Form 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS
For the Period Ended July 31, 2019

This management discussion and analysis ("MD&A") has been prepared based on information available to Spruce Ridge Resources Ltd. ("Spruce" or the "Company") as at September 30, 2019. The MD&A of the operating results and financial condition of the Company for the period ended July 31, 2019 should be read in conjunction with the audited financial statements of the Company, including the notes thereto, for the period ended July 31, 2019 and April 30, 2018 which are prepared in accordance with International Financial Reporting Standards ("IFRS") for audited financial statements, and the annual MD&A for the period ended July 31, 2019. Additional information relating to the Company may be found under its profile on SEDAR at www.sedar.com.

The technical information in this MD&A has been reviewed and approved by Mr. Colin Bowdidge, P.Geo., a Qualified Person as defined by National Instrument 43-101.

Management's Assessment of Internal Control Over Financial Reporting ("ICFR")
Management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The internal control system was designed to provide reasonable assurance to the Company's management regarding the preparation and presentation of the financial statements

The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any have been detected. Therefore, no matter how well designed, ICFR has inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

As the Company is a Venture Issuer (as defined under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) ("NI 52-109"), the Company and Management are not required to include representations relating to the establishment and/or maintenance of disclosure controls and procedures ("DC&P) and/or ICFR, as defined in NI 52-109.

Forward-looking Statements
This MD&A may contain forward-looking statements that are based on the Company's expectations, estimates and projections regarding its business and the economic environment in which it operates. These statements speak only as of the date on which they are made, are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. Examples of some of the specific risks associated with the operations of the Company are set out below under "Risk Factors". 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.

NATURE OF OPERATIONS AND GOING CONCERN

Spruce Ridge Resources Ltd. ("**Spruce**" or the "**Company**") is a public company listed on the TSX Venture Exchange (TSXV-SHL) and is 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 the United States of America 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, ON N0B 2J0.

As at July 31, 2019, the directors and officers of the Company were:

John Ryan	President, CEO and Director
Zoran Popovic	CFO, and Director
Colin Bowdidge	Director
Marc Askenasi	Director
Michael Dehn	Director

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, 2019. At July 31, 2019, the Company has not generated any revenues from operations, has an accumulated deficit of $12,902,003 (April 30, 2019 - $12,825,242) and has working capital deficiency of $398,684 (April 30, 2019 - working capital deficiency $350,099). 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 audited 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.

The Financial Statements were approved for issuance by the Company's Board of Directors on September 30, 2019.

DEVELOPMENTS DURING AND SUBSEQUENT TO PERIOD ENDED JULY 31, 2019

On June 11, 2019 the Company announced the results of mineralogical studies on drill core samples from the Company's Crawford project near Timmins, Ontario (see Figure 1). The recent 1,818-metre, 4-hole drill program resulted in wide intersections of up to 558 metres of serpentinized peridotite and dunite with consistent concentrations of nickel, cobalt, palladium and platinum (see news release of March 1st, 2019).

Twelve samples of drill core were selected from 1.5-metre analyzed intervals, to cover a range of nickel, cobalt and palladium contents as well as differing degrees of serpentinization and a range of sulphur contents. Polished thin sections were made from the core samples and were examined under reflected-light microscope and a scanning electron microscope (SEM), which provided chemical analyses of individual mineral grains to aid in their identification.

The following minerals were identified as carrying most of the nickel and cobalt (in order of decreasing abundance): pentlandite (nickel-iron sulphide), heazlewoodite (nickel sulphide), awaruite (nickel-iron alloy) and minor godlevskite (nickel sulphide with minor iron). The pentlandite, which dominates the sulphide mineral assemblage, typically contains between 3% and 4% of cobalt by weight. Grain size varies from 5 to 100 microns, with most of the cobaltiferous pentlandite being in the coarsest fraction.

Also noted in small quantities, were an unknown cobalt-nickel-iron sulphide mineral and an unknown copper-iron-palladium-platinum oxide mineral with the approximate composition 40% Cu, 15% Pd and 1% Pt.

