



**SPRUCE RIDGE RESOURCES LTD.**

**FINANCIAL STATEMENTS**

**Three Months Ended July 31, 2016**

**(Unaudited and Prepared by Management)**

## **SPRUCE RIDGE RESOURCES LTD.**

### **NOTICE OF NO AUDIT REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

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

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

*"John Ryan"*

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John Ryan  
President and Chief Executive Officer

September 28, 2016

SPRUCE RIDGE RESOURCES LTD.  
Statements of Financial Position

	<i>Notes</i>	<b>As at July 31 2016</b>	<b>As at April 30 2016</b>
		\$	\$
<b>Assets</b>			
Current			
Cash		6,817	186
HST receivable	3	3,680	45,873
Other receivable	3	2,034	1,525
Security deposit	5	17,718	17,718
Marketable securities	4	23,509	25,555
Prepaid expenses	5	5,238	6,217
		58,996	97,074
Exploration and evaluation assets	6	1,219,692	1,191,014
Property and equipment, net	8	129,072	132,285
<b>Total Assets</b>		<b>1,407,760</b>	<b>1,420,373</b>
<b>Liabilities</b>			
Current			
Accounts payable and accrued liabilities	9	354,177	418,890
Payroll taxes		-	3,310
Due to director	10, 12	205,028	271,865
		559,205	694,065
<b>Shareholders' Equity</b>			
Share capital	11(b)	9,265,377	9,196,377
Shares to be issued		-	200,000
Warrants	11(c)	318,225	5,225
Contributed surplus	11(d)(e)	3,218,023	3,218,023
Deficit		(11,953,070)	(11,893,317)
<b>Total Shareholders' Equity</b>		<b>848,555</b>	<b>726,308</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>1,407,760</b>	<b>1,420,373</b>
Nature of operations and going concern	1		

**Approved by the Board on September 28, 2016**

Signed: "John A. Ryan"

Signed: "Marc Askenasi"

**SPRUCE RIDGE RESOURCES LTD.**  
**Statements of Changes in Equity**  
**July 31, 2016 and July 31, 2015**

	Share Capital \$	Shares to be Issued \$	Warrants \$	Contributed Surplus \$	Deficit \$	Total \$
<b>Balance, April 30, 2016</b>	9,196,377	200,000	5,225	3,218,023	(11,893,317)	726,308
Shares issued from private placement April 2016	200,000	(200,000)	-	-	-	-
Black scholes from private placement April 2016	(130,600)	-	130,600	-	-	-
Private placement - May 2016	200,000	-	-	-	-	200,000
Private placement - share issue costs	(18,000)	-	-	-	-	(18,000)
Black scholes from private placement	(182,400)	-	182,400	-	-	-
Loss and comprehensive loss	-	-	-	-	(59,753)	(59,753)
<b>Balance, July 31, 2016</b>	9,265,377	-	318,225	3,218,023	(11,953,070)	848,555
<b>Balance, April 30, 2015</b>	9,106,377		6,028	3,211,995	(11,539,705)	784,695
Warrants expired	-		(6,028)	6,028	-	-
Loss and comprehensive loss	-		-	-	(22,456)	(22,456)
<b>Balance, July 31, 2015</b>	9,106,377	-	-	3,218,023	(11,562,161)	762,239

The Company did not have any Accumulated Other Comprehensive Income/Loss during the year.

SPRUCE RIDGE RESOURCES LTD.  
Statements of Loss and Comprehensive Loss

<b>For the three months ended July 31,</b>	<b>2016</b>	<b>2015</b>
	\$	\$
<b>Expenses</b>		
Management fee	13,000	9,000
Amortization	3,213	3,837
Exploration expenses (Note 7)	29,180	2,500
Professional fees	6,000	5,250
Filing fees	3,680	-
Office and general	38	46
Investor and shareholder relations	6,246	613
Interest expenses	5,635	-
Property expenses	1,990	1,337
Travel	-	45
	68,982	22,628
<b>Net operating loss before other income</b>	<b>(68,982)</b>	<b>(22,628)</b>
Rental income	1,875	1,650
Loss on sale of marketable securities	(407)	-
Marketable securities - fair value adjustment	7,761	(1,478)
<b>Net loss and comprehensive loss</b>	<b>(59,753)</b>	<b>(22,456)</b>
<b>Net loss per share</b>	<b>(0.001)</b>	<b>(0.000)</b>
<b>Weighted average outstanding shares</b>	<b>64,111,774</b>	<b>49,716,122</b>

