SPIDER RESOURCES INC.

2005 Annual Report

Spider Resources Inc.
Message to Shareholders

On behalf of the Board of Directors, I am pleased to present this 2005 annual report for Spider Resources Inc. During the year, your company underwent a revitalization of our scope of operations, in that we have redefined our joint venture agreement with KWG Resources Inc., our joint venture partner for the past thirteen years. The new relationship will enable each company to focus on specific projects independently without the prerequisite funding commitment from the other party. This has streamlined the process for the advancement of exploration, while allowing your company the option of maintaining or increasing our interest in each of the exploration projects that we have selected and in which we are currently involved.

Over the course of more than a decade, our JV with KWG has given rise to several projects, six of which have survived the test of time. By year end, both parties had reached parity in their respective interest level in the JV. KWG presented the case that it was principally interested in advancing projects that were diamond related, more specifically only one of the six projects, while participating pro rata in two other new projects. As a result of this request by KWG, and the ensuing discussions, your company elected to advance the Wawa Diamond project, the McFaulds Lake VMS project and the Kyle diamond projects by opting to contribute to these projects on its own until the equity invested in each dilutes KWG to a one third interest level. In a similar manner KWG elected to advance the MacFadyen diamond project, diluting your Company to a one third interest level. Each company would be the sole contributor on the selected projects up to the point where they have reached a 66.66% interest, then both parties can elect to maintain their pro rata share on a project by project basis. The other two projects (Freewest option near McFaulds Lake and the Diagnos Initiative Diamond project) will be explored equally, until such time as either party elects not to participate any further. We have recently amended the existing joint venture agreement whereby six separate joint ventures now exist involving each of the projects on a stand alone basis. The portfolio of projects that your company has selected to advance, and which we are now focusing on, are significant in that each has the potential to host a major discovery. We will be focusing on furthering the exploration of these projects in the coming year.

We are proud of the accomplishments that have been achieved to date in order to build value for our shareholders during this recent enhanced period of market strength for resource companies. The lofty prices, for both base and precious metals, the resource industry are currently experiencing, provide much encouragement to junior explorers worldwide. We feel that your company has the high potential for success, through the advancement of numerous projects covering a variety of commodities; diamonds, base metals and now precious (Platinum Group Elements) metals in our Freewest option property. Each project demonstrates strong prospects and potential. However, this business model is capital intensive, and we recognize and remain focused on the need to maintain financial liquidity. Over the past year, we have successfully closed equity placements to raise the funding that enables your company to continue exploring and advancing these exciting projects, and will remain vigilant in the months and years ahead to seize additional opportunities that are within our grasp.

I would also like to take this opportunity to thank the directors of your company, for their support and advice throughout the past year, most particularly two outgoing directors, that have decided not to stand for re-election this year due to involvement in other companies where they need to focus their personal attention. The collective input and suggestions of all board members, provide for lively discussion at board and other meetings, and their ideas are always considered and incorporated into business decisions that affect the corporate direction of Spider.

I look forward to updating our shareholders during the upcoming year, and reporting on the progress of your company.

Sincerely,

(signed)*"Neil D. Novak"*

Neil D. Novak, P.Geo.
President and CEO

REPORT OF ACTIVITIES

We would like to take this opportunity to discuss each project and provide insight into some of the new developments on the various projects we have under way, and outline our plans for the ensuing year.

McFaulds Project (10 massive sulphide occurrences discovered, deep drilling recommended)

The James Bay Lowlands of Northern Ontario remains an important area of operations for your company. At our McFauld's base metal project, in the western portion of the James Bay Lowlands, and as a result of three years of exploration, we have drill confirmed eight massive sulphide occurrences within the limits of our JV property. These occurrences are all located within a poorly exposed geological unit (Sachigo greenstone belt), that stretches over 15 kilometers on our eastern property. More recently, during the first quarter of this year, we continued our regional exploration efforts and have drill identified an additional two massive sulphide occurrences on our property, bringing our discovery number to 10 isolated VMS occurrences.

More specifically, we have preliminary modeled two of the occurrences (McFaulds #1 and #3) using all of the drill intercepts, with promising results. Due to the geographic location and the inherent logistics of the region, these two occurrences are not presently considered by management to be stand-alone development targets, as they are currently of insufficient size (preliminary tonnage) to warrant development, however as part of a larger development project both would need to be considered. Both occurrences boast significant base metal drill intercepts, near surface and continuing to near 450 meter depth as defined by the 2003, 2004 and 2005 diamond drill exploration programs. As part of the three year exploration program, we also completed several airborne, surface and downhole geophysical programs over the occurrences including: magnetics, electromagnetics and gravimetric surveys, in order to generate a thorough three dimensional data set for these, as well as the other, massive sulphide occurrences found within the project area.

At McFauld's #3, it has been interpreted and supported by geophysics and diamond drilling, that a strong gravity anomaly is present at depth, possibly indicating a very large massive sulphide target. The gravimetric anomaly is consistent with a source below 600 meters, the excess mass interpreted from the gravimetric survey is not explained by the mass exhibited by the ground geophysically defined and drilled sulphide body as we know it, that is evident to the 450 meter level. The gravity anomaly provides a much deeper drilling target, much larger than the near surface occurrence. Our historical drill exploration program was limited by the size and capability of the drill that was present on the property. It had a maximum drill penetration capability of 450 meters, and pushing the hole beyond this depth proved to be futile, the holes wandered away from the intended targets and did not intersect massive sulphide mineralization. A much larger and more powerful drill was mobilized into the project area during February, initially used to complete the regional program by testing outlying anomalies. This drill is capable of drilling to 1 kilometer below surface so we are now poised and ready to move onto the deep drill target at the McFaulds #3 occurrence to see what lies below.

A typical massive sulphide camp would be expected to host at least one large tonnage mineralized zone, and we are continuing our efforts towards a discovery of that magnitude in order to establish the critical mass necessary to achieve positive economics for development. We are also sharing what we have learned from our exploration with other companies that are exploring in the region, in order to cooperate towards achieving the discovery of a regional scale occurrence. A lot more work remains to be done, but the encouraging results of our activity to date suggest that we are on the right track. We will be relocating our drilling rig to commence a program that will follow up on our earlier success, and test the deeper levels of this exciting property.

Wawa Project, (rock processing scoping study completed)

In Central Ontario, our Wawa Diamond Project has demonstrated great potential. During the 2004 - 2005 exploration programs, bulk testing identified a significant number of macro-diamonds in samples collected from surface trenches and excavations, and we are now considering the possibility of advancing the development of this property by diamond drilling to explore a surface defined diamondiferous area to depth . Our efforts continue to be focused on determining a process to efficiently and economically extract diamonds from the host rock formations, as the rock in this area is atypical of kimberlite and is very hard. Due to this physical property of the rock in the Wawa area most of the techniques used to treat typical diamond bearing rock as hosted in kimberlitic deposits do not work well for our project.

The bulk testing of this diamond occurrence type identified on our property has revealed that the diamonds are found in a greater concentration in xenolithic nodules (typically football shaped distinct inclusions encapsulated by matrix). As a result, our focus going forward on this project is to develop a system that will allow us to access and process only the xenolithic units of the rock mass where the greatest diamond content can be recovered, and avoid the other formations with lower economic interest. We have taken samples of the various diamond bearing formations encountered on our property, and subjected them to laboratory testing with SGS Lakefield Research, in order to determine the rock characteristics that will allow us to differentiate between the xenolith and the other geologic units. Based upon the data that was presented from this analysis, we now have lab scale methodology that targets the xenolith portion of the rock (accounts for approximately 20% by volume) involved in the diamond occurrence, to liberate the xenolith from the matrix and thus achieve the greatest diamond recovery. This process has the potential that it may eventually apply to a commercial scale test. Commencing in the second quarter of 2006, your company hopes to begin a drilling program at the Wawa Project with the objective of defining the already measured 300 meter by 15 meter surface area to depth, to test for continuity in the diamondiferous xenolith bearing rock formation. We hope that what we learn from this drilling program will allow us to proceed towards a better understanding of this intriguing diamond occurrence and perhaps further advance the project towards feasibility.

