream sediment, which gave 34 ppm uranium. The anomalous uranium lake bottom anomalies have not been explained. Additional claims were acquired in the Seal and Colford Lake areas since this work.

2006 Exploration

The property was covered by an airborne radiometric / magnetic survey carried out under contract by Fugro Airborne Surveys, in the summer of 2006. Line spacing was 100 m in the CMB and 200 m in the Seal lake area with a total of 11,494 line km flown. Results have been released for the CMB area where a total of 17 high priority targets were selected for priority follow up by our consultant, Ted Urquhart of GeoExplo in Santiago, Chile. These include 4 on Jacques Lake, 2 on CMB NW, 4 on CMB SE, 1 on CMB E and 6 on the CMB NE however many other lower priority targets are also shown. The targets were selected on the basis of U/Th ratios, using the 95th percentile; total uranium, total field magnetics and geology. Ground follow up, consisting of prospecting using hand-held scintillometers on the targets, using a helicopter supported, five man crew, began in late August and is ongoing.

Containing information up to and including September 15, 2006

Double Mer

The Double Mer property consists of 758 claims (approx. 190 km^2), in six licenses, in one contiguous block, located in the Double Mer-Lake Melville area of Labrador, approximately 110 km east of Happy Valley-Goose Bay.

The properties cover strong uranium in lake sediment anomalies located by the Newfoundland and Labrador government with anomalous values ranging from 10 to 470 ppm against a background of approximately 5 ppm hosted in leucogranites of Helikian age. Four values >100 ppm uranium, with two over 400 ppm, are noted in this survey, all of which are covered by the staked properties.

Previous Work

In 1978, exploration by the provincial government, which included an airborne radiometric survey and ground follow up, located uranium mineralization in float / outcrop with three values over 0.1 % U_3O_8, including a value of 0.29% U_3O_8, from eight samples.

Work by Northgate / Whim Creek Consolidated in 1979-1980, which included ground scintillometer surveys, trenching and diamond drilling, located a number of uranium showings with bulk assays in four trenches ranging from 0.44 to 2.09 lbs uranium per short ton.

2006 Exploration

Compilation of previous work was done in the spring of 2006. The property was covered by an airborne radiometric / magnetic survey, at 100 m line spacing, under contract by Fugro Airborne Surveys, in the summer of 2006. Total line kilometres were 2113. Results are pending.

The Straits

The Straits property consists of 800 claims (200 km^2) in one contiguous block, located in the Barge Bay-Henley Harbour area, on the Straits of Belle Isle, approximately 300 km southeast of Happy Valley-Goose Bay.

The claims cover uranium in lake sediment anomalies located by the Geological Survey of Canada with anomalous values ranging from 10 to 239 ppm against a background of approximately 5 ppm (97% percentile - 28 ppm) associated with copper values over 75 ppm (99% percentile) against a background of <20 ppm, associated with a north-northwest trending fault structure.

Previous Work

There is little documented exploration work for the area. The Newfoundland and Labrador government carried out limited follow up on the anomalous lake bottoms and sees IOCG potential for the area based on coincident anomalous copper / molybdenum / uranium / gold values in the lake sediments, associated with supracrustal units (Proterozoic felsic volcanics) localized in later faults or unconformities. Mineral occurrences of pyrite, malachite and molybdenite are known. The lake sediment anomalies remain unexplained.

Containing information up to and including September 15, 2006

2006 Exploration

Compilation of previous work was carried out in the spring of 2006. The property was covered by an airborne radiometric / magnetic survey, at 100 m line spacing, under contract to Fugro Airborne Surveys, in the late summer of 2006. Total line kilometres was 2251. Results are pending.

Mount Benedict

The Mount Benedict property originally consisted of 1,048 claims (123 km2) in four separate blocks, located in the Benedict Mountains area, approximately 180 km northeast of Happy Valley-Goose Bay. The company acquired another 556 claims in the summer of 2006, to bring the total claims owned in this area to 1048, totalling 26,200 hectares or 262 km2 The new claims are subject to an option agreement with Paul MacNeill, an independent geological consultant, which provides for a single cash payment of $15,000 plus a 1 % NSR.