*The accompanying notes are an integral part of these financial statements*

SPRUCE RIDGE RESOURCES LTD.  
Statements of Cash Flow

For the three months ended July 31,	2016	2015
	\$	\$
<b>Operating activities</b>		
<b>Net loss for the period</b>	(59,753)	(22,456)
<b>Add back / Deduct non cash expenses</b>		
Amortization	3,213	3,837
Marketable securities - fair value adjustment	7,761	1,479
<b>Total Non Cash Expenses</b>	10,974	5,316
Changes in non-cash balances		
GST/HST receivable	42,192	4,092
Other receivable	(508)	(508)
Security deposit	-	(27,235)
Prepaid expenses	979	989
Marketable securities	8,670	-
Accounts payable and accrued liabilities	(64,578)	29,253
Payroll liabilities	(3,445)	-
<b>Changes in Operating Activities</b>	(58,882)	6,591
<b>Total cash generated from (used in) used in Operating Activities</b>	(107,661)	(10,549)
<b>Investing activities</b>		
Proceeds from disposition of marketable securities	9,807	-
Purchase of mining property	(28,678)	-
<b>Total cash generated from investing activities</b>	(18,871)	-
<b>Financing activities</b>		
Cash from private placement	200,000	-
Advance from director	(66,838)	10,150
<b>Total cash (used in) provided by financing activities</b>	133,162	10,150
(Decrease) increase in cash	6,630	(399)
Cash at the beginning of the period	187	586
Cash at the end of the period	6,817	187

# SPRUCE RIDGE RESOURCES LTD.

## Notes to the Audited Financial Statements

As at July 31, 2016

### 1. Nature of operations and going concern

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Spruce Ridge Resources Ltd. (“**Spruce**” or the “**Company**”) is a public company listed on the TSX Venture Exchange (TSXV-SHL) and operating under the laws of the Province of Ontario. The Company is an exploration-stage company that is in the process of exploring its mineral properties located in Canada and has not yet determined whether these properties contain reserves that are economically recoverable. The Company’s registered head office is located at 7735 Leslie Road West, Puslinch, Ontario, N0B 2J0.

These interim financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from April 30, 2016. At July 31, 2016, the Company has not generated any revenues from operations, has an accumulated deficit of \$11,953,070 (April 30, 2016 - \$11,893,317) and has working capital deficiency of \$500,209 (April 30, 2016 - working capital deficiency \$596,991). The Company’s ability to continue as a going concern is dependent upon its ability to generate sufficient funds and continue to obtain sufficient capital from investors to meet its current and future obligations. The Company is subject to risks and challenges similar to companies in a comparable stage of exploration and development. As a result of these risks, there is significant doubt which constitutes a material uncertainty as to the appropriateness of the going concern assumption. There is no assurance that the Company’s funding initiatives will continue to be successful and these interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statements of financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material. The Company will have to raise additional funds to advance its exploration and development efforts and, while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future.

### 2. Summary of significant accounting policies

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#### Statement of compliance

These interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB (“International Accounting Standards Board”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34 - Interim Financial Reporting. The accounting policies followed in these interim financial statements are the same as those applied in the audited annual financial statements of the Company for the year ended April 30, 2016 (“Fiscal 2016”).

The policies applied in these interim financial statements are based on IFRS issued and outstanding as of September 28, 2016, the date the Audit Committee approved the statements. Any subsequent changes to IFRS after this date could result in changes to the financial statements for the period ended July 31, 2016.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant accounts that require estimates as the basis for determining the stated amounts include exploration and evaluation assets, share-based payments, allocation of financing proceeds, and income taxes. Differences may be material.

The Company operates in one segment defined as the cash generating unit (“CGU”) which is North America. These interim financial statements were authorized for issue by the Board of Directors on September 28, 2016.

#### Basis of presentation

The interim financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value. The comparative figures presented in these financial statements are in accordance with IFRS.

#### Basis of measurement

These interim financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments to fair value.

#### Foreign currency translation

The functional and reporting currency, as determined by management, of Spruce Ridge is the Canadian dollar. For the purpose of the financial statements, the results and financial position are reported in Canadian dollars.

**SPRUCE RIDGE RESOURCES LTD.**  
**Notes to the Audited Financial Statements**  
**As at July 31, 2016**

**2. Summary of significant accounting policies (Continued)**

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Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the statement of loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Financial instruments

All financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

- a) Financial assets and liabilities at fair value through profit or loss ("FVTPL"): A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the Statements of Loss and Comprehensive Loss. Gains and losses arising from changes in fair value are presented in the Statements of Loss and Comprehensive Loss within other gains and losses in the period in which they arise.

Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the reporting date, which is classified as non-current.

- b) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive loss. Available-for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive loss to the Statements of Loss and Comprehensive Loss and are included in other gains and losses.
- c) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.
- d) Other financial liabilities: Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are derecognized when the obligations are discharged, cancelled or expired.