In addition to the mineralogical identification, additional analysis was performed on pulps of the 12 core intervals from which the mineralogy samples were taken. The original multi-element analysis was performed by ICP-OES on samples prepared by sodium peroxide fusion, which digests the entire rock to give total concentrations of the analyzed elements. The new analysis was also done by ICP-OES on samples digested in aqua regia, which will dissolve sulphides, oxides and metallic minerals but will not have an effect on silicate minerals like the olivine which originally contained most of the nickel and associated metals, or the serpentine that formed during low-temperature alteration of the rock. The aqua regia analyses give an estimate of the percentages of nickel and cobalt that were "liberated" during serpentinization. The following table gives the original peroxide fusion-ICP and the aqua regia-ICP analyses of nickel and cobalt, and the percent of "liberation". The reader is cautioned that not all the "liberated" metals would be recoverable because some of them are in very fine mineral grains.

DDH No.	From	To	Length (m)	Co fus ppm	Co AR ppm	Percent Liberated	Ni % FUS	Ni % AR-ICP	Percent Liberated	S % FUS
CR18-01	165.0	166.5	1.5	240	193	**80%**	**0.669**	**0.431**	**64%**	0.28
CR18-01	238.5	240.0	1.5	120	105	**88%**	**0.297**	**0.203**	**68%**	0.02
CR18-01	243.0	244.5	1.5	170	149	**88%**	**0.487**	**0.332**	**68%**	0.15
CR18-01	286.5	288.0	1.5	150	130	**87%**	**0.345**	**0.232**	**67%**	0.18
CR18-01	423.0	424.5	1.5	120	85	**71%**	**0.317**	**0.203**	**64%**	0.03
CR18-01	588.0	589.5	1.5	110	87	**79%**	**0.272**	**0.178**	**65%**	0.01
CR18-03	508.5	510.0	1.5	140	108	**77%**	**0.332**	**0.217**	**65%**	0.01
CR18-03	535.5	537.0	1.5	140	109	**78%**	**0.337**	**0.227**	**67%**	0.07
CR18-03	594.0	595.5	1.5	150	110	**73%**	**0.349**	**0.205**	**59%**	0.05
CR18-04	165.0	166.5	1.5	120	52	**43%**	**0.182**	**0.050**	**27%**	< 0.01
CR18-04	216.0	217.5	1.5	260	206	**79%**	**0.647**	**0.423**	**65%**	0.60
CR18-04	337.5	339.0	1.5	130	103	**79%**	**0.427**	**0.275**	**64%**	0.20
				Mean Co liberation		**77%**	**Mean Ni liberation**		**62%**	

Mr. Ryan stated "We are very encouraged by these preliminary results which suggest that a significant portion of the metals contained in this deposit may be recoverable by conventional metallurgical processes. We will continue to explore and evaluate the Crawford ultramafic complex, which is 3.8 kilometres long and 1.9 kilometres wide. So far, we have barely scratched the surface."

