Silver Spruce Resources Inc.
Management Discussion & Analysis
For The year Ended October 31, 2005
Containing information up to and including February 17, 2006

Description of Business

Silver Spruce Resources Inc. (the “Company”) is a junior mineral exploration company. During the fiscal year ending October 31, 2005 the Company joined the Central Mineral Belt, Labrador, uranium rush by staking 1,198 claims. An additional 3,765 claims were staked in this region by January 31, 2006, giving a total of 4,963 claims, making Silver Spruce the second largest landholder in this area. The Company's joint venture partner Universal Uranium paid 50 % of the cost of the staking and can earn an additional 10 % interest in the properties bringing it's ownership in the joint venture to 60 % by spending an additional 2 million dollars on exploration over the next 3 years.

On November 7, 2003, the Company signed an Arms Length Letter of Intent to acquire all of the issued and outstanding shares of Synxx Synfuels Inc. (“Synxx”) and Ethxx International Inc. (“Ethxx”). As a result of the Boards decision to change the direction of the Company and not continue with the Synxx Project, Silver Spruce stopped all negotiations with Synxx. The company commenced negotiations to recover funds expended and is using it's best efforts to collect the loan of $ 25,000. plus accrued interest of $ 5,625.

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DISCUSSION OF OPERATIONS AND FINANCIAL POSITION

This discussion and analysis of financial position and results of Silver Spruce Resources Inc. (the "Company") is current as of February 17, 2006 and should be read in conjunction with the Company's audited consolidated financial statements of the Company and the notes thereto for the year ended October 31, 2005 together with the audited consolidated financial statements for the years ended October 31, 2004 and 2003 and the notes thereto. Those financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Policies. All dollar figures included therein and in the following discussion and analysis is quoted in Canadian dollars unless otherwise noted. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

1.2 Overall Performance

The Company recorded a net loss **of $ $ 134,729 for t**he year ended October 31, 2005.

Year ended October 31	**2005**	**2004**
	$	$
Total Revenue	Nil	Nil
General and administrative expenses	325,979	161,159
Gain on Disposal of mineral properties	(191,250)	-
Loss for the year	(134,729)	(161,159)
Loss per share - basic	(0.023)	(0.035)
Total assets	559,406	242,090
Total long term financial liabilities	Nil	Nil
Cash dividends declared - per share	Nil	Nil

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1.3 Selected Financial Information

Annual Financial Data

	2005	2004	2003
Total Revenues	Nil	Nil	Nil
Loss for the year	(134,729)	(161,159)	(91,383)
Total Assets	559,406	242,090	165,243
Long term liabilities	n/a	n/a	n/a
Earnings (loss) per share - basic	(0.023	(0.035)	(0.021)
Fully Diluted	N/A	N/A	N/A

1.4 Operating Activities

Results of Operations

For the year ended October 31, 2005, the Company incurred a loss of $ 134,729, as compared to a loss of $ 161,159 for the same period in 2004. Certain items accounted for the loss for the year ended October 31, 2005: (a) $ 41,328 in consulting fees; (b) $ 48,257 in management fees; (c) $ 79,846 in legal fees; (d) office costs $ 21,785; (e) accounting and audit fees $ 17,205; (f) miscellaneous $ 20,151 and (g) less proceeds received from sale of mineral properties (191,250). $ 71,705 was spent on mineral exploration. Unpaid impost taxes were charges to the Company's interest in mineral properties.

Revenues for the year ended October 31, 2005 were nil.

General and Administrative Expenses totaled $ 325,979 for the year ended October 31, 2005**.**

Depreciation and amortization of $ 1,458 was accrued for the year ended October 31, 2005.

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

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1.5 Summary of Quarterly Results

	Oct-05	July-05	Apr-05	Jan-05	Oct-04	July-04	Apr-04	Jan-04
Revenues ($)	0	0	0	0	0	0	0	0
Earnings (loss) for year	(9,744)	(28,970)	(49,285)	(46,730)	(52,535)	(42,792)	(49,588)	(16,244)
Net income (loss) per common share Basic and diluted	(0.001)	(0.0041)	(0.0079)	(0.0078)	(0.009)	(0.009)	(0.0105)	(0.003)

1.6 Liquidity

At October 31, 2005 the Company had a working capital deficiency of $ 65,970 and accounts payable of $ 129,675. Subsequent to year end the Company obtained approval to issue 5,250,000 Series VI Units at $0.20 per Unit entitling the Company to raise $1,050,000. The Funds will be required to fund working capital.