**SPRUCE RIDGE RESOURCES LTD.**  
**Notes to the Audited Financial Statements**  
**As at July 31, 2016**

**2. Summary of significant accounting policies (Continued)**

The Company's financial instruments consist of the following:

Financial assets:	Classification:
Cash	FVTPL
GST/HST receivable, other receivable	Loans and receivables
Investment in securities	FVTPL
Security deposit	Loans and receivables

  

Financial liabilities	Classification:
Bank overdraft	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities
Notes payable	Other financial liabilities
Due to director	Other financial liabilities

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, cash held in a financial institution or investments having a maturity of ninety days or less at acquisition, that are readily convertible to the contracted amounts of cash. Cash and equivalents are classified as FVTPL and measured at fair value.

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

- Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.
- Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the Statements of Loss and Comprehensive Loss. This amount represents the cumulative loss in accumulated other comprehensive loss that is reclassified to net loss.
- Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

Property and Equipment

Equipment is recorded at historical cost, less accumulated amortization and accumulated impairment loss. Historical cost includes all costs directly attributable to the acquisition. Amortization is provided using the declining balance method using the following rates:

Buildings	10%
Exploration equipment	20%
Office equipment	20%
Trucks	30%

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for property and equipment and any changes arising from the assessment are applied by the Company prospectively.

Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

**SPRUCE RIDGE RESOURCES LTD.**  
**Notes to the Audited Financial Statements**  
**As at July 31, 2016**

**2. Summary of significant accounting policies (Continued)**

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Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in "other operating income and expenses" in the Statements of Loss and Comprehensive Loss.

Exploration and evaluation assets

Acquisition costs related to exploration properties are capitalized as exploration and evaluation assets at fair value at the time the legal right to explore the property has been acquired. The acquisition costs are written off when an exploration and evaluation asset is disposed of through sale or abandonment.

Exploration and evaluation expenditures incurred on exploration properties are expensed until such time that a future economic benefit is more likely to be realized than not by the establishment of ore resources. Exploration and evaluation expenditures incurred subsequent to the establishment of commercially viable and technically feasible gold resources on a property are capitalized as an exploration and evaluation asset. Exploration and evaluation assets are not depreciated until the properties are in commercial production.

Farm-out

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral property interest, as consideration, for an agreement by transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral property interest given up by the Company, with any excess cash accounted for as a gain on disposal.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The Company has no material provisions at July 31, 2016 and April 30, 2016.

Decommissioning or restoration provision

The Company records the fair value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation, and re-vegetation of affected areas.

The estimated fair value of a liability, and corresponding increase in the related property, is reported in the year in which it is incurred and when a reasonable estimate of fair value can be made. The fair value is the amount at which that liability could be settled in a current transaction between willing parties, that is, other than in a forced or liquidation transaction and, in the absence of observable market transactions, is determined as the present value of expected cash flows. The Company subsequently allocates the cost to expense using a systematic and rational method over its useful life, and records the accretion of the liability as a charge to the Statements of Loss and Comprehensive Loss.

As the Company has not commenced construction and development of any mining operations, it does not have any provisions for decommissioning or restoration costs.

Impairment of non-financial asset

At each reporting date of the statements of financial position, the Company reviews the carrying amounts of its indefinite life tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. Definite life assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the Statements of Loss and Comprehensive Loss.

# SPRUCE RIDGE RESOURCES LTD.

## Notes to the Audited Financial Statements

As at July 31, 2016

### 2. Summary of significant accounting policies (Continued)

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Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

#### Flow-through shares

The Company will, from time to time, issue flow-through shares to finance a portion of its exploration programs. Pursuant to the terms of flow-through share agreements, the Company agrees to incur qualifying expenditures and renounce the tax deductions associated with these qualifying expenditures to the flow-through subscribers at an agreed upon date.

Flow-through shares are reported at issue price. If the flow-through shares are issued at a premium to the market price of non-flow through or hard dollar shares at the date of announcement, such premium or excess proceeds is reported as a liability on the Statements of financial position. The subsequent renunciation of such qualifying expenditures incurred by the Company in favor of the flow-through subscribers is reported as a reduction in the 'deferred premium on flow-through shares' liability on the Statements of Financial Position and a corresponding reduction in deferred tax expense on the Statements of Loss and Comprehensive Loss.

#### Share based compensation transactions

##### Stock options

The fair value of stock options granted to directors, officers, and employees is measured at grant date using the Black-Scholes valuation model using assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares, expected forfeitures and expected life of the options. The fair value of this share-based payment is recognized as a charge to the Statements of Loss and Comprehensive Loss with a corresponding credit to shareholders' equity on the Statements of Financial Position.