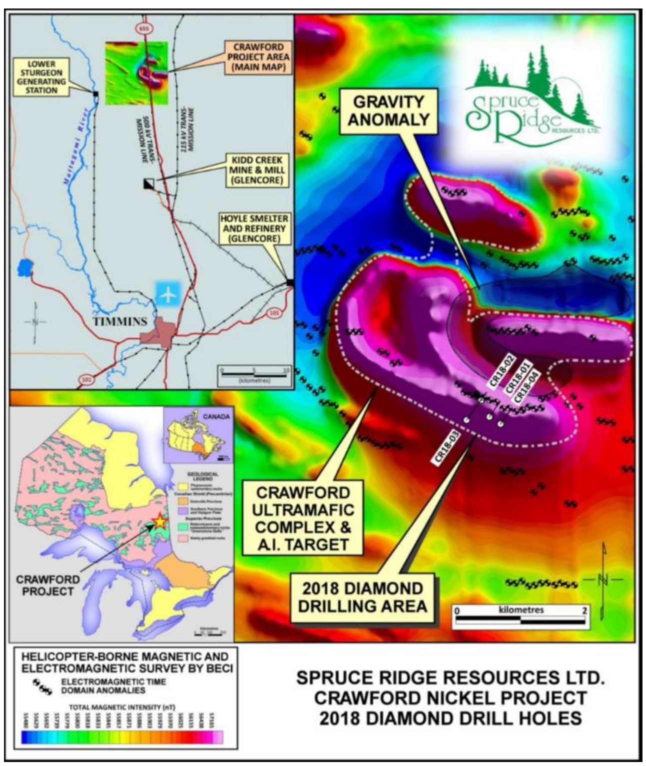

Figure 1

Future plans for the Crawford project include additional drilling to assess the dimensions of the mineralized zone, and additional metallurgical tests to determine how much of the nickel and associated metals are recoverable by standard methods.

Spruce Ridge and its joint-venture partner, a group of private investors, have the option to earn up to 75 percent interest in 2,000 hectares of the Crawford project from Noble Mineral Exploration Ltd.

On September 19, 2019 the Company announced that it had begun a second phase of diamond drilling on the Crawford nickel property, 40 kilometres north of Timmins, Ontario.

Full results from the first phase of drilling at Crawford was disclosed in a news release dated March 1, 2019. Highlights from the first phase of drilling:

- **Discovery Hole (18-01) Intersected 291 metres averaging 0.293% Ni, 118 ppm Co, 0.02 g/t Pd and 0.011 g/t Pt**
- **Drill Holes18- 03 and -04 Ended in Mineralization with Increasing Grade**

The phase 2 drilling program is planned to comprise approximately 4,000 metres of drilling in eight holes. Planned drill holes include infill drilling between the 2018 holes, as well as stepouts to the northwest and southeast.

Spruce Ridge and its joint-venture partner, have the option to earn up to 75 percent interest in 2,000 hectares of the Crawford project from Noble Mineral Exploration Ltd.

SELECTED ANNUAL INFORMATION

The following table sets forth a summary of the financial results for the years ended April 30, 2019, 2018 and 2017:

Years ended April 30 (CDN $)	**2019**	**2018**	**2017**
Interest income	Nil	Nil	Nil
Net Loss and Comprehensive Loss	$603,577	$209,089	$119,259
Basic Income (Loss) per share	($0.007)	($0.003)	($0.002)
Total assets	$1,915,651	$1,486,626	$1,473,233

The Company has been and is still in the stages of identifying, acquiring and exploring mineral interests. To date, the Company has not been in a position to derive any revenues from its projects. Revenues reported by the Company relate to property rentals.

Acquisition costs of mineral rights and option payments are capitalized until the properties are abandoned or the rights expired. Exploration expenditures, however, are expensed and charged to operations until such time proven reserves are determined. To date, the Company has not discovered any such reserves.

RESULTS OF OPERATIONS

The Company has no operating revenues other than rental income and relies on external financings to generate capital. Because of its activities, Spruce generally incurs net losses. For the period ended July 31, 2019, Spruce had rental income of $4,100 and a loss of $76,761 respectively (2018 – rental income was $3,200 and a loss of $75,123). The Company incurred $12,017 in exploration expenses (2018 – $23,313).

The Company routinely monitors its operations and costs associated with those operations, in order to better plan and implement its activities, taking into consideration the current economic climate and industry outlook. For the period ended July 31, 2019, Spruce reported total general and administrative expenses (“G&A”) of $130,779 (2018 - $195,365).

The following schedule describes the main components of G&A for the period:

Period ended July 31	2019 $	2018 $
Management fee	15,000	15,000
Amortization	1,735	1,973
Professional fees	6,000	5,000
Filing fees	6,400	180
Interest expense – note payable	-	513
Office and general	(18)	120
Property expenses	2,600	3,277
Investor and shareholder relations	2,383	6,706
	34,100	32,732

Overall general and administrative expenses decreased $64,586. Interest expense, investor and shareholder expenses and property expenses account for most of this decrease.

As at July 31, 2019 investments in securities available for sale was composed of:

July 31, 2019	Number of Shares	Cost	Fair Value
Cash			$23
Cerro Grande Mining Corp.	26,150	$20,593	131
		$20,593	**$154**

The Company is exposed to unrealized gains or losses on its available for sale securities due to the price volatility and other market factors common to these types of investments.