Kyle Kimberlite Project (5 diamond bearing kimberlites, undergoing revival)

The Kyle kimberlites are located some 120 kilometers west of the main Attawapiskat Kimberlite swarm in the James Bay Lowlands. This diamond project area that Spider discovered in 1994, has received recent attention by the likes of Chuck Fipke and Peter Gregory's Metalex Ventures Corp. by the successful exploration efforts. They along with their joint venture partners have discovered another "Kyle type kimberlite" located beneath the Paleozoic cover rocks, reportedly located within 20 kilometers of our Kyle Lake #1 kimberlite. The discovery of the T1 kimberlite by Metalex's along with their follow-up program of collecting up to 200 tonnes of material from this new kimberlite attests to the significance of this region as a diamond province. During the initial part of 2006, our field crews completed geophysical surveying on two of the five Kyle kimberlites, and as a result we have defined drilling targets based on this data. Our joint venture partner KWG Resources retains the option to participate in order to maintain a 33.3% interest in the Kyle projects as per the amendment to the Joint Venture. Spider intends to commence a drilling program during the summer/fall of 2006 to continue the work at the Kyle project and also have a look at the new Diagnos kimberlite targets, during this diamond focused drill program. A much smaller (heli-transportable) diamond drill rig will need to be seconded to carry out this program.

Freewest option (discovery of layered intrusion containing chrome, platinum and palladium)

In recognition of the great potential of this region, we entered into a joint venture agreement with Freewest Resources in October 2005, to earn an interest in Freewest's property near McFauld's Lake. The terms of the agreement specified the expenditure by KWG and Spider of at least $200,000 in exploration activity by February 2006, and we have completed a 3-hole drilling program to satisfy this commitment. Two of the drill holes intersected the targeted massive sulphide mineralization, but only anomalous grades were encountered. However, we were successful with the third drill hole in discovering a chromatite intersection, in which platinum and palladium were encountered. We believe that this is a unique environment that could become a significant target for platinum group metals, similar to the Stillwater Complex in Montana. This new dimension to the Sachigo greenstone belt is yet another indication of the upside potential of the region, which has seen such limited exploration so far.

Diagnos Initiative projects (grass roots diamond exploration activity)

We also continue to explore for diamonds in the James Bay Lowlands, at the Diagnos Initiative diamond properties that were acquired in the latter part of 2005. KWG has elected to participate 50:50 in the Diagnos Initiative project, however, as per the revisions to the JV agreement, if KWG chooses not to further fund the exploration costs on the Diagnos Initiative project, your Company plans to continue with the program and KWG's interest will be diluted accordingly. During the first part of 2006, KWG and Spider contributed equally to an exploration program where each of the Diagnos Initiative claims underwent line-cutting and ground geophysics for drill positioning purposes. The ground geophysical surveys are being reviewed and drill holes will be recommended if warranted.

MacFadyen Kimberlite diamond project (bulk sampling to proceed in 2006)

KWG Resources Inc. has selected the MacFadyen property as one that they intend to focus on as per the recent amendment to the Ontario Joint Venture. Under the terms of the amendment, KWG and Spider acknowledge that they have reached parity and share this project 50:50, and KWG can acquire a 66.67% interest in this project by solely funding a program that matches Spider's historical expenditure to date on the project. KWG is in the process of obtaining permitting as required to commence drill definition and initial bulk sampling of five kimberlites that are located on the MacFadyen property. The MacFadyen pipes are in close proximity to each other and occur along the same lineament structure as De Beers Canada Exploration Inc.'s Victor Kimberlite, as well as the their Tango and Tango Extension kimberlites, all of which form part of the proposed development plan of De Beers. The proposed Victor Diamond Mine has a reported reserve of 27.4 million tonnes with an average grade of 0.23 carats/tonne. The average value per tonne is estimated at C$117, implying a value of US$300 per carat. De Beers is in the construction stage of development of this mine, with a budget that approaches $1 billion. They expect to enter production during 2008.

The MacFadyen kimberlites have yielded in the order of 200 sample diamonds (all size populations) during two drill campaigns, the first in 1994 followed by another campaign in 2003-04. Being within a few kilometers of the Victor project, and nestled beside De Beers Tango and Tango extension kimberlites, the MacFadyen project is ideally situated. In the first half of 2006, KWG expects to commence an expanded exploration program to better define the MacFadyen Kimberlites. They are currently making arrangements to second a base of operations (base camp), and deploy a medium sized drill rig to the property. The estimated budget for their 2006 program is $1.5 million.

Spider will not be participating in this project until such time as KWG has earned a 66.67% interest level, but in the meantime will be monitoring and providing advice as needed to advance this project through this very critical next phase. Spider's management wishes KWG much success in their endeavours.

Spider Resources Inc. Management's Discussion and Analysis
Fiscal Year ended December 31, 2005

This management discussion and analysis ("MD&A") of results of operations and financial condition of Spider Resources Inc. ("Spider" or "the Company") describes the operating and financial results of the Company for the year ended December 31, 2005 ("fiscal year 2005"). The MD&A supplements, but does not form part of the financial statements of the Company and should be read in conjunction with Spider's audited financial statements for the years 2005 and 2004. The Company prepares and files its financial statements in accordance with Canadian generally accepted accounting principles.

Forward Looking Statements

This MD&A contains forward-looking statements that are based on the Company's expectations, estimates and projections regarding its business, the mining industry and the economic environment in which it operates. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. Therefore, actual outcomes and results may differ materially from those expressed in these forward-looking statements and readers should not place undue reliance on such statements. Statements speak only as of the date on which they are made.

Date of MD&A

This MD&A was prepared on April 20, 2006.

Overall Performance

Description of the Business

Spider is a Tier 2 junior resource-company involved in the acquisition, exploration and development of diamond properties, primarily in Canada. The Company has operated through a joint venture with KWG Resources Inc. ("**KWG**"), and owns an interest of approximately 50% (a percentage that is reconciled at the end of each fiscal year or whenever one party to the joint venture elects not to contribute to an agreed upon program) in several mining properties.

Spider #1 Project Area

This is a regional reconnaissance project located on the western edge of James Bay Lowlands in northern Ontario. The project area covers approximately 118,000 square kilometers, and was initiated in the early 1990s to explore diamond bearing kimberlite bodies. The project (except for the Kyle Lake #1 Kimberlite) is subject to an agreement whereby Ashton Mining of Canada may acquire a 25% interest under certain conditions. **Spider #3 Project** is located immediately west and adjacent to the Spider #1 Project, and is not part of the program with respect to Ashton Mining.

McFaulds Lake VMS Properties

Covering approximately 13,000 sq.kms., these volcanogenic massive sulphide (VMS) properties are located in the western portion of the James Bay Lowlands adjacent to the Spider #1 Project, within the Spider #3 project area and also within the Porcupine and Thunder Bay Mining divisions, on a Precambrian aged greenstone belt that is known to host, as discovered by the Company's exploration activity, massive sulphide deposits containing copper and zinc mineralization.

In February 2005, Spider and KWG announced assay results for the first two holes of winter drilling at McFaulds Lake indicating grades of approximately 5% to 8% copper. Drill core sampling had been conducted by two Independent Qualified Persons, and tested at ALS Chemex sample preparation facility in Thunder Bay, Ontario and laboratory in Vancouver, B.C. In March 2005, Spider and KWG reported additional assay results with grades of approximately 2% copper in drill holes at McFauld's Lake, as well as preliminary results of VTEM airborne surveying – where five additional significant magnetic-electromagnetic anomalies were delineated extending the known strike length of massive sulphide targets to 60 kilometers. Ground grids were being cut on the best portion of the targets in preparation for drilling later in the year. In April 2005, Spider and KWG announced receipt of assay results for drill hole McF-05-64 showing grades of 4% Copper, 0.4 grams of gold per tonne and 10 grams of silver per tonne intersected at 5 meters in the MacFaulds #3 VMS mineralization, being the final hole for the winter-spring 2005 program.

On October 27, 2005 Spider reported that: it had, over the course of three years, discovered eight massive sulphide occurrences; nearby exploration companies had also intersected VMS style mineralization; both

MacFauld #1 and McFaulds #3 occurrences had undergone a preliminary review of the scope of resources by an independent consulting group; grade sensitivity analysis would be undertaken if warranted; deeper drilling with a larger drill rig was recommended and will be planned to test high-priority deeper targets; exploration results to date have been promising but the current resource estimate models are insufficient to support a major mining operation on a stand-alone basis; efforts will be therefore focused on other near-surface mineral occurrences that may provide critical mass to support a development operation in this logistically challenging geographic location and environment; Spider was preparing for a 2006 drilling program which may cost approximately $1,000,000.

Kyle Lake Kimberlite Properties
These properties are located west of the Attawapiskat River approximately 130 kms west of the DeBeers Victor Pipe in James Bay Lowlands, and consist of diamondiferous kimberlites, including Kyle Lake #1 and Kyle #3, both of which have undergone mini-bulk testing. Kyle 2, 4 and 5 require additional exploration work, having been the subject of only preliminary drilling in 1994 and 1995.

MacFayden Kimberlite Property
This property now includes five diamond-bearing kimberlites located 8 kms north of the advanced Victor diamond mine development project of De Beers Canada Explorations Inc. On October 27, 2005 Spider reported that after focusing diamond drilling in 2004 and early 2005 on the MacFayden property, it identified good macro diamond results, but much more work would be required to advance the project toward a development decision.