The fair value of stock options, subject to a vesting schedule, is recognized using the accelerated method and is measured using Black Scholes and assumptions at the time of vesting. The applicable fair values of any stock options which are exercised are transferred from contributed surplus to capital stock. Management is required to estimate forfeitures, and revise its estimates of the number of stock options expected to vest each period. The impact of any revisions to management's estimate on forfeitures, if any, is recognized during the period.

##### Share-based payments to non-employees

Share-based payments granted to non-employees are measured at the fair value of the goods or services received. In the event the Company cannot reasonably estimate the fair value of goods or services received, the transaction is recorded at the estimated value of the underlying equity instrument, measured at the date the Company obtains the goods or the counterparty renders the service. Management is required to estimate forfeitures, and revise its estimates of the number of stock options expected to vest each period. The impact of any revisions to management's estimate on forfeitures, if any, is recognized during the period.

#### Loss per common share

Basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period, including contingently issuable shares which are included when the conditions necessary for the issuance have been met. Diluted earnings per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive. In periods where the Company reports a loss, the effect of potential issuance of shares under options and warrants would be anti-dilutive and therefore basic and diluted loss per share are the same.

#### Segment disclosures

The Company operates in North America in the acquisition and exploration of mineral properties.

#### Income taxes

Income taxes are calculated using the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for timing differences between the tax and accounting basis of assets and liabilities, and for the recognition of accumulated capital and non-capital losses, which in the opinion of management, are more likely than not to be realized before expiry.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be in effect in the period when the asset is expected to be realized or the liability is expected to be settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period and are disclosed as non-current. The effect on deferred income tax assets and

**SPRUCE RIDGE RESOURCES LTD.**  
**Notes to the Audited Financial Statements**  
**As at July 31, 2016**

**2. Summary of significant accounting policies (Continued)**

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liabilities resulting from a change in enacted tax rates is included in income in the year in which the change is enacted or substantively enacted.

Revenue recognition

Rental revenue from property and/or equipment is measured at the fair value of the consideration received or to be received and, is recognized on a monthly straight-line basis over the term, provided that collection is reasonably assured. Income from the option of exploration properties is recognized when received. Investment income from marketable securities is recognized when received.

Comprehensive income

Comprehensive income is the change in equity (net assets) of the Company during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes to equity during a year except those resulting from investments by owners and distributions to owners. Comprehensive income is comprised of net income for the period and other comprehensive income. This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in "other comprehensive income" until it is considered appropriate to recognize into net earnings.

The Company had no comprehensive income or loss transactions, other than its net loss, presented in the Statements of Loss and Comprehensive Loss, nor has the Company accumulated other comprehensive income during the periods that have been presented.

Related party transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or is a member of the key management personnel of the reporting entity. Parties are also considered related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between said parties. Such transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Significant judgments in applying accounting policies and key sources of estimation uncertainty

Many of the amounts included in the interim Financial Statements require management to make judgments and/or estimates. These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the interim Financial Statements. Areas of significant judgment and estimates affecting the amounts recognized in the interim financial statements include:

a) Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that costs incurred will be recovered through successful exploration and development or sale of the asset under review. Furthermore, the assessment as to whether economically recoverable reserves exist is itself an estimation process. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the Statements of Loss and Comprehensive Loss in the period when the new information becomes available. The carrying value of these assets is detailed in Note 6.

b) Valuation of share-based payments

The Company records all share based payments and warrants using the fair value method. The Company uses the Black-Scholes model to determine the fair value of stock options, warrants and broker warrants. The main factor affecting the estimates of the fair value of stock options, warrants, broker warrants and compensation options is the stock price expected volatility used. The Company currently estimates the expected volatility of its common shares based on comparable information derived from the trading history of guideline public companies which are in a similar situation to the Company taking into consideration the expected life of the options.

c) The estimated useful lives and residual values of equipment and the measurement of depreciation expense

Management estimates the useful lives of equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's equipment in the future.

**SPRUCE RIDGE RESOURCES LTD.**  
**Notes to the Audited Financial Statements**  
**As at July 31, 2016**

**2. Summary of significant accounting policies (Continued)**

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Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Company (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a finance lease obligation. Lease payments are analyzed between capital and interest.