EXPENDITURES ON RESOURCE PROPERTIES

A summary of exploration expenditures incurred for the period ended July 31, 2019 is as follows:

	Great Burnt	Crawford	Total
	$	$	$
Geo's	1,150	9,599	10,867
Assays	-	1,268	1.268
	1,150	10,867	12,017

SELECTED QUARTERLY INFORMATION

	QUARTER ENDED			
	31-Jul 2019	30-Apr 2019	31-Jan 2019	31-Oct 2018
Total assets	2,055,564	1,915,651	2,020,075	1,924,785
Mineral properties	1,870,587	1,630,606	1,687,627	1,662,627
Working capital (deficiency)	(398,684)	(350,099)	(407,533)	(224,632)
Shareholders' equity	1,564,184	1,374,521	1,386,526	1,535,897
Comprehensive (loss)	(76,761)	(73,853)	(412,371)	(42,231)
Loss per share	(0.001)	(0.001)	(0.004)	(0.001)

	QUARTER ENDED			
	31-Jul 2018	30-Apr 2018	31-Jan 2018	31-Oct 2017
Total assets	1,882,805	1,486,626	1,493,260	1,455,603
Mineral properties	1,654,020	1,352,862	1,341,961	1,317,479
Working capital	(310,739)	(607,186)	(559,799)	(506,068)
Shareholders' equity	1,443,127	847,466	886,199	917,694
Comprehensive Loss	(75,123)	(38,734)	(31,494)	(62,945)
Loss per share	(0.001)	(0.001)	(0.000)	(0.001)

LIQUIDITY & FINANCING

The Company had a working capital deficiency of $398,684 as at July 31, 2019 (April 30, 2019 - working capital deficiency was $350,099). Expenses will be paid either from the sale of company assets and or non-interest bearing loans by the President. The President will continue to loan the Company funds required to advance its exploration properties and to pay administration costs. Currently the President and or companies he controls is owed $394,120.

The ability of the Company to successfully acquire additional mineral projects and to develop its existing properties is conditional on its ability to secure financing when required. The Company proposes to meet additional financing requirements through equity financing. In light of the continually changing financial markets, there is no assurance that new funding will be available at the times required or desired by the Company.

The Company will require additional funds to meet current liabilities, acquire additional mineral projects and to develop its existing properties. The Company proposes to meet additional financing requirements through equity financing. In light of the continually changing financial markets, there is no assurance that new funding will be available at the times required or desired by the Company. Accordingly, the Company's financial statements have been prepared on a going concern basis. Material adjustments could be required if the Company cannot obtain adequate financing. See "Risks Factors" below.

CAPITAL RESOURCES

The Company's primary capital assets are exploration and evaluation assets. The Company expenses all costs related to the mineral properties until the properties are put into production and amortized or abandoned and written off, or written down. As of July 31, 2019, the Company has incurred $12,017 on exploration expenses.

SHARE CAPITAL

Issued and outstanding: July 31, 2019 – 98,708,622
Issued and outstanding: September 30, 2019 (date of this report)

Warrants outstanding: July 31, 2019 – 48,417,500
Warrants outstanding: September 30, 2019 – 48,417,500

Options outstanding: July 31, 2019 – 3,500,000
Options outstanding: September 30, 2019 – 3,500,000

RELATED PARTY TRANSACTIONS

No director fees have been paid to directors.

As at July 31, 2019, $15,000 (April 30, 2019 - $60,000) was accrued or paid to a company controlled by the President of the Company for management and accounting services, with $Nil (April 30, 2018 - Nil) remaining in accounts payable and $155,000 (April 30, 2019 – $210,000) remaining in accrued expenses as at July 31, 2019.

Included in accounts payable is an amount of $195,163 (April 30, 2019 – 126,108) owing to the President of the Company. These amounts relate to expenses incurred by the President on behalf of the Company.

As at July 31, 2019, $3,000 (April 30, 2019 - $10,518) was accrued or paid to the Vice President of Exploration for geological services, with $Nil (April 30, 2019 - Nil) remaining in accounts payable.