Freewest Option Property
This property, located approximately 15 kms south-west of the MacFaulds Lake VMS property, includes seven mineral claims constituting 78 claim units, which have undergone initial exploration, including a Geotem airborne survey in 2003, followed by ground geophysical surveying in 2004 and one exploration diamond drill hole. Massive sulphide style mineralization (albeit mostly pyrite and pyrrhotite) was encountered in this first drill test. There are several other intriguing anomalies located on the Freewest property, some of which cross the common claim border with Spider/KWG's land position.

On December 19, 2005 Spider announced the ratification of a tri-party option agreement with KWG and Freewest whereby Spider and KWG have the option to acquire up to 65% interest in seven mineral claims by each delivering 150,000 shares and $25,000 for the right to individually earn a 25% interest and each incurring exploration expenditures of $100,000 by February 28, 2006, and a combined total $3 million by October 31, 2009.

Wawa Diamond Property
This project is located 35 km north of Wawa in central Ontario on the northeast shore of Lake Superior along the Trans-Canada Highway (Hwy 17), covers 45 square kilometers.

In February 2005, Spider and KWG announced results of analytical work on eight of 30 samples collected from the Wawa Diamond Project. A total 76 diamonds with at least one dimension exceeding 0.8 millimetres were recovered by caustic fusion of the samples collected having a total weight of 0.61 carats, contained in a larger number of over 2,000 diamonds. In April 2005, Spider and KWG announced the receipt of additional sample results from the Wawa Diamond Project: 28 individual samples collected from surface outcrop identified a continuous diamond-bearing mineralized zone that is approximately 2400 square meters, where 2,336 diamonds were recovered with a minimum dimension of 0.15 mm. Consequently, core drilling would be considered for the 2006 exploration season in order to test a unique xenolith-bearing geological unit to depth. In May 2005, Spider and KWG announced that a 0.33 carat diamond, the second largest found in the Wawa area, was recovered from one of two 10-tonne bulk samples collected during the Fall of 2004. BK-8 contained 14 commercially recoverable diamonds and BK-9 yielded 10 commercially recoverable diamonds.

On October 27, 2005 Spider reported that following discoveries in 38 individual diamond occurrences on the property, it was focused on planning a bulk-sampling program including a rock characterization scoping study, and an initial process engineering budget of $150,000 was approved. A recovery-process scoping program has been developed for the Wawa Diamond Project to commence in October 2005, with the objective of determining the type of rock processing application that suits the Wawa rocks, which can effectively separate the diamond enriched xenoliths from diamond poor matrix. The joint-venture partners agreed to expend up to $150,000 on the scoping study.

Gremlin Property
Located within the Spider #3 Project Area, this property consists of 19 staked claims covering approximately 41.44 square kilometers. Grandview will be following up on the 2005 VTEM airborne geophysical survey where several linear anomalies have been detected. The Company is planning ground geophysics and geochemical surveying during 2006. Results will be announced in news releases when available.

Private Placement Financings
In October 2005, Spider completed a private placement of **8,276,285 units at $0.07/unit generating gross proceeds of $579,340**. The proceeds would enable Spider to resume exploration work on its joint-venture projects with KWG Resources. Programs for each of the James Bay Lowlands diamond (MacFadyen Kimberlite area) and MacFaulds Lake VMS discoveries were planned to begin after freeze-up (late November, early December). Also in October 2005, Spider closed a second private placement of **8,480,000 units at $0.05/unit for gross proceeds of $424,000**. Proceeds were to be used for general corporate purposes.

Amendment to Joint-Venture Agreement
On December 19, 2005 Spider and KWG announced a proposed amendment to the joint-venture agreement of 1992, since which the two companies have collectively spent $39 million over more than a decade developing exploration projects. The two parties agreed that they would focus separately on further exploration as follows:

- Spider will continue exploration of the McFaulds Lake VMS property, Wawa diamond property, the five Kyle kimberlites, the newly-acquired kimberlite target areas in the vicinity of McFaulds Lake and Kyle Lake, and the new Freewest option property, and
- KWG will continue exploration at the MacFayden kimberlite property, and will for the time being also support the costs related to the Freewest option and the newly acquired kimberlite targets in the vicinity of McFaulds Lake and Kyle Lake.

Each company agreed to have its ownership interest in a given project being explored by the other company diluted by not contributing to that project's exploration program. This enables each party to focus on the projects they most want to advance without requiring the other party's approval. Both parties were deemed to have a 50% interest in each project. A non-contributing party will be entitled, at a dilution of 33.33%, to contribute at its pro rata percentage interest, or be diluted to a 10% working interest, at which point it will be automatically converted into a 1% net proceeds from production in the case of diamonds, or 1% net smelter royalty in the case of primary precious metal deposits, or 0.5% net smelter royalty in the case of base metals. The amendment also allows either party to arrange new joint-venture partnerships for particular projects.

Spider management believes that market conditions for exploring, mining and selling base metals and diamonds is very favourable in Canada and elsewhere, and results achieved from exploration work has given management strong confidence in their potential to create shareholder value.

Subsequent Events
On January 3, 2006 Spider announced that it completed a **private placement of 3,840,000 flow-through units at $0.05/unit** generating proceeds of $192,000, each unit consisting of one flow-through common share and one common share purchase warrant of the Company.

On February 9, 2006 Spider announced that options were granted to senior officers of the Company to acquire 3.8 million common shares, and to non-management Directors to acquire 2 million shares, and to consultants to acquire 600,000 shares, all exercisable at $0.10 per share for a term of 5 years.

On February 20, 2006 Spider and KWG announced a comprehensive agreement with De Beers Canada Inc. for mutual assistance covering their adjoining properties in the James Bay Lowlands. As a consequence, the Spider/KWG joint venture expects to complete initial sampling of five diamondiferous pipes identified thus far at the **MacFayden property**. The Company also announced that it recovered 1,337 diamonds from an 8-kg sample at the **Wawa project**, as well as the following findings.

	Sample weight (kg)	Total weight (carats)	Total # recovered	Greater than 0.105 mm	Greater than 0.150 mm	Greater than 0.212 mm	Greater than 0.300 mm
Matrix	16.49	0.008	67	48	17	0	1
Xenolith	16.03	0.051	244	93	80	36	22
ROM	16.54	0.006	86	53	23	8	2

On March 7, 2006 Spider announced that it had completed, with KWG and Freewest, their winter drilling program on the **Freewest Option Property** and discovered a chrome-platinum-palladian bearing peridotite. They encountered an upper layer of massive chromite that assayed 22.7% Chrome, 0.166g/t Platinum, 0.24g/t Palladium over 1.05 meters, and a lower layer assayed 23.7% Chrome, 0.21g/t Platinum, 0.462g/t Palladium over 0.6 meters. Spider and KWG jointly funded the exploration program, completing initial option requirement to earn 50% in this project from Freewest. On January 11, 2006 Spider had announced that it had started the exploration program, and that $200,000 must be expended by the end of February to earn a 50% interest.

On March 23, 2006 Spider and KWG received a **SGS Lakefield Research Ltd. report** on encouraging rock characteristics of the **Wawa** diamond project. This report described potential beneficiation results based upon physical properties of the xenolith portion of the rock versus the matrix portion of the rock. Additional testwork concluded that most of the diamonds in the rock are contained within the xenolith; this was verified by caustic dissolution diamond analysis. Tests were undertaken to better understand the overall recoverability of diamond from rock, and to determine what process(es) can be used to separate the diamond bearing xenolith from less diamondiferous matrix. Spider is planning to follow up with SGS's recommendations, including diamond drilling the main diamond occurrence. A National Instrument 43-101 report is being prepared.

Spider also announced that it would undertake the **private placement of up to 10,714,285 a flow-through units** consisting of one flow-through share and one common share purchase warrant. Subject to completion of final documentation and TSX Venture Exchange approval, the first closing is anticipated on or about April 19, 2006. Proceeds will be used to incur Canadian Exploration Expenditures on Spider's projects.

Results of Operations

Fiscal Year 2005

Mineral exploration companies generally do not have revenue from operations, and expenditures are capitalized. Expenses in the year ended December 31, 2005 increased 38% from 2004 due to higher administrative and stock-option compensation costs. As a result the net loss for the year increased to approximately $1.3 million or 41% from the previous year. Cash decreased by the end of year 2005 due to significant investment in the Company's mining exploration projects, however subsequent to year end, Spider continued to raise capital with another private placement of flow-through units. During 2005, the Company managed to improve its financial condition, primarily by increasing the value of its mining property interests.

Selected Annual Information

The following table sets out Spider's financial performance highlights for the last three fiscal years ended December 31.