The original properties were staked to cover uranium in lake sediment anomalies located by the Newfoundland government with anomalous values ranging from 10 to 87 ppm against a background of < 5 ppm hosted in felsic plutonic rocks of the Benedict Mountains Suite and felsic supracrustal units (Aillik Group metavolcanics) in the Burnt Island area. The new claims were acquired to cover Aillik Group stratigraphy, U/K anomalies coincident with VLF-EM anomalies located in Brinex / Placer surveys from the 1970's, anomalous lake sediment geochemistry and the strike extensions of known anomalies or groups of anomalies.

Previous Work

Brinex carried out exploration over their mineral concession covering the area in the 1950's and 60's. In 1978, the area was part of a Placer Development-Brinex joint venture that included geological mapping and a combined radiometric-VLF-EM survey that located anomaly B-22 associated with Aillik Group metavolcanics in the Burnt Island area. Assays from the zone were generally weak with values to a maximum of 200 to 400 ppm uranium. Further prospecting and diamond drilling to test the anomaly at depth was recommended but not carried out. The anomalous uranium lake bottom anomalies have not been explained.

2006 Exploration

Compilation of previous work was carried out in the spring and summer of 2006. The area was covered by an airborne radiometric / magnetic survey, at 100 m line spacing, under contract to Fugro Airborne Surveys, in the summer of 2006. All claims, including the newly acquired groups were covered for a total of 3012 line km. Results are pending

Containing information up to and including September 15, 2006

PROPERTIES - GOLD

Mother Lode

The Mother Lode property consists of 138 claims (35 km^2) in one contiguous block, located in the eastern part of the southern Burin Peninsula, to the west of Placentia Bay, near the abandoned community of Corbin. The property was acquired by option from a local prospector in December, 2005. Terms of the option are: payment of $ 55,000 and 200,000 shares and a work commitment of $800,000 on exploration over three years to earn a 100 % interest subject to a 2 % NSR. The property was reduced from 168 claims to 138 claims in the summer of 2006 as the lake sediment survey carried out in the winter of 2006 did not show any significant values in the southern claim block of 30 claims.

Geological Setting

The property lies in the western portion of the Avalon Zone, the easternmost tectonostratigraphic zone in Newfoundland, which represents the portion of the African continent which was accreted (attached) to North America during the closing of the Iaepetus (proto Atlantic) Ocean. The property is underlain by Burin Group rocks, consisting of submarine tholeiitic basalts and pyroclastics, with some ultramafics, cut by the Wandsworth Gabbro, a regionally extensive, sill-like gabbro body. Major faults and related shears extend through the group providing a locus for mineralizing fluids. All of the rocks in the area are iron rich making good hosts for the gold bearing fluids localized along the faults and shears.

Previous Work

There is no recorded exploration work for gold in this part of the Burin Peninsula prior to the prospecting carried out by local prospectors over the past few years. As far as is known, this is the first discovery of gold in this part of the Burin Group although gold zones are known to the north in the Corbin and Burin (Kitchen showing) areas. Best reported values from the Kitchen showing, near Burin, include: grabs to 19.4 grams per tonne; channel samples to 4.85 grams per tonne over 4 meters and drill core samples to 3.85 grams per tonne over 3 meters. The mineralization on the Motherlode property, like the Kitchen prospect, is shear related, hosted in altered (sericitized, silicified, pyritic) mafic volcanics, intrusives and possible volcaniclastics which have been variably foliated over an area of 300 m along strike and 250 m across strike. The foliation may control the mineralization as the sulphides occur as bands along the foliation, which are sometimes folded, and also as fracture fillings. The only sulphide noted is pyrite. The mineralization is poddy, probably related to boudinaging along the shear zones or folding. Assays show only weak arsenic (As) to 200 ppm indicating that arsenopyrite is probably not occurring, rather the arsenic may be associated with the pyrite as arsenious pyrite (similar to Carlin, NV). A number of parallel to sub parallel zones are noted, some in close proximity. Cross faults, obvious as linear structures extending from the coast may cut off and offset mineralized zones. The vendor / prospector reports values up to 10.1 grams per tonne over 1.5m in chip samples in 2004 sampling. Grab sample assays up to 11.65 grams per tonne were located in 2004 during due diligence sampling by SSE from a new showing near the trail to Corbin. The highest chip sample assay (10.1 grams per tonne) was not duplicated (840 ppb) however, the due diligence samples were composite grabs which may not be as representative as channel samples. Work in 2005 by the prospector, which included further prospecting and trenching using an excavator, resulted in the discovery of narrow (up to 25 cm) units of iron formation associated with the main fault, which trends northeasterly through the group. Values up to 25 grams per tonne were located in limited sampling of the sulphidized iron formation.