The amount due to director as at July 31, 2019 is $43,957 (April 30, 2019 - $74,857). The loan is non-interest bearing and has no set terms of repayment.

OFF-BALANCE SHEET TRANSACTIONS

As at July 31, 2019, the Company had no off-balance sheet arrangements such as guaranteed contracts, contingent interests in assets transferred to an entity, derivative instrument obligations or any instruments that could trigger financing, market or credit risk to Spruce.

RISK FACTORS

Spruce's business of exploring mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource 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.

Capital Requirements

The Company will require significant capital in order to fund its operating costs and to explore and develop any project. Spruce has no revenues and is wholly reliant upon external financing to fund all of its capital requirements. Spruce will require additional financing from external sources to meet such requirements. There can be no assurance that such financing will be available to Spruce or, if it is, that it will be offered on acceptable terms. If additional financing is raised through the issuance of equity or convertible debt securities of Spruce, the interests of shareholders in the net assets of Spruce may be diluted. Any failure of Spruce to obtain financing on acceptable terms could have a material adverse effect on Spruce's financial condition, prospects, results of operations and liquidity and require Spruce to cancel or postpone planned capital investments.

Dependence on Mineral Exploration Projects
Any adverse development affecting the progress of Company's exploration projects such as, but not limited to, obtaining financing on commercially suitable terms, hiring suitable personnel and contractors, or securing supply agreements on commercially suitable terms, may have a material adverse effect on the Company and its business or prospects.

Metal Prices
The development and success of any project of the Company will be primarily dependent on the future price of gold and other metals. Gold and base metal prices are subject to significant fluctuation and are affected by a number of factors, which are beyond the control of the Company. Such factors include, but are not limited to, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold-producing countries throughout the world. The price of gold and other precious and base metals has fluctuated widely in recent years, and future serious price declines could cause any future development of and commercial production from the Company's properties to be impracticable. Depending on the price of gold and other metals, projected cash flow from planned mining operations may not be sufficient and the Company could be forced to discontinue any development and may lose its interest in, or may be forced to sell, some of its properties. Future production from the Company's mining properties is dependent on gold and base metal prices that are adequate to make these properties economic.

Furthermore, reserve calculations and life-of-mine plans using significantly lower gold and other metal prices could result in material write-downs of the Company's investment in mining properties and increased amortization, reclamation and closure charges.

In addition to adversely affecting the Company's possible future reserve estimates and its financial condition, declining commodity prices may impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Government Regulation, Permits and Licences
The Company's mineral exploration and potential development activities are subject to various laws governing prospecting, mining, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration, development or production. Many of the mineral rights and interests of the Company are subject to government approvals, licenses and permits. Such approvals, licenses and permits are, as a practical matter, subject to the discretion of the applicable governments or governmental officials. No assurance can be given that the Company will be successful in maintaining any or all of the various approvals, licenses and permits in full force and effect without modification or revocation. To the extent such approvals are required and not obtained; the Company may be curtailed or prohibited from continuing or proceeding with planned exploration or development of mineral properties.

Where required, obtaining necessary permits and licenses can be a complex, time consuming process and the Company cannot assure that required permits will be obtainable on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Company from proceeding with the development of an exploration project or the operation or further development of a mine. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in interruption or closure of exploration, development or mining operations or material fines, penalties or other liabilities. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of such mining activities, and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws and regulations governing operations or more stringent implementation thereof could have a substantial adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Competition
The mining industry is competitive in all of its phases. The Company faces strong competition from other exploration and mining companies in connection with the acquisition of properties producing or capable of producing, precious and base metals. Many of these companies have greater financial resources, operational experience and technical capabilities than Spruce Ridge Resources Ltd.. As a result of this competition, Spruce may be unable to maintain or acquire attractive mining properties on terms it considers acceptable or at all. Consequently, the financial condition and any future revenues and operations of Spruce could be materially adversely affected.

Exploration, Development and Operational Risk

The exploration for, and development of, mineral deposits involves significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties, which are explored, are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices which are highly cyclical, and government regulations including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in Spruce not receiving an adequate return on invested capital.