	2005	**2004** (see Note)	**2003**
Revenue – sale of geophysical/chemical data	$ 0	$ 0	$ 56,264
Expenses	1,403,236	1,016,273	480,789
Future income tax expense (recovery)	(121,360)	(109,368)	408,476
Net income (loss)	(1,281,876)	(909,905)	(833,001)
Net income (loss) per share	(0.006)	(0.006)	(0.006)
Cash flows from (used in) operating activities	(686,541)	(1,310,758)	(715,366)
Cash and cash equivalents, end of year	667,912	2,027,476	661,423
Assets	16,339,759	15,965,882	11,303,273
Long-term liabilities	2,840,492	2,961,852	3,071,220
Dividends	0	0	0

Note: As a result of Diagem International Resources exercising its option to convert its 8% interest in property jointly held by Spider and KWG, Spider was required to issue 9.6 million common shares to Diagem. The 2004 financial statements valued the shares issued at $2 million, which was the total value of funding to the joint venture, but since Spider owned a 48% interest in the joint venture, the value of the shares has been restated to 48% of $2 million or $960,000, and share capital and Mining Interest have been restated.

Summary of Quarterly Results

The following tables set out financial performance highlights for the last eight quarters.

	Fourth Quarter Dec.31, 2005	Third Quarter Sept.30, 2005	Second Quarter June 30, 2005	First Quarter Mar.31, 2005
Revenue	$ 0	$ 0	$ 0	$ 0
Expenses	332,635	275,677	438,828	356,096
Future income tax expense (recovery)	(121,360)	0	0	0
Net income (loss)	(211,275)	(275,677)	(438,828)	(356,096)
Net income (loss) per share	(0.00)	(0.00)	(0.00)	(0.00)
Cash flows from (used in) operating activities	(447,822)	(102,116)	(241,733)	105,130
Cash and cash equivalents, end of period	667,912	162,930	404,653	1,383,050
Assets	16,339,759	16,419,492	16,635,443	16,874,774
Long-term liabilities	2,840,492	2,961,852	2,961,852	2,961,852
Dividends	0	0	0	0

	Fourth Quarter Dec.31, 2004 (see Note)	Third Quarter Sept.30, 2004	Second Quarter June 30, 2004	First Quarter Mar.31, 2004
Revenue	$ 0	$ 0	$ 0	$ 0
Expenses	298,687	287,174	273,226	157,186
Future income tax expense (recovery)	(109,368)	0	0	0
Net income (loss)	(189,319)	(287,174)	(273,226)	(157,186)
Net income (loss) per share	(0.00)	(0.00)	(0.00)	(0.00)
Cash flows from (used in) operating activities	(175,406)	(584,020)	(324,203)	(227,129)
Cash and cash equivalents, end of period	2,027,476	835,302	819,041	1,468,278
Assets	15,965,882	13,134,147	12,063,565	12,190,634
Long-term liabilities	2,961,852	3,071,220	3,071,220	3,071,220
Dividends	0	0	0	0

Note: As a result of Diagem International Resources exercising its option to convert its 8% interest in property jointly held by Spider and KWG, Spider was required to issue 9.6 million common shares to Diagem. The 2004 financial statements valued the shares issued at $2 million, which was the total value of funding to the joint venture, but since Spider owned a 48% interest in the joint venture, the value of the shares has been restated to 48% of $2 million or $960,000, and share capital and Mining Interest have been restated.

Fourth Quarter 2005

In the three months ended December 31, 2005, Spider's expenses increased by approximately 11%, and cash flow used in operations increased substantially from the same period in 2004 due to higher administrative and stock-option costs. And the net loss in the fourth quarter was higher in 2005 than in the previous year.

Liquidity and Capital Resources

Spider reported working capital at the end of fiscal year 2005 of $1,077,371 ($2,586,997 as at December 31, 2004), and a cash balance of $667,912 ($2,027,476 at fiscal year end 2004).

At year end 2005, Spider had share capital with a book value of $24,694,860 (2004 – $23,515,283). The Company also had non-capital loss carry-forwards of approximately $3.2 million, capital loss carry-forwards of approximately $93,000 and Canadian Exploration Expenditures of approximately $4.1 million, which can be used to reduce taxable income of future years.

Based on assumptions about future business development, revenues and costs, management expects to have sufficient cash reserves to maintain operation throughout fiscal 2006.

At this time the Company is not anticipating a profit from operations, therefore it will rely on its ability to obtain equity or debt financing for growth. The exploration data and ownership interests in mining properties that Spider owns could provide a source of liquidity if need be.

Over the past twelve months, Spider has been able to raise funds with a series of private placements, typically issuing flow-through shares, which transfer deductibility of exploration expenditures to the investor.

Spider currently does not have any credit facilities with financial institutions. Since no significant capital expenditures are planned, management believes that it can continue operations in the short term with the Company's current capital resources. Thereafter, the Company will need additional capital.

Related Party Transactions
During the year 2005, Spider paid consulting fees of $36,000 (2004 – $60,000) to Rocknest Corp., a private company controlled by a Director and member of the Audit Committee of the Company. Spider also paid $60,000 (2004 – $60,000) to Nominex Ltd., a company controlled by the President & CEO, a Director and a family member, for geological services provided to the Company.

During the current year, the Company made contributions of $1,776,000 (2004 – $2,277,755) to the joint venture between Spider and KWG that were expended on behalf of the joint venture by Billiken Management Services Inc., the joint venture manager that has been engaged by KWG on behalf of the joint venture manager to execute the approved exploration programs proposed to the joint venture. Over the past five years, Billiken has been able to maintain a strong rapport with various contractors, many of which have been engaged by the joint venture from time to time, allowing for continuity in geological progress and planning. This has alleviated the Company's need to hire salaried geological or exploration staff, and thereby concentrating the outlay of funds to exploration activities. For doing so, Billiken received a management fee from the joint venture for its services, of which the Company's share was $172,000 (2004 – $187,393). Billiken is owned in part by Nominex Ltd. and Elen Enterprises Inc., which are private companies controlled by family members of the President, CEO and a Director, and a Director and member of the Audit Committee respectively.

During 2005, Spider paid consulting fees of $15,000 (2004 – $15,000) to a Director and a member of the Audit Committee, paid public and investor relations service fees of $35,000 (2004 – $20,700) to a Director, CFO and Vice-President, and paid $175,081 (2004 – $108,123) for legal services to a law firm in which the Corporate Secretary is a partner.

Off-Balance-Sheet Arrangements
The Company has not entered into any off-balance-sheet arrangements.

Critical Accounting Estimates
Spider did not rely on any critical accounting estimates in the latest quarter.

Changes in Accounting Policies
There were no changes to accounting policies in the latest quarter.

Financial and Other Instruments
The Company has not made use of any hedging or other financial instruments, and is not exposed to significant interest rate nor credit risks arising from its financial instruments.

Risks and Uncertainties
Spider's business of exploring mineral resources involves a variety of operational, financial and regulatory risks that are typical in the mining industry. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future, and Spider common shares should be considered speculative.

Disclosure Controls and Procedures
Management has ensured that there are disclosure controls and procedures that provide reasonable assurance that material information relating to the Company is disclosed on a timely basis, particularly information relevant to the period in which annual filings are being prepared. Management believes these disclosure controls and procedures have been effective during the fiscal year ended November 30, 2005.

Additional Disclosure for Venture Issuers without Significant Revenue
Spider had mining interests with accumulated costs of approximately $15 million at the end of the year 2005 (see Note 5 Mining Interests of the financial statements).

Disclosure of Outstanding Share Data
Spider's common shares are traded on the TSX Canadian Venture Exchange under the symbol SPQ. At year end 2005, Spider had: 216,442,680 shares issued and outstanding: 13,582,368 stock options with a weighted average exercise price of $0.15/share expiring in 2008 and 2009: and 43,014,870 warrants expiring between 2005 and 2007. For further information, see Note 7 of the 2005 financial statements.

Additional Information

Additional information relating to the Company is available on the Internet at the SEDAR website (www.sedar.com) and at the Company's website (www.spiderresources.com).

Spider Resources Inc.
(Incorporated under the laws of Canada)

Financial Statements

December 31, 2005 and 2004

February 24, 2006

Auditors' Report

To the Shareholders of
Spider Resources Inc.