1.7 Capital Resources

The Company has no commitments for capital expenditures. For details of the Company's mineral properties see the AIF filed on October 17, 2003 on SEDAR – www.sedar.com). The Company has a commitment to pay for $ 6,500 in impost taxes relating to its Lake Bond Reid Lot 50 property for the calendar year ended December 31, 2005. There are 870 hectares in the Lake Bond Reid Lot 50 property.

The Company has staked 4,963 claims with uranium potential in the Central Mineral Belt - Seal Lake area of Newfoundland and Labrador to January 31, 2006. Further the Company entered into an agreement with Universal Uranium Ltd. to share the costs related to these 4,963 claims. Universal has committed to fund the projects in the total amount of $ 2,000,000 prior to April 1, 2008 and will acquire 60 % ownership of the property once these payments are made.

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 October 31, 2005, there were no related party transactions other than as described below. During the year a director of the Company subscribed for common shares as part of a private placement. 75,000 common shares were issued to this director for gross proceeds of $15,000. The transaction occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

1.10 Proposed Transactions

Subsequent to October 31, 2005, the Company entered into an agreement with Universal Uranium Ltd. to share the staking costs related to the 4,963 claims held by the Company in the central Mineral Belt of Labrador. Universal has committed to fund the project in the total amount of $ 2,000,000 prior to April 1, 2008 and will acquire 60 % ownership of the property once these payments are made.

1.11 Critical Accounting Estimates

There are no critical accounting estimates.

1.12 Changes in Accounting Policies including Adoption

There have been no changes in accounting policies for the fiscal period ended October 31, 2005.

1.13 Financial Instruments

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

1.14 Other MD&A Requirements

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

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Disclosure of Outstanding Share Data

The authorized capital of the Company consists of an unlimited number of common shares and an unlimited number of preferred shares issuable in series. As of the end of February 17, 2006 there were 12,809,564 common shares issued and outstanding. Further the Company is obligated to issue 30,000 common shares to Krinor Resources Inc, North East Exploration Services Inc. and Alexander Turpin. As of February 17, 2006, there are 1,300,000 stock options outstanding. As of February 17, 2006, there were: (a) 400,000 warrants exercisable at $0.50 per share exercisable until October 15, 2006; (b) 434,000 warrants exercisable at $0.15 per share exercisable until February 26, 2007; (c) 750,000 warrants exercisable at $0.30 per common share exercisable until November 14, 2007 and (d) 5,250,000 warrants exercisable at $0.30 until December 9, 2007.

Business Risks and Outlook

The Company has experienced significant losses as a result of its exploration program and its' loans to Synxx and Ethxx, Silver Spruce's continued existence is dependent on its ability to raise additional capital in order to finance future exploration activities. Some of the Company's mineral property rights may be forfeited to the Crown if sufficient assessment expenditure credits are not spent on the properties.

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.

SILVER SPRUCE RESOURCES INC.
(A Development Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 2005

SILVER SPRUCE RESOURCES INC.
(A Development Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 2005

AUDITORS' REPORT

To the Shareholders of
SILVER SPRUCE RESOURCES INC.
(A Development Stage Company)

We have audited the consolidated balance sheets of Silver Spruce Resources Inc. as at October 31, 2005 and 2004 and the consolidated statements of operations and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2005 and 2004 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants

TORONTO, Canada
February 17, 2006

SILVER SPRUCE RESOURCES INC.
(A Development Stage Company)
CONSOLIDATED BALANCE SHEETS
AS AT OCTOBER 31

	2005 $	2004 $
ASSETS		
CURRENT		
Cash	45,435	454
Amounts receivable	18,070	3,910
Subscription receivable	-	12,500
Deposits and prepaid expenses	200	200
Loan receivable (Note 3)	-	25,000
	63,705	42,064
DEPOSITS	59,900	-
INVESTMENTS (Fair market value - $263,000)	191,250	-
INTEREST IN MINERAL PROPERTIES (Note 4)	239,452	193,469
EQUIPMENT (Note 5)	5,099	6,557
	559,406	242,090
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 7)	129,675	110,548
CAPITAL STOCK AND DEFICIT		
CAPITAL STOCK (Note 6(a))	1,902,237	1,604,127
WARRANTS (Note 6(b))	103,610	43,750
CONTRIBUTED SURPLUS (Note 6(d))	74,948	-
DEFICIT	(1,651,064)	(1,516,335)
	429,731	131,542
	559,406	242,090