The interest element is charged to the Statements of Loss and Comprehensive Loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the Statements of Loss and Comprehensive Loss on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

**Recent Accounting Pronouncements**

At the date of authorization of these interim Financial Statements, the IASB has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods:

- i) IFRS 15 - Revenue from Contracts with Customers ("IFRS 15") was issued in May 2014 when the IASB and the Financial Accounting Standards Board ("FASB") completed its joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for IFRS and US GAAP. As a result of the joint project, the IASB issued IFRS15 to establish principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.
- ii) IFRS 9 – Financial instruments ("IFRS 9") was issued by the IASB on July 24, 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9; fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative host contracts not within the scope of this standard. The effective date for this standard is for annual periods beginning on or after January 1, 2018
- iii) IFRS 16 - Leases ("IFRS 16") was issued by the IASB on January 13, 2016, and will replace IAS 17, Leases. IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019.

The Company is currently evaluating the impact of these pronouncements on its Financial Statements.

**3. Accounts Receivable**

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The Company's receivables arise from two main sources: Harmonized Sales Tax ("HST") receivable due from Canadian government taxation authorities and trade accounts receivable. These are broken down as follows:

	30-Sep-16	30-Apr-16
	\$	\$
HST receivable	3,680	45,873
Accounts receivable	2,034	1,525
Total	5,714	47,398

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**SPRUCE RIDGE RESOURCES LTD.**  
**Notes to the Audited Financial Statements**  
**As at July 31, 2016**

**4. Marketable securities**

At July 31, 2016 and April 30, 2016, the Company held marketable securities as follows:

<b>July 31, 2016</b>	Number of Shares	Cost	Fair Value
Cash			\$94
Anaconda Mining	250,000	\$15,000	22,500
Cerro Grande Mining Corp	26,150	20,593	915
Delta Uranium	400,000	19,000	-
Firstgold Corp.	260,000	72,650	-
		<b>\$127,243</b>	<b>\$23,509</b>

<b>April 30, 2016</b>	Number of Shares	Cost	Fair Value
Cash	-	-	\$201
Anaconda Mining	250,000	15,000	15,000
Cerro Grande Mining Corp	26,150	20,593	654
Delta Uranium	400,000	19,000	-
Firstgold Corp	260,000	72,650	-
Sage Gold	35,000	1,361	2,100
Americas Silver Corporation	20,000	69,469	7,600
		<b>\$198,044</b>	<b>\$25,555</b>

**5. Prepaid expenses and security deposits**

The prepaid expenses and security deposit for the Company are as follows:

	31-Jul-16	30-Apr-16
	\$	\$
Prepaid expenses	5,238	6,217
Security deposit	17,718	17,718

**6. Exploration and evaluation assets**

<b>As at July 31, 2016</b>	Acquisition costs			
	Opening	Additions	Adjustment	Closing
	May 1, 2016	(Write downs)		July 31, 2016
	\$	\$	\$	\$
Nora Lake	7,500	-	-	7,500
Viking/Kramer	1,002,500	-	-	1,002,500
Metals Creek	67,050	-	-	67,050
Great Burnt Copper/Gold	113,964	28,678	-	142,642
	<b>1,191,014</b>	<b>113,964</b>	<b>-</b>	<b>1,219,692</b>

**SPRUCE RIDGE RESOURCES LTD.**  
**Notes to the Audited Financial Statements**  
**As at July 31, 2016**

**6. Exploration and evaluation assets (Continued)**

As at April 30, 2016	Acquisition costs			Closing April 30, 2016
	Opening May 1, 2015	Additions (Write downs)	Adjustment	
	\$	\$	\$	
Nora Lake	7,500	-	-	7,500
Viking/Kramer	1,055,000	-	(52,500)	1,002,500
Metals Creek	67,050	-	-	67,050
Great Burnt Copper/Gold	-	113,964	-	113,964
	1,129,550	113,964	(52,500)	1,191,014

**(a) Crooked Green Property, Pifher Township, Ontario**

1% net smelter - The company sold its interest in mining claim units in Pifher Township in 1999 but retained a royalty equal to 1% of the net smelter returns should the property commence commercial production. As at July 31, 2016, commercial production had not commenced.

**(b) Nora Lake Property, Ontario**

On May 18, 2005, the Company acquired an option to purchase an eighty nine percent (89%) interest in the Nora Lake area, Ontario for consideration of:

- i) 50,000 shares (issued)
- ii) 50,000 shares on the first anniversary (issued)

**(c) Metals Creek Property, Western Newfoundland**

On October 8, 2010 the Company acquired an option from Metals Creek Resources Corp. to acquire 100% interest in claim units which are contiguous with the Kramer property and which covers the southern strike extent of Northern Abitibi's Thor Zone. To earn 100% interest, the Company will issue 250,000 common shares with 125,000 shares (issued) to be issued on signing of the agreement and an additional 125,000 shares one year later (issued) and incur \$25,000 of exploration expenditures over five years. Metals Creek will retain a 2% NSR on any precious metals and a 100 % interest in the base metal potential.