We have audited the balance sheets of Spider Resources Inc. as at December 31, 2005 and 2004 and the statements of operations and deficit, and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

"McCarney Greenwood LLP"

Toronto, Canada

McCarney Greenwood LLP
Chartered Accountants

Spider Resources Inc.
(Incorporated under the laws of Canada)

	December 31, 2005	December 31, 2004 (Note 2)
Assets		
Current assets		
Cash	$ 231,302	$ 520,348
Cash restricted for flow-through expenditures (Note 3)	567,583	1,507,128
Funds held in trust	-	5,000
Marketable securities (Note 4)	49,200	49,200
Prepaid expenses and sundry receivables	43,689	324,560
Due from related parties (Note 6)	276,470	269,833
	1,168,244	2,676,069
Mining interests (Notes 3 and 5)	15,171,515	13,289,813
	$16,339,759	$15,965,882
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 90,873	$ 89,072
Future income tax liability (Note 8)	2,840,442	2,961,852
	2,931,315	3,050,924
Shareholders' Equity		
Share capital (Notes 3 and 7(a))	24,694,860	23,515,288
Warrants (Note 7(c))	1,951,287	1,915,920
Contributed surplus (Note 7(b))	964,773	404,400
(Deficit)	(14,202,476)	(12,920,650)
	13,408,444	12,914,958
	$16,339,759	$15,965,882

Approved by the Board "Neil Novak" Director "Earl Coleman" Director

	Year ended December 31, 2005	2004 (Note 2)
Expenses		
Administrative expenses	$ 836,603	$ 700,448
Stock-option compensation (Note 7(b))	566,633	315,825
	1,403,236	1,016,273
Net (loss) before income taxes	(1,403,236)	(1,016,273)
Future income tax (recovery) (Note 8)	(121,410)	(109,368)
Net (loss) for the year	(1,281,826)	(906,905)
(Deficit), beginning of year	(12,920,650)	(12,013,745)
(Deficit), end of year	$ (14,202,476)	$ (12,920,650)
Basic and diluted (loss) per share (Note 7(d))	$ (0.006)	$ (0.006)

Spider Resources Inc.

	Year ended December 31, 2005	2004 (Note 2)
Cash flows from operating activities		
Net (loss) for the year	$ (1,281,826)	$ (906,905)
Adjustment for:		
Stock-option compensation	566,633	315,825
Changes in non-cash working capital:		
Other receivables	(6,637)	(269,833)
Funds held in trust	5,000	6,327
Future income tax liability	(121,410)	(109,368)
Prepaid expenses and sundry receivables	280,871	(206,030)
Accounts payable and accrued liabilities	1,801	(140,774)
Cash flows (used in) operating activities	(555,568)	(1,310,758)
Cash flows from investing activity		
Additions to mining interest	(1,881,702)	(1,867,021)
Cash restricted for flow-through expenditures	939,545	(985,128)
Cash flows (used in) investing activity	(942,157)	(2,852,149)
Cash flows from financing activities		
Proceeds from issuance of share capital	1,195,340	3,175,047
Proceeds from the exercise of stock options	20,000	410,450
Proceeds from the exercise of warrants	74,167	1,398,000
Costs of issue	(80,828)	(439,665)
Cash flows from financing activities	1,208,679	4,543,832
Net change in cash	(289,046)	380,925
Cash, beginning of year	520,348	139,423
Cash, end of year	$ 231,302	$ 520,348

1. Significant accounting policies

Spider Resources Inc. (the "Company") is an exploration enterprise and carries on business in one segment, being the exploration for valuable minerals, exclusively in Canada.

The preparation of these 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 the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts and revenues and expenses during the reported period. Actual results may differ from these estimates.

The significant accounting policies are as follows:

(a) Share issue costs
The Company charges the share issue costs directly to share capital.

(b) Marketable securities
Marketable securities are carried at the lower of cost or quoted market value on an individual basis.

(c) Mining interests
Mining interests include wholly-owned mining properties, rights to acquire interests in mining properties and deferred exploration expenses.

The Company follows the practice of capitalizing all costs relative to the acquisition, exploration and development of its mining interests. These costs are to be amortized over the estimated productive life of the property if it is placed into commercial production. If a property is sold, or abandoned, or exploration results are negative and no further work is planned in the foreseeable future, the related costs are charged to operations in that year.

The recorded book value of mining interests is not intended to reflect their present or future value.

The recoverability of amounts shown for mining interests and related deferred exploration expenditures is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete development, and future profitable production or proceeds from the disposition thereof.

1. Significant accounting policies (continued)

(c) Mining interests (continued)

Proceeds from the sale of a mining interest are applied against related carrying costs and any excess is reflected as a gain in the statement of operations. In the case of a partial sale, if carrying costs exceed the proceeds, only the loss is reflected.

(d) Asset retirement obligation

The fair value of the liability for the future site removal and restoration costs based on estimated third party costs is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated expenditures are capitalized as part of the carrying value of the mineral property and depreciated over the life of the property. The liability is increased over time to reflect and accretion element considered in the initial measurement at fair value. The amount of liability is subject to re-measurement at each reporting period.

(e) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, income taxes are recognized for the future income tax consequences attributable to the difference between the financial statement carrying values of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using the substantively enacted income tax rates that are expected to apply when the asset is realized or the liability is settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period that includes the rate change. Future income tax assets are periodically evaluated and if realization is not considered "more likely than not", a valuation allowance is provided.

(f) Flow-through financing

The Company has financed a portion of its exploration activities through the issue of flow-through shares which transfer deductibility of exploration expenditures to the investor. Proceeds received on the issue of such shares have been credited to share capital and the related exploration costs have been charged to mining and resource properties. When the expenses are renounced to the investors, the tax value of the renunciation is recorded as a liability and charged against share capital.

(g) Stock based compensation

The CICA Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments requires that compensation for option awards to employees be recognized in the financial statements at fair value for options granted in fiscal years beginning on or after January 1, 2004. The Company, as permitted by CICA Handbook Section 3870, has adopted this section prospectively for new option awards granted on or after January 1, 2003.

2. Correction of prior year error

On November 18, 2004 the Company announced that Diagem International Resources Corp. ("Diagem") elected to exercise its option to convert its 8% interest in a property jointly held by the Company and KWG Resources Inc. (the "Joint Venture"). This conversion required the Company to issue 9.6 million common shares to Diagem, which represented just over 5% of the Company's issued and outstanding shares at that time. Diagem's 8% interest was earned upon its recent completion of an expenditure of $2,000,000 of flow-through funding on the Joint Venture's main diamond and base metal projects in Ontario Canada. The 2004 financial statements valued the common stock issued on the conversion of property rights by Diagem at $2,000,000 which was the total value of the funding to the Joint Venture. As the Company is a 48% partner in the joint venture the value of the shares has been restated to 48% of $2,000,000 or $960,000. Share capital and Mining interests have been restated for this error in the valuation of the Conversion of Property rights by Diagem on November 18, 2004. The comparative figures have been restated to reflect this change.

3. Cash Restricted For Flow-Through Expenditures

In October 2005, 8,276,285 common shares were issued for cash under a private placement, flow-through financing. The terms of the financing include the issuance of 8,26,285 "flow-through" common shares of the Company at $0.07 per share for gross proceeds of $579,340.

In December 2005, 3,840,000 common shares were issued for cash under a private placement, flow-through financing. The terms of the financing include the issuance of 3,840,000 "flow-through" common shares of the Company at $0.05 per share for gross proceeds of $192,000.

Flow-through common shares require the Company to pay an amount equivalent to the proceeds of the issue on prescribed resource expenditures. If the Company does not incur the committed resource expenditures, it will be required to indemnify the holders of the shares for any tax and other costs payable by them as a result of the Company not making the required resource expenditures. As at December 31, 2005, the Company's remaining commitment with respect to unspent resource expenditures under flow-through common share agreements is $567,583 for the 2005 issuances (2004 - $1,507,128), which includes funds held in trust of $130,973 (2004 - $Nil).

4. Marketable securities

The marketable securities are comprised of 123,000 shares of PGM Ventures Corporation, a publicly traded company on the TSX Venture Exchange. As at December 31, 2005 the market value of the shares is $94,710 (2004 - $57,810).

5. Mining interests

	Acquisition Costs		Deferred Exploration Expenses	
	2005	**2004**	**2005**	**2004**
Canada				
Spider #1 (a) -50% interest	$ 1,983,760	$ 1,983,760	$ 7,329,737	$ 7,204,360
Wawa (b) -50% interest	466,173	466,173	838,882	741,031
McFaulds Lake (c) -50% interest	-	-	4,471,023	2,850,512
Kitchie Lake (d) -50% interest	30,477	30,477	26,463	13,500
Freewest (e) -25% interest	25,000	-	-	-
	$ 2,505,410	$ 2,480,410	$12,666,105	$10,809,403

Acquisition costs and deferred exploration expenses

	2005	2004
Balance at beginning of year (restated - see Note 3)	$13,289,813	$10,462,793
Acquisition cost and deferred exploration expenses	1,881,702	2,827,020
	$15,171,515	$13,289,813

(a) The group of claims described as the Spider #1 project is subject to the terms of a joint venture exploration agreement with KWG Resources Inc. ("KWG") whereby both parties must contribute, on a pro rata basis, to all incurred expenditures or undergo dilution.