The Company does not currently operate a mine on any of its properties. There is no certainty that the expenditures made by Spruce towards the search for, and evaluation of, mineral deposits will result in discoveries of commercial quantities of ore. Mining operations generally involve a high degree of risk. Such operations are subject to all the hazards and risks normally encountered in the exploration for, and development and production of gold and other precious or base metals. Such hazards and risks include unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability.

Joint Venture Strategy

Spruce’s business strategy includes continuing to seek new joint venture opportunities. In pursuit of such opportunities, Spruce may fail to select appropriate joint venture partners or negotiate acceptable arrangements, including arrangements to finance such opportunities or, where necessary, integrate the acquired businesses and their personnel into Spruce's operations. Spruce cannot assure that it can complete any business arrangement that it pursues on favorable terms, or that any business arrangements completed will ultimately benefit Spruce’s business.

Reliance on Management and Key Employees

The success of the operations and activities of Spruce is dependent to a significant extent on the efforts and abilities of its management, a relatively small number of key employees, outside contractors, experts and other advisors. Investors must be willing to rely to a significant extent on management’s discretion and judgment, as well as the expertise and competence of its key employees, outside contractors, experts and other advisors. Spruce does not have in place formal programs for succession of management and training of management nor does it have key person insurance on its key employees. The loss of one or more of these persons, if not replaced, could adversely affect Spruce’s operations and financial performance.

No Assurance of Titles, Boundaries or Approvals

Titles to Spruce’s properties may be challenged or impugned, and title insurance is generally not available. Spruce’s mineral properties may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. In addition, Spruce may be unable to operate its properties as permitted or to enforce its rights with respect to its properties. Spruce cannot assure that it will receive the necessary approval or permits to exploit any or all of its mineral projects in the future. The failure to obtain such permits could adversely affect Spruce’s operations.

Environmental Risks and Hazards

All phases of Spruce's operations are subject to environmental regulation in the jurisdiction in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Spruce's operations. Environmental hazards may exist on the properties in which Spruce holds interests which are unknown to Spruce at present and which have been caused by previous or existing owners or operators of the properties.

Uninsured Risks

Spruce’s business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labor disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to Spruce's properties or the properties of others, delays in development or mining, monetary losses and possible legal liability.

Although Spruce maintains insurance to protect against certain risks in such amounts as it considers commercially reasonable, its insurance will not cover all of the potential risks associated with its operations. Spruce may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration is not generally available to Spruce on affordable and acceptable terms. Spruce might also become subject to liability for pollution or other hazards which may not be insured against or which Spruce may elect not to insure against because of premium costs or other reasons.

Losses from these events may cause Spruce to incur significant costs that could have a material adverse effect upon its financial condition and results of operations.

Application of new International Financial Reporting Standards ("IFRS")

The following standards were adopted on May 1, 2018:

IFRS 9 Financial Instruments ("IFRS 9"): This standard replaced IAS 39 Financial Instruments: Recognition and Measurement. This standard sets out revised guidance for classifying and measuring financial assets and liabilities and introduces a new expected credit loss model for calculating impairment of financial assets and includes a reformed approach to hedge accounting. The standard also requires that when financial liabilities measured at amortized cost are modified or exchanged, and where such modification or exchange does not result in derecognition, that the adjustment to the amortized cost of the financial liability be recognized in profit or loss.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 contains two principal classification categories for financial liabilities: amortized cost and fair value through profit or loss (FVTPL).

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies for financial instruments. There were no financial assets or financial liabilities that were subject to reclassification, or to which the company elected to reclassify, upon adoption of IFRS 9.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15"): Under the standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods and services. In addition, the standard requires disclosure of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Since the company has no revenues, the application of this new standard had no impact on the reported results. There was no impact on the cash flows from operating activities as a result of adopting this standard.