**(d) Viking Gold Property, Western Newfoundland**

On February 10, 2016 the Company optioned the Viking Gold property to Anaconda Mining Inc. To earn 100% interest in Viking, Anaconda is required to make aggregate payments to Spruce Ridge of \$300,000 over a five-year term based on milestones to production including a final payment of \$175,000 upon commencement of commercial production. Anaconda can pay all fees at any time during the option period. In addition, the Company granted warrants to Spruce Ridge to purchase 350,000 common shares in the capital of Anaconda at an exercise price of \$0.10 per share, which expires in three years of the effective date of the agreement. Further, the Viking agreement provides for one-half of one percent (0.5%) Net Smelter Returns royalty ("NSR") to Spruce Ridge on the sale of gold from Viking.

**(e) Great Burnt Copper/Gold Property, Central Newfoundland**

On September 4, 2015 the Company entered into an option agreement to acquire a 100%-undivided interest in the Great Burnt Copper/Gold Property in Central Newfoundland from Pavey Ark Minerals Inc. for \$390,000 and 200,000 common shares and 300,000 warrants. To acquire the 100%-undivided interest the Company is required to,

- i) Make cash payments of \$25,000 (paid);
- ii) Issue 200,000 common shares (issued);
- iii) Issue 300,000 purchase warrants (issued);
- iv) Make 36 monthly payments, of principal and interest at 8% annually, of \$11,437.77 (11 payments made);

**SPRUCE RIDGE RESOURCES LTD.**  
**Notes to the Audited Financial Statements**  
**As at July 31, 2016**

**7. Exploration expenses**

A summary of exploration expenditures incurred for the period ended July 31, 2016 is as follows:

	Great Burnt	Total
	\$	\$
Field Expenses	3,054	3,054
Mining Consultant	6,080	6,080
Assays	246	246
Mining lease payment	19,800	19,800
	<u>29,180</u>	<u>29,180</u>

**8. Property and equipment**

Cost	Land	Buildings	Equipment	Office		Total
				Equipment	Trucks	
	\$	\$	\$	\$	\$	\$
Balance, April 30, 2016	40,000	159,000	224,956	9,200	10,000	443,156
<b>Balance, July 31, 2016</b>	<b>40,000</b>	<b>159,000</b>	<b>224,956</b>	<b>9,200</b>	<b>10,000</b>	<b>443,156</b>
<b>Accumulated amortization</b>						
Balance, April 30, 2016	-	101,529	192,959	7,811	8,572	310,872
Amortization	-	1,437	1,600	69	107	15,348
<b>Balance, July 31, 2016</b>	<b>-</b>	<b>102,966</b>	<b>194,559</b>	<b>7,880</b>	<b>8,679</b>	<b>310,872</b>
<b>Net book value</b>						
As at April 30, 2016	40,000	57,471	31,997	1,389	1,428	132,285
<b>Balance, July 31, 2016</b>	<b>40,000</b>	<b>56,034</b>	<b>30,397</b>	<b>1,320</b>	<b>1,321</b>	<b>129,072</b>

**9. Accounts payable and accrued liabilities**

Payables and accrued liabilities for the Company are as follows:

	31-Jul-16	30-Apr-15
	\$	\$
Trade payables	257,262	321,840
Accrued liabilities	97,050	97,050
Payroll taxes	(135)	3,310
Due to related parties (Note 13)	205,028	271,865
<b>Total</b>	<b>559,205</b>	<b>694,065</b>

**10. Due to Director**

The amount due to director is non-interest bearing and has no set terms of repayment



**SPRUCE RIDGE RESOURCES LTD.**  
**Notes to the Audited Financial Statements**  
**As at July 31, 2016**

**11. Equity Capital and Reserve**

(a) **Authorized**

Unlimited common shares without par value

(b) **Issued and outstanding – Common Shares**

	Shares	\$ Value
<b>Balance, as at April 30, 2016</b>	53,916,122	9,196,377
Private placement – April 2016	10,000,000	200,000
Black Scholes on warrants	-	(130,600)
Private placement – May 2016	4,000,000	200,000
Share issue costs	-	(18,000)
Black Scholes on warrants	-	(165,800)
Black Scholes on broker warrants	-	(16,600)
<b>Balance, as at July 31, 2016</b>	<b>67,916,122</b>	<b>9,265,377</b>

**On April 20, 2016** the Company announced that it had closed a private placement for 10,000,000 million units at \$0.02 per share for gross proceeds of \$200,000. Each Unit consists of one common share at two cents per common share and one full warrant to acquire one additional common share of the Company at \$0.10 per share for a period of five years from the date of closing. One director of Spruce Ridge subscribed for 3,500,000 shares. **On May 24, 2016** the Company received acceptance of the private placement from the TSX Venture Exchange and the shares were issued.