2006 Exploration Work

Work in 2006 consisted of lake bottom sampling, regional and detailed prospecting, gridding, soil geochemistry, geological mapping, followed by trenching, washing and channel / chip sampling.

Lake sediment samples (total 132) were taken to the north and south of the known mineralized area,. Thirteen anomalous gold values were located, three greater than 10 ppb with the highest at 29 ppb. These remain unexplained even with follow up prospecting and geological mapping.

In the known mineralized area, a grid totaling 15.6 kilometers with a baseline at 050 degrees and cross lines at 50 meter line spacing was cut extending to the north and south along trend over three kilometers at 200 meter line spacing. Soil samples were taken at 25 meter intervals on all lines. A total of 465, mainly B horizon samples, were taken; 29 samples were found to be anomalous in gold with values from 20 ppb (parts per billion) to 3,931 ppb. Eleven samples were strongly anomalous with values greater than 100 ppb gold. The two highest values were unexplained single-site samples with values of 1,062 ppb and 3,931 ppb.

Results of the trenching, mapping and sampling which tested the significant soil anomalies and the known mineralization is pending.

LIQUIDITY, FINANCINGS AND CAPITAL RESOURCES

Liquidity

The Company had cash on hand of $ 4,329,179 as of July 31, 2006 (July 31, 2005 - $ 1,741). The Company currently has sufficient cash resources to meet its ongoing obligations as they become due. The working capital / (deficiency) at July 31, 2006 was $ 4,307,663 (July 31, 2005 – $ (113,152)).

Capital Resources

The Company's authorized capital consists of unlimited number of common and preference shares without par value. At July 31, 2006 the Company had 22,874,938 issued and outstanding common shares (July 31, 2005 – 5,869,564 issued and outstanding common shares), and at September 15, 2006, the Company had 23,004,989 issued and outstanding common shares.

Containing information up to and including September 15, 2006

Subsequent Events

On August 29, 2006, September 08, 2006 and September 11, 2006 an additional 600 claims were staked in the Central Mineral Belt (to date Universal Uranium Ltd. has not exercised it's option and purchased 50 % thereof).

The Company has been receiving initial analyses and reports back from its airborne radiometric / magnetic surveys of its claims in the CMB, Seal Lake and Double Mer areas.

In August 2006 the company entered into an agreement to purchase 56 uranium claims located in the province of Newfoundland in the Mount Benedict area, for $ 15,000.00 cash The Company will earn 100 % interest subject to a 1 % NSR. If either party terminates the agreement, then any unpaid amounts and undelivered shares is forfeited.

Related Party Transactions

The Company entered into transactions with related parties as follows:
Included in accounts payable and accrued liabilities as at July 31, 2006 is $ 14,012 (2005 $20,632) owing to directors of the Company. During the nine months ending July 31, 2006 a director of the Company was reimbursed $ 445,053 (2005 - Nil) for services and expenses spent on the Company's behalf. A second director was paid $ 61,534 (2005 - Nil) for services and expenses spent on the Company's behalf. A third director was paid $ 42,991 (2005 - $ 43,405) for services and expenses spent on the Company's behalf.

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

Contingent Liabilities

On January 13, 2006 the company entered into an agreement to purchase 1 68 gold claims containing approximately 4,200 hectares of land called the Motherlode Gold property located in the province of Newfoundland, for $ 55,000.00 cash and 200,000 shares, payment as follows: year one $ 25,000 cash and 150,000 shares with a value of $ 0.76 each totaling $ 114,000 (already paid), year two cash payment of $ 15,000.00 and deliver of 25,000 shares and year three cash payment of $ 15,000.00 and deliver of 25,000 shares. If either party terminates the agreement, then any unpaid amounts and undelivered shares will be forfeited.