The Spider #1 project, except for the Kyle Lake #1 Kimberlite, is subject to an agreement whereby Ashton Mining of Canada Inc. may acquire a 25% interest by reimbursing 300% of the exploration and evaluation costs of the discovery prior to the decision to mine. The Company would be awarded a pro rata portion of the reimbursement.

5. Mining interests (continued)

(b) The Wawa project is jointly held with KWG with pro rata interest levels adjusted annually in accordance with companies exploration expenditures. The project consists of 45 square kilometres of exploration terrain located 35 kilometres north of the town of Wawa, Ontario.

(c) McFaulds Lake adjoins Spider #1 area. McFaulds Lake project area measures 70 kilometres by 180 kilometres, and covers approximately 13,000 square kilometres within the Porcupine and Thunder Bay Mining Divisions in the James Bay Lowlands in Ontario. This project area was created as a logical extension to the Spider #1 exploration project area.

(d) Kitchie Lake project at present consists of 32 restaked claims covering approximately 82 square kilometres. The claims were restaked by the Company and its joint venture partner KWG. At present no work apart from the restaking has taken place.

(e) On December 2, 2005 the Company and its joint venture partner KWG entered into an agreement with Freewest Resources Inc. to acquire up to a 65% interest in 7 mineral claims, constituting 78 claim units, located immediately west of and contiguous to the Company's and KWG's McFaulds Lake Volcanogenic Massive Sulphide in northern Ontario. Pursuant to the agreement, the Company must issue 150,000 common shares and pay $25,000 (paid) for the right to individually earn a 25% interest by each incurring $100,000 of exploration expenditures by February 28, 2006 (incurred) and a combined total of exploration expenditures of $3 million by October 31, 2009. The joint venture may earn an additional combined 10% interest upon subsequent delivery of a bankable feasibility study. The joint venture may then increase their combined interest to 65% for arranging production financing.

6. Related party transactions not disclosed elsewhere

During the current year the Company paid management fees of $36,000 (2004 - $60,000) to Rocknest Corp., a private company controlled by a director and a member of the audit committee of the Company. The Company also paid $60,000 (2004 -$60,000) to Nominex Ltd., a company controlled by the President, Chief Executive Officer, director and a family member for geological services provided to the Company. As at December 31, 2005 a balance due to one director and his company, related to management fees, totaled $10,888 (2004 - $Nil) and was included in accounts payable and accrued liabilities.

During the current year the Company made contributions of $1,776,000 (2004 - $2,277,755) to the joint venture between the Company and KWG, which were expended on behalf of the joint venture by Billiken Management Services Inc. ("Billiken"), the joint venture manager engaged by KWG on behalf of the joint venture manager to execute the approved exploration programs proposed to the joint venture. Billiken received a management fee from the joint venture for its services, of which the Company's share was $171,822 (2004 - $187,393). In addition, Billiken received $14,000 (2004 - $45,185) for services provided to the Company. Billiken is owned in part by Nominex and Elen Enterprises Inc. which are private companies controlled by family members of the President, Chief Executive Officer and a director, and a director and member of the audit committee respectively. As at December 31, 2005 there are balances due from Billiken Management of $174,470 (2004 - $155,064) and due from KWG of $102,000 (2004 - $114,769) included in due from related parties.

During the current year, the Company paid three directors $NIL (2004 - $12,498) for directors fees.

During the current year, the Company paid consulting fees of $15,000 (2004 - $15,000) to a director and a member of audit committee, public and investor relations services of $35,000 (2004 - $20,700) to another director, Chief Financial Officer and Vice-President, and paid $175,081 (2004 - $108,123) for legal services to a law firm in which the Corporate Secretary is a partner.

These transactions are 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.

7. Share capital

Authorized
An unlimited number of common and preference shares issuable in series.

Issued
Changes in the Company's issued share capital were as follows:

	Number of shares	$
(a) Common shares		
Balance, December 31, 2003	145,353,979	19,204,997
Private placement - flow-through (i)	5,000,000	500,000
Warrant valuation (i)	-	(245,000)
Broker warrant valuation (ii)	-	(27,000)
Private placement - flow-through (iii)	5,000,000	500,000
Broker warrant valuation (iii)	-	(35,000)
Private placement - flow-through (iv)	5,491,665	659,000
Warrant valuation (iv)	-	(329,500)
Broker warrant valuation (iv)	-	(30,000)
Private placement - flow-through (v)	8,917,918	1,516,046
Warrant valuation (v)	-	(775,911)
Broker warrant valuation (v)	-	(66,529)
Conversion of property rights (vi) (restated - Note 2)	9,600,000	960,000
Exercise of stock options	4,049,500	410,450
Exercise of warrants	11,650,000	1,398,000
Reversal of warrant valuation on exercise of warrants	-	221,350
Expiry of warrants	-	94,050
Cost of issue - cash	-	(439,665)
Balance, December 31, 2004	195,063,062	23,515,288
Exercise of stock options	200,000	20,000
Reversal of stock option valuation on exercise of stock options	-	6,260
Exercise of warrants	583,333	74,167
Reversal of warrant valuation on exercise of warrants	-	29,500
Private placement - flow-through (vii)	8,276,285	579,340
Warrant valuation (vii)	-	(256,565)
Broker warrant valuation (vii)	-	(30,622)
Private placement (viii)	8,480,000	424,000
Warrant valuation (viii)	-	(110,240)
Private placement - flow-through (ix)	3,840,000	192,000
Warrant valuation (ix)	-	(49,920)
Expiry of warrants	-	382,480
Cost of issue - cash	-	(80,828)
Balance, December 31, 2005	216,442,680	24,694,860

7. Share capital (continued)

(i) The Company completed a private placement for the sale of 5,000,000 non flow-through units at $0.10 per unit with gross proceeds of $500,000. Each unit consists of one common share and one share purchase warrant exercisable for one common share of the Company for a period of twenty-four months at an exercise price of $0.125 per common share. The fair value of the common share purchase warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: dividend yield 0%, volatility of 100%, risk-free interest rate of 4.0% and an expected life of 24 months. As a result, the fair value was determined to be $245,000.

(ii) The agent associated with the above private placement received a cash commission of $45,000 and warrants to purchase 500,000 common shares at a price of $0.10 per share. These warrants are exercisable for a two year period. The fair value of these warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: dividend yield 0%, volatility of 100%, risk-free interest rate of 4.0% and an expected life of 24 months. As a result, the fair value was determined to be $27,000.

(iii) On August 9, 2004, the Company closed a flow-through financing arrangement facilitated by Dundee Securities Corporation for an aggregate amount of $500,000. Pursuant to the flow-through private placement, the Company issued 5,000,000 flow-through shares at $0.10 per share. Dundee Securities Corporation, acting as agent, received a fee of $35,000 representing 7% of the gross proceeds of the private placement and a warrant to purchase up to 500,000 shares representing 10% of the number of flow-through shares issued. These warrants are exercisable for a two year period. The warrants will be exercisable for $0.10 per common share. The fair value of these warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: dividend yield 0%, volatility of 100%, risk-free interest rate of 4% and an expected life of 24 months. As a result the fair value was determined to be $35,000.

7. Share capital (continued)

(iv) On September 17, 2004, the Company closed the first tranche of a flow-through financing for an aggregate amount of $500,000 and on September 27, 2004 closed the second tranche for an aggregate amount of $159,000. Pursuant to the flow-through private placement, the Company issued 4,166,666 units on September 17, 2004 and 1,324,999 units on September 27 at $0.12 per unit. Each unit is comprised of one common share, to be issued as a "flow-through share" and one common share purchase warrant. Each common share purchase warrant entitles the holder thereof to purchase one common share that is not a "flow-through" share at an exercise price of $0.14 per common share for a period of 24 months from the date of issuance of the warrant. The fair value of these warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: dividend yield 0%, volatility of 100%, risk-free interest rate of 4.0% and an expected life of 24 months. As a result the fair value was determined to be $329,500.

Limited Market Dealer Inc., acting as agent for the first tranche, received a fee of $25,000 representing 5% of the gross proceeds of the private placement and a warrant to purchase up to 500,000 common shares. The fair value of these warrants were estimated using the Black-Scholes option pricing model based on the following assumptions: dividend yield 0%, volatility of 100%, risk-free interest rate of 4% and an expected life of 24 months. As a result the fair value was determined to be $30,000.