**On June 2, 2016** the Company announced that it had closed the first tranche of its previously announced private placement dated May 9, 2016 for aggregate proceeds of \$200,000 and issued 4,000,000 units (“Units”) priced at \$0.05 per Unit with each Unit consisting of one common share in the capital of the Company and one common share purchase warrant. Each whole warrant entitles its holder to purchase one common share in the capital of the Company at an exercise price of \$0.05 per share for a period of 60 months from the date of issuance.

In connection with the first tranche closing of the private placement, the Company paid IBK Capital Corp., the agent of the Company in connection with the private placement, and its sub-agents agent's fees consisting of \$18,000 in cash and issued 400,000 non-transferable agent's compensation warrants. Each compensation warrant entitles its holder to purchase one Unit of the private placement at an exercise price of \$0.05 per Unit for a period of 60 months after the date of issuance.

(c) **Warrants**

Details of warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
<b>Balance, as at April 30, 2016</b>	<b>300,000</b>	\$0.10
Warrants issued – private placement – April 2016	10,000,000	0.10
Warrants issued – private placement – May 2016	4,000,000	0.05
Broker warrants issued	400,000	0.05
<b>Balance, as at July 31, 2016</b>	<b>14,700,000</b>	\$0.09

Number of warrants	Fair value at grant date	Exercise Price	Expiry Date
300,000	\$5,225	\$0.10	September 5, 2020
10,000,000	130,600	0.10	May 25, 2021
4,000,000	165,800	0.05	May 31, 2021
400,000	16,600	0.05	May 31, 2021
<b>14,700,000</b>	<b>\$318,225</b>		

**SPRUCE RIDGE RESOURCES LTD.**  
**Notes to the Audited Financial Statements**  
**As at July 31, 2016**

**11. Equity Capital and Reserve (Continued)**

(d) Stock Options

A summary of the status of outstanding stock options as of July 31, 2016 is presented below.

	Stock Options	Weighted Average Exercise Price
<b>Balance, April 30, 2016</b>	1,300,000	\$0.20
		-
<b>Balance, as at July 31, 2016</b>	1,300,000	\$0.20

The following table summarizes information about stock options outstanding as at July 31, 2016

Number of Options	Exercise Price	Weighted Average Remaining Contractual Life (Years)	Black-Scholes Value	Expiry Date
1,300,000	\$0.20	1.6	\$216,256	November 16, 2017
1,300,000			\$216,256	

The fair values of the warrants and stock options were estimated on the issuance date using the Black-Scholes pricing model, with the following weighted average assumptions:

Expected dividend yield	0%
Expected annual volatility	121%
Risk-free interest rate	1.21%
Expected average life	2 and 5 years

(e) Contributed Surplus

<b>Balance, April 30, 2016</b>	<b>\$3,218,023</b>
<b>Balance, as at July 31, 2016</b>	<b>\$3,218,023</b>

**12. Related Party Transactions**

No director fees have been paid to directors.

As at July 31, 2016, \$13,000 (2015 - \$9,000) was accrued and or charged to a company controlled by the President of the Company for management and accounting services, with \$33,900 (2015 - \$33,900) remaining in accounts payable and \$75,000 (2015 - \$45,000) remaining in accrued expenses as at July 31, 2016.

The amount due to director as at July 31, 2016 is \$205,028 (2015 - \$384,579). The loan is non-interest bearing and has no set terms of repayment.

## **SPRUCE RIDGE RESOURCES LTD.**

### **Notes to the Audited Financial Statements**

**As at July 31, 2016**

#### **13. Capital and Financial Risk Management**

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The Company manages capital, based on its cash and equivalents and ongoing working capital, with an objective of safeguarding the Company's ability to continue as a going concern, maximizing the funds invested into exploration and development activities, exploring and developing gold resources, and considering additional financings which minimize shareholder dilution. There were no changes in the Company's approach to capital management during the period ended July 31, 2016.

The Company's capital structure reflects a company focused on mineral exploration and financing both internal and external growth opportunities. The exploration for and development of mineral deposits involves significant risk which even a combination of careful evaluation, experience and knowledge may not adequately mitigate.

The Company manages capital in proportion to risk and manages the exploration and evaluation assets and capital structure based on economic conditions and prevailing gold commodity pricing and trends. The Company relies on equity financings to maintain adequate liquidity to support its ongoing exploration and development activities and ongoing working capital commitments.