During the six month period ending April 30, 2006, the Board of Directors agreed to pay a finders fee of 265,000 shares at a value of $ 0.50 per share to an agent of the company upon a successful consummation of a contract to joint venture it’s uranium exploration and development within the regions of Central Mineral Belt and Seal Lake with Universal Uranium Ltd. On January 17, 2006 a contract was executed and signed by both parties. Upon the company receiving a deposit from Universal Uranium Ltd., it agreed to release 165,000 shares leaving a balance of 100,000 shares to be paid at a later date. If either party terminates the agreement then any and all undelivered shares will be forfeited.

On February 28, 2006 the company entered into an option and royalty agreement on The Double Mer Property which allows the company to own the 758 claims in six licenses outright. Terms of the agreement is that Silver Spruce Resources paid $ 12,000 on execution of the agreement and pay $ 12,000 on each of February 28, 2007 and 2008. In addition a 1 % Net Smelter Return royalty (NSR) is payable derived from commercial production from the property.

If the company terminates the agreement by abandoning the property the other party has the option to re license the claims, at his cost, in his own name. Any unpaid monies will be forfeited.

On March 15, 2006 the company entered into an option and royalty agreement on The Straits Property which allows the company to own the 800 claims in four licenses outright. Terms of the agreement is that Silver Spruce Resources paid $ 12,000 on execution of the agreement and pay $ 12,000 on each of March 15, 2007 and 2008. In addition a 1 % Net Smelter Return royalty (NSR) is payable derived from commercial production from the property. If the company terminates the agreement by abandoning the property the other party has the option to re license the claims, at his cost, in his own name. Any unpaid monies will be forfeited.

On June 27, 2006 the company entered into an option and royalty agreement on The Snegamook Property which allows the company to own the 86 claims in four licenses outright. Terms of the agreement is that Silver Spruce Resources paid $ 8,000 and 20,000 common shares of Silver Spruce on execution of the agreement and pays $ 8,000 and 20,000 common shares on each of June 27, 2007 and 2008. In addition a 2 % Net Smelter Return royalty (NSR) is payable derived from commercial production from the property. At any time during the agreement if the company terminates the agreement by abandoning the property the other party has the option to re license the claims, at his cost, in his own name. Any unpaid monies will be forfeited.

Proposed Transactions

The Company is not contemplating any other transactions, which have not already been disclosed. The Company continues to look at other property acquisitions on a regular basis with emphasis in those areas that it is already working.

Risks and Uncertainties

The Company's financial success is dependent upon the extent to which it can discover mineralization or acquire mineral properties and the economic viability of developing its properties. The market price of minerals and/or metals is volatile and cannot be controlled. There is no assurance that the Company'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. The Company has no source of financing other than those identified in the previous section.

Outlook

The Company's objective is to work aggressively on the exploration of its mineral properties toward resource definition in the Province of Newfoundland and Labrador, Canada.

The company, in combination with Universal Uranium, who is funding the work on the CMB / Seal Lake properties, has a budget of approximately $ 2.4 M for 2006, with contingent follow up of another $2 M mainly for diamond drilling to the end of April 2007. This work will consist of an airborne survey costing approximately $ 1 M covering all the uranium properties in Labrador, follow up on these properties, consisting of prospecting, geological mapping, gridding, ground geophysical and geochemical surveys and trenching and sampling, of approximately $1 M. The Mother Lode gold property, on the island of Newfoundland, is actively being explored by prospecting, geological mapping, geochemistry, and geophysics to be followed by trenching, sampling and diamond drilling as warranted.

The company is also looking actively for properties of merit that fit the company's criteria for exploration.

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 Company's intentions, plans, expectations and beliefs, and are subject to risks, uncertainties, and other factors of which many are beyond the control of the Company. These factors could cause actual results to differ materially from such forward-looking statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, as a result of new information, future events or otherwise.