(v) On December 30, 2004, the Company closed a flow-through private placement for proceeds of specific $1,516,046. Pursuant to this offering, the Company issued 8,917,918 units at the price of $0.17 per unit. Each unit consists of one flow-through common share and one common share purchase warrant, each of which entitles the holder thereof to purchase one common share that is not a "flow-through" share at an exercise price of $0.19 at any time on or before 5:00 p.m. (Toronto time) on December 30, 2006. The fair value of these warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: dividend yield 0%, volatility of 100%, risk-free interest rate of 4.0% and an expected life of 24 months. As a result the fair value was determined to be $775,911.

The transaction was concluded on both a brokered and non-brokered basis. The Mineral Fields Group purchased an aggregate of 7,647,705 units through a brokered arrangement with Limited Market Dealer Inc. (the "Broker"). Pursuant to this arrangement the Broker was paid a 4% cash finder's fee totaling $52,000 and a 5%

7. Share capital (continued)

due diligence fee totaling $69,500 (including GST). Additionally, the Broker received 764,705 broker's warrants, each of which entitles the Broker to purchase one common share that is not a "flow-through" share at an exercise price of $0.19 until December 30, 2006. The remaining 1,035,519 units were sold on a non-brokered basis. The fair value of these warrants were estimated using the Black-Scholes option pricing model based on the following assumptions: dividend yield 0%, volatility of 100%, risk-free interest rate of 4.0% and an expected life of 24 months. As a result the fair value was determined to be $66,529.

(vi) On November 18, 2004 the Company announced that Diagem International Resources Corp. ("Diagem") has elected to exercise its option to convert its 8% interest in property jointly held by Spider and KWG Resources Inc. (the "Joint Venture "). This conversion required the Company issue 9.6 million common shares to Diagem, which represented just over 5% of the Company's issued and outstanding shares at that time. Diagem's 8% interest was earned upon its recent completion of an expenditure of $2,000,000 of flow-through funding on the Joint Venture's main diamond and base metal projects in Ontario, Canada. See Note (2) for correction of prior year error.

These expenditures included drilling at the McFauld's Lake Volcanogenic Massive Sulphide discovery, drilling of newly discovered diamoniferous kimberlite bodies North West of DeBeers, Victor Kimberlite Pipe, and processing of diamond bearing bulk samples from the Wawa, Ontario area.

(vii) On October 20, 2005, the Company closed a flow-through financing arrangement facilitated by Wellington West Capital Inc. for an aggregate amount of $579,340. Pursuant to the flow-through private placement, the Company issued 8,276,285 units at $0.07 per unit. Each unit is comprised of one flow-through common share and one common share purchase warrant of the Company. Each common share purchase warrant entitles the holder thereof to purchase one common share that is not a "flow-through" share at an exercise price of $0.10 per common share at any time on or before 5:00 p.m. (Toronto time) on the date that is 24 months from the date of issuance of the warrant. The fair value of these warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: dividend yield 0%, volatility of 100%, risk-free interest rate of 3.45% and an expected life of 24 months. As a result the fair value was determined to be $256,565.

7. Share capital (continued)

Wellington West Capital Inc., acting as agent, received a fee of $40,554 representing 7% of the gross proceeds of the private placement and warrants to purchase up to 827,629 common shares representing 10% of the number of flow-through shares issued. These warrants are exercisable for a two year period and are exercisable for $0.07 per share. The fair value of these warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: dividend yield 0%, volatility of 100%, risk-free interest rate of 3.45% and an expected life of 24 months. As a result the fair value was determined to be $30,622.

(viii) On October 25, 2005, the Company closed a private placement for proceeds of $424,000. Pursuant to this offering, Spider issued 8,480,000 units at the price of $0.05 per unit. Each unit consists of one common share of Spider and one common share purchase warrant, each of which entitles the holder thereof to purchase one common share of the Company at an exercise price of $0.10 at any time for a period of eighteen months from the date of issue of the closing of the private placement. The fair value of these warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: dividend yield 0%, volatility of 98.38%, risk-free interest rate of 3.49% and an expected life of 16 months. As a result the fair value of the warrants was determined to be $110,240.

(ix) On December 30, 2005, the Company closed a flow-through private placement for proceeds of $192,000. Pursuant to to this offering, the Company issued 3,840,000 flow-through units at $0.05 per unit. Each unit consists of one flow-through common share and one common share purchase warrant of the Company. Each warrant will entitle the holder thereof to purchase one common share that is not a "flow-through" share at a price of $0.10 per share for a period of eighteen months from the date of the closing of the private placement. The flow-through common shares, the common share purchase warrants and the underlying common shares issued in this offering have a holding period of four months expiring on May 1, 2006. No finder's fee has been paid for this offering. The fair value of these warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: dividend yield 0%, volatility of 98.57%, risk-free interest rate of 3.85% and an expected life of 16 months. As a result the fair value of the warrants was determined to be $49,920.

7. Share capital (continued)

(b) Stock Options:

The Company maintains an employee stock option plan under which the Board of Directors, or a committee appointed for such purpose, may from time to time grant to employees, officers, directors of, or consultants to, the Company, options to acquire common shares in such numbers, for such terms, and at such exercise prices, as may be determined by the Board or such committee.

The stock option plan provides that the maximum number of common share's in the capital of the Company that may be reserved for issuance for all purposes under the stock option plan shall be equal to 10% of the total issued and outstanding common shares and that the maximum number of common shares which may be reserved for issuance to any one optionee pursuant to share options may not exceed 5% of the common shares outstanding at the time of grant.

The options are valid for a maximum of five years from the date of issue. Vesting of options shall occur over a period of not less than eighteen months and shall be released from time to time as determined by the Board of Directors of the Company in accordance with applicable stock exchange or other regulatory requirements. The exercise price of options equals the closing price of the Company's stock on the last trading day prior to the date of grant and the minimum exercise price is $0.10 per share.

7. Share capital (continued)

The changes in stock options for each of the years ended December 31 are as follows:

	2005 Number	2005 Weighted exercise price per share	2004 Number	2004 Weighted exercise price per share
Balance outstanding, beginning of year	17,167,368	$ 0.14	11,816,868	$ 0.11
Activity in the year:				
Granted	-	-	9,400,000	0.17
Exercised	(200,000)	(0.10)	(4,049,500)	0.10
Expired / Cancelled	(3,385,000)	(0.11)	-	-
Balance outstanding, end of year	13,582,368	$ 0.15	17,167,368	$ 0.14
Options exercisable at year end	11,315,701		9,067,368	
Weighted average fair value of options granted during the year		$ -		$ 0.17

As of December 31, 2005 the following stock options were outstanding and exercisable:

	Options outstanding			Options exercisable	
Expiry Date	Number of Options	Weighted average remaining contractual life	Weighted average exercise price	Number of Options	Weighted average exercise price
March 18, 2008	1,132,368	2.21 years	$ 0.10	1,132,368	$ 0.10
April 2, 2008	750,000	2.25	$ 0.13	750,000	$ 0.13
July 3, 2008	1,150,000	2.50	$ 0.12	1,150,000	$ 0.12
July 28, 2008	850,000	2.57	$ 0.12	850,000	$ 0.12
December 10, 2008	300,000	2.94	$0.135	300,000	$0.135
March 4, 2009	2,600,000	3.17	$ 0.22	2,600,000	$ 0.22
December 23, 2009	6,800,000	3.98	$ 0.15	4,533,333	$ 0.15
	13,582,368	3.35	$ 0.15	11,315,701	$ 0.13

7. Share capital (continued)

During the year Nil stock options were granted. The options granted are expensed in the statement of operations and deficit and will be credited to contributed surplus over the vesting period. At December 31, 2005 the following options had vested and are expensed:

Option Grant Date	Number of options vested	Amount expensed
March 4, 2004 (i)	1,300,000	167,700
December 23, 2004 (ii)	4,533,333	398,933
	5,833,333	$ 566,633

The following table sets out the remaining options to be expensed as they vest:

Option Grant Date	Number of options to vest	Amount expensed
December 23, 2004 (ii)	2,266,667	$ 199,467

(i) The value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, expected volatility 89.66%, risk-free interest rate 4.0% and an expected life of 3 years.

(ii) The value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, expected volatility 89.66%, risk-free interest rate 4.0% and an expected life 3 years.