##### Fair Value

The carrying values for primary financial instruments, including cash, HST receivable, other receivables, marketable securities and accounts payable and accrued liabilities approximate fair values due to their short-term maturities. The Company's exposure to potential loss from financial instruments relates primarily to its cash held with Canadian financial institutions.

The fair value of financial instruments that are measured subsequent to initial recognition at their fair value, is measured within a 'fair value hierarchy' which has the following levels:

- i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- ii) Level 2: valuation techniques using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- iii) Level 3: valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash and marketable securities are considered Level 1.

There have been no major or significant changes that have had an impact on the overall risk assessment of the Company during the year. The objectives and strategy for the exploration and evaluation asset portfolio remains unchanged.

The Company's exploration and development activities expose it to the following financial risks:

##### Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's exposure to credit risk is concentrated in two specific areas: the credit risk on operating balances including receivables, primarily comprised of HST recoverable, and Cash and equivalents held with Canadian financial institutions. The maximum exposure to credit risk is equal to the carrying values of these financial assets.

The aggregate gross credit risk exposure at July 31, 2016 was \$12,531 (April 30, 2016 - \$47,584), and was comprised of \$5,714 (April 30, 2016 - \$47,398) in receivables and \$6,817 (April 30, 2016 - \$186) in Cash and equivalents held with Canadian financial institutions with a "AA" credit rating.

##### Property risk

The Company's significant projects are the Kramer, Viking (acquired from Northern Abitibi Mining Corp.) and Deer Lake properties in Newfoundland, Nora Lake in Ontario, and 50% joint venture with US Silver and Gold Inc. in Montana. Unless the Company acquires or develops additional significant properties, the Company will be solely dependent upon these properties. If no additional mineral resource properties are acquired by the Company, any adverse development affecting these properties may have a material adverse effect on the Company's financial condition and results of operations.

##### Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign currency exchange rates, commodity prices, interest rates and liquidity. A discussion of the Company's primary market risk exposures, and how those exposures are currently managed, follows:

## SPRUCE RIDGE RESOURCES LTD.

### Notes to the Audited Financial Statements

As at July 31, 2016

#### 13. Capital and Financial Risk Management (Continued)

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##### Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's financial assets and liabilities and operating costs are principally denominated in Canadian dollars. The Company has historically had insignificant operations in United States ("US") dollars. The Company has no US dollar hedging program due to its minimal exposure to financial gain or loss as a result of foreign exchange movements against the Canadian dollar.

##### Commodity Price Risk

Commodity prices, and in particular gold spot prices, fluctuate and are affected by factors outside of the Company's control. The current and expected future spot prices have a significant impact on the market sentiment for investment in mineral exploration companies and may impact the Company's ability to raise equity financing for its ongoing working capital requirements.

##### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk is minimal as there are no outstanding loans or interest-bearing debts. The Company has not entered into any interest rate swaps or other active interest rate management programs at this time.

##### Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The purpose of liquidity management is to ensure that there will be sufficient cash to meet all financial commitments and working capital obligations as they become due. To manage cash flow requirements, the Company maintains principally all its assets in cash and equivalents.

##### Sensitivity Analysis

The Company believes that movements of +10% / - 10% (FVTPL) in investments held for trading that are reasonably possible over the next twelve-month period will not have a significant impact on the Company. The Company believes that its cash position and short term investments provide adequate liquidity to meet all of the Company's near-term obligations.

#### 14. Subsequent Events

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**On August 19, 2016 the Company** announced it had extended the expiry date of its previously announced private placement (see Press Release May 9<sup>th</sup>, 2016). The closing date will now be on or before September 19, 2016. The Private Placement is subject to TSX Venture Exchange approval.

**On September 13, 2016 the Company** announced a private placement of up to 26 million Units at a price of five cents per Unit for gross proceeds to the Company of up to \$1,300,000. Each Unit will consist of one common share of the company and one common share purchase warrant of the Company. Each warrant will be exercisable to acquire one common share of the Company at an exercise price of five cents for a period of five years from closing.

Up to 16 million Units (\$800,000) will be offered on a brokered basis by IBK Capital Corp. as the agent. The agent will receive a cash commission equal to 9 per cent of the aggregate gross proceeds from the placement and broker warrants equal to 10 per cent of the Units sold in the placement, each exercisable to acquire one Unit at a price of five cents for a period of five years from closing.

Up to 10 million Units (\$500,000) will be offered on a non-brokered basis.

On May 9, 2016, Spruce Ridge announced a brokered financing on the same terms for up to \$1,000,000 of which \$200,000 was closed on June 2, 2016, with the closing of additional financing extended to various dates ending on September 19, 2016 by press releases dated June 20, 2016, July 19, 2016 and August 19, 2016. The current financing of up to \$1,300,000 replaces the former financing which will not continue.