OUTLOOK

Great Burnt Copper/Gold Property – Central Newfoundland

The Great Burnt property in central Newfoundland includes the **Great Burnt copper deposit**. A 43-101 technical report by P&E Mining Consultants Inc. with an effective date of September 4th, 2015 contained an Indicated Mineral Resource of **382,000 tonnes grading 3.23% copper** in the Main and Lower Zones, Plus an Inferred Mineral Resource of **663,000 tonnes grading 2.31%** copper. These estimates were based on diamond drilling carried out between 1966 and 2008. Since then, Spruce Ridge has conducted two diamond drilling programs, in 2016 and 2018, with 9 holes intersecting the Great Burnt Main Zone. The weighted average of assays of all the mineralized intervals in those 9 holes was **5.09% Cu and 0.267 grams per tonne gold (g/t Au)**. Management does not know if this implies that the historical drilling (most of which was carried out with 21 mm diameter EX drill core versus the 48 mm diameter NQ core from the recent drilling) might have understated the copper grade due to incomplete sulphide-rich core. Alternatively, the recent drilling may have fortuitously intersected higher grade sections of the Main Zone. The Mineral Resource estimates do not include gold grades because all the pre-1997 drilling did not include gold assays.

Plans for the advancement of the Great Burnt project are two-fold:

- Further diamond drilling is expected to begin in October to test obvious gaps in the existing drill hole pattern. An updated Mineral Resource statement should be completed in October as well.

- Metallurgical testing, using archived drill core from the 2016 and 2018 programs. The mineralogy of the Great Burnt copper deposit is simple, and no major obstacles to the development of a satisfactory metallurgical process are anticipated. This work will be followed by a Preliminary Economic Analysis (PEA) of a potential mining operation.

Additionally, the Company plans further exploration on the 12-kilometre long Great Burnt property, which includes the South Pond “A” Zone with an Indicated Mineral Resource of 47,000 tonnes grading 1.77% Cu and 1.61 g/t Au, plus an Inferred Mineral Resource of 191,000 tonnes of 1.55% Cu and 1.06 g/t Au. The 1,100-metre long South Pond “B” zone comprises only gold mineralization with drill intercepts of up to 4.75 g/t Au over 4.33 metres (true width 3.0 metres) and 1.16 g/t Au over 28 metres (true width approximately 25 metres). Both zones are open at depth.

Crawford Nickel/VMS Property – Northern Ontario

The 2018 diamond drilling program on the **Crawford nickel property** has demonstrated the existence of wide zones of nickel mineralization with grades in the 0.25% to 0.40% range, with individual 1.5-metre core samples assaying up to 0.67% nickel (Ni). The mineralization also has low, but significant, contents of cobalt, platinum and palladium. The mineralization is hosted in serpentinized dunite. The serpentinization is ubiquitous, based on visual identification and measurements of specific gravity and magnetic susceptibility. Mineralogical studies have shown that nickel-rich, potentially recoverable, nickel-rich minerals including pentlandite, heazlewoodite and awaruite are present. Selective digestion analyses compared with total-digestion analyses suggest that 62% of the nickel and 77% of the cobalt in the original peridotite is present in those nickel-rich minerals.

The model used to appraise the economic potential of the Crawford nickel mineralization is the Dumont nickel deposit, of Royal Nickel Corporation ("RNC"), 220 kilometres to the east in the Abitibi region of Québec. A 2013 Mineral Resource estimate in a 43-101 technical report addressed to RNC quotes Measured plus Indicated Mineral Resources of 1.66 billion tonnes grading 0.27% Ni, 107 ppm Co (cobalt), 0.009 g/t Pt (platinum) and 0.020 g/t Pd (palladium) plus an Inferred Mineral Resource of 0.5 billion tonnes grading 0.26% Ni, 101 ppm Co, 0.006 g/t Pt and 0.012 g/t Pd. RNC has stated that the Dumont deposit is "one of the largest undeveloped nickel deposits in the world". The RNC technical report on the Dumont deposit projects recoveries between 42% and 49%, on the basis of very extensive metallurgical testwork.

The results of the 2018 diamond drilling program at Crawford, although only four holes were drilled on a geophysically indicated length of over 3 kilometres, suggest that the grades of nickel, cobalt, platinum and palladium may be 10% to 25% higher than those at the Dumont deposit.

The Company began a second phase of drilling in September to test both east and west of the existing drilling and to infill the existing drilling to test the southern contact.

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