The following is a continuity of contributed surplus:

Balance, December 31, 2003	$ 88,575
Stock-option compensation	315,825
Balance, December 31, 2004	404,400
Reversal of valuation on exercise of stock options	(6,260)
Stock-option compensation	566,633
Balance, December 31, 2005	$ 964,773

7. Share capital (continued)

(c) Warrants

The Company sold various warrants during the year in connection with its private placements. The following table sets out the warrant activity for each of the years:

	Number of warrants	$
Balance, December 31, 2003	25,420,000	722,380
Private placement - non flow-through (i)	5,000,000	245,000
Broker warrants on above private placement (ii)	500,000	27,000
Broker warrants on flow-through private placement (iii)	500,000	35,000
Private placement - flow-through (iv)	5,491,665	329,500
Broker warrants on above private placement (iv)	500,000	30,000
Private placement - flow-through (v)	8,917,918	775,911
Broker warrants on above private placement (v)	764,705	66,529
Expiry of warrants	(4,950,000)	(94,050)
Exercise of warrants	11,650,000)	(221,350)
Balance, December 31, 2004	30,494,288	1,915,920
Exercise of warrants	(583,333)	(29,500)
Private placement - flow-through (vi)	8,276,285	256,565
Broker warrants on above private placement (vi)	827,629	30,622
Private placement (vii)	8,480,000	110,240
Private placement - flow-through (viii)	3,840,000	49,920
Expiry of warrants	(8,320,000)	(382,480)
Balance, December 31, 2005	**43,014,869**	**1,951,287**

(i) See Note 7(a)(i) for assumptions used in the Black-Scholes option pricing model.

(ii) See Note 7(a)(ii) for assumptions used in the Black-Scholes option pricing model.

(iii) See Note 7(a)(iii) for assumptions used in the Black-Scholes option pricing model.

(iii) See Note 7(a)(iii) for assumptions used in the Black-Scholes option pricing model.

(iv) See Note 7(a)(iv) for assumptions used in the Black-Scholes option pricing model.

7. Share capital (continued)

(v) See Note 7(a)(v) for assumptions used in the Black-Scholes option pricing model.

(vi) See Note 7(a)(vii) for assumptions used in the Black-Scholes option pricing model.

(vii) See Note 7(a)(viii) for assumptions used in the Black-Scholes option pricing model.

(viii) See Note 7(a)(ix) for assumptions used in the Black-Scholes option pricing model.

The following table summarizes the warrants outstanding at each December 31:

Exercise price per share	Expiry Date	Number of warrants outstanding at December 31 2005	2004
0.125	November 28, 2005	-	3,600,000
0.125	December 30, 2005	-	5,220,000
0.125	January 19, 2006	5,500,000	5,500,000
0.10	August 9, 2006	500,000	500,000
0.14	September 17, 2006	4,666,666	4,666,667
0.14	September 27, 2006	1,241,666	1,324,999
0.19	December 30, 2006	8,917,918	8,917,918
0.19	December 30, 2006	764,705	764,705
0.10	October 20, 2007	8,276,285	-
0.07	October 20, 2007	827,629	-
0.10	April 24,2007	8,480,000	-
0.10	June 30, 2007	3,840,000	-
		43,014,869	30,494,289

7. Share capital (continued)

(d) Basic and diluted (loss) per share

The following table sets forth the computation of basic and diluted (loss) per share:

	2005	2004
Numerator:		
(Loss) for the year	$ (1,281,826)	$ (906,905)
Numerator for basic and diluted (loss) per share	$ (1,281,826)	$ (906,905)
Denominator:		
Weighted average number of common shares	199,641,043	161,106,453
Denominator for basic (loss) per share	199,641,043	161,106,453
Effect of dilutive securities:		
Stock options (i)	-	-
Warrants (i)	-	-
Denominator for diluted (loss) per share	199,641,043	161,106,453
Basic (loss) per share	$ (0.006)	$ (0.006)
Diluted (loss) per share	$ (0.006)	$ (0.006)

(i) The stock options and warrants were not included in the computation of diluted (loss) per share as their inclusion would be anti-dilutive.

8. Income taxes

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts for tax purposes.

The Company has one future tax liability which arose from a difference between the carrying amount of the resource properties and their tax bases, and one future tax asset resulting from non-capital losses carried forward. The reason for the difference on the resource properties is due to the issuance of flow-through shares to investors which results in the expenditures being renounced to the investors. As a result the tax base is much lower than the properties carrying amount for accounting purposes. Since the resource property is classified as long-term the associated future income tax liability will also be classified as long-term. The future tax liability and asset are as follows:

	2005	2004
Future income tax liability:		
Resource properties	$ (3,992,291)	$ (3,992,292)
Future income tax asset		
Non-capital losses carried forward	1,151,849	1,030,440
	$ (2,840,442)	$ (2,961,852)

In accordance with CICA Handbook EIC 146, the benefit of non-capital losses carried forward has been used to reduce the future income tax liability. This requirement has been applied commencing prospectively.

The Company also has the following additional future income tax assets:

	2005	2004
Future income tax assets:		
Capital loss carryforwards	$ 16,812	$ 33,652
Cumulative eligible capital	16,640	16,640
Share issue costs	156,905	176,983
Total future tax assets	190,357	227,275
Valuation allowance	(190,357)	(227,275)
Net future income tax assets	$ -	$ -

8. Income taxes (continued)

The Company provided a valuation allowance equal to the future tax assets as it is not presently considered more likely than not that they will be realized. The Company's income tax (recovery) for each of the years ended is as follows:

	2005	2004
Current income tax (recovery)	$ -	$ -
Future income tax (recovery)	(121,410)	(109,368)
Total income tax (recovery)	$ (121,410)	$ (109,368)

The Company's actual income tax (recovery) for each of the years ended is made up as follows:

	2005	2004
(Loss) before income taxes	$ (1,403,236)	$ (1,016,273)
Income tax (recovery) at the combined federal and provincial rates of 36.12%	(506,849)	(367,078)
Change in tax rates	-	(41,933)
Non-deductible stock-option compensation	204,668	114,076
Share issue costs written off over 5 years	(56,828)	(56,536)
Change in resource pool versus carrying amount	237,599	963,005
Recognition of prior year's non-capital losses	-	(719,649)
Miscellaneous	-	(1,253)
Total income tax (recovery)	$ (121,410)	$ (109,368)

The Company has non-capital loss carryforwards of approximately $3,189,000, capital loss carryforwards of approximately $93,000 and Canadian Exploration Expenditures of approximately $3,923,000 which can be used to reduce taxable income of future years. Only the benefit from the non-capital loss carryforwards has been recorded in these financial statements. The non-capital losses will expire as follows:

2006	$ 150,000
2007	148,000
2008	448,000
2009	174,000
2010	415,000
2014	860,000
2015	994,000
	$ 3,189,000

9. Supplementary cash flow information

The Company did not pay any income taxes or interest during either of the two years ended December 31, 2005 and December 2004.

10. Income tax on flow-through shares

Under the terms of Canadian flow-through share legislation, the tax attributes of qualifying expenditures are renounced to subscribers. To recognize the foregone tax benefits, share capital is reduced and a future income tax liability is recognized as the related expenditures are renounced. This future income tax liability is then reduced by the recognition of previously unrecorded future income tax assets on unused non-capital losses. The Company will record the future tax liability relating to the flow-through shares issued in 2005 when they are renounced, subsequent to December 31, 2005.

In connection with the issuance of flow-through shares under the private placements as referred to in Note 7(a)(vii) and (ix) above, the Company will renounce $579,340 and $192,000 of qualifying expenditures respectively to the shareholders subsequent to year end. The tax benefits forgone by the Company relating to these renunciations at the current tax rates amounted to $209,260 and $69,350 respectively.

11. Financial instruments

Fair value of financial instruments
The Company's financial instruments include cash, funds held in trust, marketable securities, accounts payable and accrued liabilities, and notes payable. The carrying value of these financial instruments approximates their fair value due to the short term nature of these items.

Commodity price risk
The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals. If the Company locates a mineral deposit, it will be subject to commodity price risk.

12. Segmented information

The Company's operations comprise a single reporting operating segment engaged in the business of mineral exploration. As the operations comprise a single reporting segment amounts disclosed in the statements for loss for the year and loss per share also represent segment amounts.

All of the Company's operations and assets are located in Canada.

13. Subsequent events

(a) On February 1, 2006 the Company announced a ratification of the joint venture agreement with KWG such that each partner can directly fund the project they have the greatest confidence in, so that the ownership interest will be amended upward to 66.6% in favour of the company that is funding the work on each project. Once that level has been achieved, both parties will be required to fund the ongoing exploration, in proportion to their respective interest (66.6% or 33.3% as the case may be, on a project by project basis). To the extent that one party does not contribute its proportionate share of future expenditures once the 2/3 - 1/3 interests have been achieved, normal rights of dilution shall apply such that once ownership has fallen below 10% of any given exploration project, a partner's interest in the project will be converted automatically to a royalty.

(b) On February 9, 2006 the Company granted 4,300,000 stock options to senior officers, 2,000,000 stock options to non-management directors and 600,000 stock options to consultants of the Company. The options are exercisable at $0.10 per share for a term of 5 years.

The value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, expected volatility 161.94%, risk-free interest rate 4.11% and an expected life of 4.35 years. As a result the fair value of the stock options was determined to be $600,300.