APPROVED ON BEHALF OF THE BOARD:

Signed "Lloyd Hillier", Director

Signed "Gordon Barnhill", Director

See accompanying notes to the financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE YEARS ENDED OCTOBER 31

	2005 $	2004 $
ADMINISTRATIVE EXPENSES		
Legal fees	79,846	49,512
Stock-based compensation	74,948	-
Management fees	48,257	28,043
Consulting fees	41,328	45,502
Write down of loan receivable	25,000	-
Accounting and auditing fees	17,205	7,500
Shareholders' expense	9,110	6,724
Stock exchange fees	8,639	7,175
Telephone	8,374	5,197
Office and general	5,050	4,716
Occupancy costs	4,200	1,800
Travel	2,163	2,846
Bank charges	401	244
Gain on sale of mineral properties	(191,250)	-
Amortization	1,458	1,900
NET LOSS FOR THE YEAR	134,729	161,159
DEFICIT, beginning of year	1,516,335	1,355,176
DEFICIT, end of year	1,651,064	1,516,335
NET LOSS PER SHARE - Basic and diluted	(0.023)	(0.035)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	5,750,101	4,553,137

See accompanying notes to the financial statements.

(A Development Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31

	2005 $	2004 $
CASH FLOWS (USED IN) OPERATING ACTIVITIES		
Net (loss) for the year	(134,729)	(161,159)
Operating items not involving cash::		
Amortization	1,458	1,900
Stock-based compensation	74,948	-
	(58,323)	(159,259)
(Increase) in deposits and prepaid	(59,900)	-
(Increase) decrease in accounts receivable	(14,160)	1,143
Decrease (increase) in subscriptions receivable	12,500	(12,500)
Decrease (increase) in loans receivable	25,000	(25,000)
Increase in accounts payable and accrued liabilities	19,127	80,446
	(17,433)	44,089
Cash flows (used in) operating activities	(75,756)	(115,170)
CASH FLOWS FROM FINANCING ACTIVITIES		
Exercise of warrants	(2,600)	18,750
Issuance of shares for cash	318,440	108,750
Issuance of warrants for cash	62,460	43,750
Share issue costs	(20,330)	(13,690)
Cash flows from financing activities	357,970	157,560
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on mining interests	(45,983)	(42,469)
Investments	(191,250)	-
Cash flows from investing activities	(237,233)	(42,469)
(Decrease) increase in cash	44,981	(79)
Cash, beginning of year	454	533
Cash, end of year	45,435	454

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, 2004. 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 exploration 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. 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.

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 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	20%

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 6(c).

Investments

The Company accounts for investments 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.

Continued…

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

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 was unsecured, with no fixed terms of repayment and bore interest at a rate of 15% per annum. The loan was written off in 2005.

4. INTEREST IN MINERAL PROPERTIES

Newfoundland

Balance, October 31, 2003	$ 151,000
Property taxes	42,469
Balance, October 31, 2004	193,469
Additions	45,983
Balance, October 31, 2005	$ 239,452

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.

On October 12, 2005, Silver spruce sold its 25% interest in its Saskatchewan mineral claims, to Forest Gate Resources Inc. ("Forest Gate"). In consideration, Silver Spruce received 425,000 shares of Forest Gate and 375,000 common share purchase warrants to purchase common shares of Forest Gate at $0.55 per share for a period of 2 years.

5. EQUIPMENT

	Cost	Accumulated Amortization	Net 2005	Net 2004
	$	$	$	$
Equipment	29,297	25,222	4,075	5,094
Computer	5,666	4,642	1,024	1,463
	34,963	29,864	5,099	6,557

6. CAPITAL STOCK

(a) The capital stock is as follows:

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

7,559,564 Common shares	$1,902,237

Continued…

6. CAPITAL STOCK (Continued)

The following is a summary of capital stock outstanding at October 31, 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	1,623,000	174,840
Warrants exercised	940,000	143,600
Share issue costs		(20,330)
Balance, October 31, 2005	7,559,564	1,902,237

During the year ended October 31, 2005, the Company issued 873,000 units at $0.10 per unit. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one half of one share of the Company at $0.15 until February 26, 2007. The gross proceeds have been prorated to common shares and warrants based on the relative fair value of each component, as follows: shares - $69,840; warrants - $17,460.

During the year ended October 31, 2005, 750,000 units were issued for $0.20 per unit. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.30 until December 9, 2007. The gross proceeds have been prorated to common shares and warrants based on the relative fair value of each component, as follows: shares - $105,000; warrants - $45,000.

(b) WARRANTS

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

	Number of Warrants	Average Price
	#	$
Balance, October 31, 2003	1,000,000	0.15
Warrants granted	462,500	0.45
Warrants exercised	(125,000)	(0.15)
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	0.31

Continued…

6. CAPITAL STOCK (Continued)

Summary of warrants outstanding at October 31, 2005:

Number of Warrants	Exercise Price	Fair Value of Warrants	Expiry Date
#	$	$	
400,000	0.50	40,000	February 20, 2006
434,000	0.15	18,610	February 26, 2007
750,000	0.30	45,000	December 9, 2007
		103,610	

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 7.5% 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 years ended October 31, 2005 and 2004 is summarized as follows:

Expiry Date	Options	Weighted Average Exercise Price
	#	$
Balance, October 31, 2003 and 2004	-	-
Granted	600,000	0.30
Balance, October 31, 2005	600,000	0.30

As at October 31, 2005, the following stock options were outstanding:

Expiry Date	Options	Exercise Price
	#	$
September 29, 2010	600,000	0.30

(d) Contributed Surplus

The following is a summary of contributed surplus activity:

Balance, October 31, 2003 and 2004	-
Employee stock-based compensation	74,948
Balance, October 31, 2005	74,948

Continued…

7. RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities at October 31, 2005 is $31,664 (2004-$19,911) owing to directors of the Company.

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. INCOME TAXES

(a) Provision for income taxes

Major items causing the Company's income tax rate to differ from the federal statutory rate of approximately 36% (2004 - 36%) were as follows:

	2005 $	2004 $
Loss before income taxes	134,729	161,159
Expected income tax (benefit) based on statutory rate	(48,000)	(33,800)
(Increase) resulting from:		
Share issue costs	(7,300)	-
Amortization	500	-
Stock-based compensation	27,000	-
Write down of loan receivable	9,000	-
Current year valuation allowance	18,800	33,800
	-	-

(b) Future tax balances

The tax effects of temporary differences that give rise to future income tax assets at October 31, 2005 and 2004 are as follows:

	2005 $	2004 $
Future income tax assets		
Non-capital losses	232,000	270,000
Resource properties	301,000	285,000
Share issue costs	6,000	4,000
	539,000	559,000
Valuation allowance	(539,000)	(559,000)
	-	-

(c) Tax loss carry-forwards

The Company has non-capital loss carry-forwards for income tax purposes of approximately $645,800, which expire as follows:

Year of Expiry	Amount $
2006	130,000
2007	56,000
2008	112,000
2009	43,500
2010	91,500
2011	164,000
2012	48,800
	645,800

The potential income tax benefit of these losses has not been recognized in the accounts.

Continued…

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 judgement 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.

11. SUBSEQUENT EVENTS

Subsequent to the year end, 700,000 stock options were issued to directors and employees of the corporation, under the Stock Option Plan exercisable at $0.70 per share expiring December 22, 2007.

On December 13, 2005, the Company issued 5,250,000 units at $0.20 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 $0.30 until December 9, 2007. Finder’s fees totaling 266,250 units and certain expenses were paid to third parties in connection with this placement.

Subsequent to the year end, the Company acquired an additional 3,765 mineral claims in Newfoundland and Labrador. The Company also entered into an agreement with Universal Uranium Ltd. (“Universal”) to share the costs related to the 4,963 claims held by the Company. Universal has committed to fund the projects in the total amount of $2,000,000 prior to April 1, 2008 and will acquire 60% ownership of the property once payments are made.