

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Spruce Ridge Resources Ltd.

Opinion

We have audited the financial statements of **Spruce Ridge Resources Ltd.** (the Company), which comprise the statements of financial position as at April 30, 2021 and April 30, 2020, and the statements of income and comprehensive income, statements of changes in equity and statements of cash flow for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2021 and April 30, 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards (Canadian GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1 to the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Howard Wolle.

A handwritten signature in black ink that reads "S & W LLP". The letters are stylized and cursive.

August 30, 2021
Toronto, Canada

S & W LLP
Chartered Professional Accountants, Licensed Public Accountants

SPRUCE RIDGE RESOURCES LTD.
Statements of Financial Position
April 30, 2021 and April 30, 2020

	<i>Notes</i>	2021	2020
		\$	\$
Assets			
Current			
Cash		2,177,837	-
HST and other receivables	3	158,319	92,896
Note receivable	4	-	500,000
Security deposit	6	70,176	70,176
Marketable securities - short term	5	8,750,079	4,673,712
Prepaid expenses	6, 13	423,812	15,004
		11,580,223	5,351,788
Marketable securities - long term	5	21,240,000	5,100,000
Exploration and evaluation assets	7	1,209,992	1,306,297
Property and equipment, net	9	100,397	87,077
Total Assets		34,130,612	11,845,162
Liabilities			
Current			
Bank indebtedness		-	45
Accounts payable and accrued liabilities	10	222,351	353,811
CEBA loan	16	60,000	-
Deferred premium on flow through shares	14, 17	98,181	-
Due to director	11, 13	-	32,746
Total Liabilities		380,532	386,602
Shareholders' Equity			
Share capital	12(b)	14,765,263	10,747,522
Warrants	11(c)	867,916	1,634,707
Contributed surplus	11(d)(e)	3,271,088	3,287,709
Dividend Canada Nickel Shares		(4,150,000)	-
Retained earnings (deficit)		18,995,812	(4,211,378)
Total Shareholders' Equity		33,750,079	11,458,560
Total Liabilities and Shareholders' Equity		34,130,612	11,845,162

Nature of operations and going concern 1

Approved by the Board on August 30, 2021

Signed: "John A. Ryan"

Signed: "Marc Askenasi"

SPRUCE RIDGE RESOURCES LTD.
Statements of Changes in Equity
April 30, 2021 and April 30, 2020

	Shares Issued	Share Capital \$	Warrants \$	Contributed Surplus \$	Dividend \$	Retained Earnings \$	Total \$
Balance, April 30, 2020	113,158,622	10,747,522	1,634,707	3,287,709	-	(4,211,378)	11,458,560
Shares issued - warrants exercised	28,210,000	1,735,500	-	-	-	-	1,735,500
Black scholes on warrants exercised	-	813,666	(813,666)	-	-	-	-
Warrants expired	-	-	(5,225)	5,225	-	-	-
Stock options exercised	1,900,000	95,000	-	-	-	-	95,000
Black scholes on stock options exercised	-	56,689	-	(56,689)	-	-	-
Stock dividend Canada Nickel shares	-	-	-	-	(4,150,000)	-	(4,150,000)
Flow through private placement	11,546,142	1,616,460	-	-	-	-	1,616,460
Share issue costs	-	(85,827)	-	-	-	-	(85,827)
Black scholes on broker warrants issued	-	(52,100)	52,100	-	-	-	-
Deferred premium on FT shares issued	-	(161,646)	-	-	-	-	(161,646)
Stock based compensation	-	-	-	34,843	-	-	34,843
Income and comprehensive income	-	-	-	-	-	23,207,190	23,207,189
Balance, April 30, 2021	154,814,764	14,765,263	867,916	3,271,088	(4,150,000)	18,995,812	33,750,079
Balance, April 30, 2019	95,708,622	9,718,872	1,228,025	3,252,866	-	(12,825,242)	1,374,521
Shares issued property acquisition	3,000,000	120,000	-	-	-	-	120,000
Shares issued - warrants exercised	2,450,000	122,500	-	-	-	-	122,500
Black scholes on warrants exercised	-	66,150	(66,150)	-	-	-	-
Shares issued - sale of Crawford Nickel prop.	12,000,000	720,000	-	-	-	-	720,000
Black scholes warrants property acquisition	-	-	198,745	-	-	-	198,745
Black scholes warrants issued	-	-	274,087	-	-	-	274,087
Stock based compensation	-	-	-	34,843	-	-	34,843
Income and comprehensive income	-	-	-	-	-	8,613,864	8,613,864
Balance, April 30, 2020	113,158,622	10,747,522	1,634,707	3,287,709	-	(4,211,378)	11,458,560

The accompanying notes are an integral part of these financial statements

SPRUCE RIDGE RESOURCES LTD.
Statements of Income and Comprehensive Income
For the Years Ended April 30, 2021 and April 30, 2020

Notes	2021 \$	2020 \$
Expenses		
Management fee	440,000	95,000
Amortization	5,680	6,939
Exploration expenses	635,364	254,907
Professional fees	40,541	15,422
Filing fees	28,719	11,323
Office and general	1,333	2,024
Investor and shareholder relations	103,492	10,043
Stock based compensation	34,843	34,843
Property expenses	8,409	10,819
	1,298,381	441,320
Net operating loss before other income	(1,298,381)	(441,320)
Gain on sale of Crawford nickel property	-	2,566,676
Gain on sale of dividend-in-kind	1,800,000	-
Gain on sale of marketable securities	18,608	-
Rental income	18,750	14,950
Dividend income	-	296,901
Marketable securities - fair value adjustment	22,604,748	6,176,657
Net income before income tax	23,143,725	8,613,864
Income tax (provision) recovery	63,465	-
Net income and comprehensive income	23,207,190	8,613,864
Net income per share	0.170	0.088
Weighted average outstanding shares	135,765,806	98,056,448

The accompanying notes are an integral part of these financial statements

SPRUCE RIDGE RESOURCES LTD.
Statements of Cash Flow
For the Years Ended April 30, 2021 and April 30, 2020

	2021	2020
	\$	\$
Operating activities		
Net income for the year	23,207,190	8,613,864
Add back / Deduct non cash expenses		
Amortization	5,680	6,939
Marketable securities - fair value adjustment	(22,604,748)	(6,176,657)
Dividend income	-	(269,901)
Stock based compensation	34,843	34,843
Gain on sale of Crawford nickel property	-	(2,566,676)
Gain on sale of marketable securities	(1,818,608)	-
Total Non Cash (Income) Expenses	(1,175,643)	(8,971,452)
Changes in non-cash balances		
GST/HST and other receivables	(65,423)	(10,858)
Note receivable	500,000	(500,000)
Prepaid expenses	(408,808)	(501)
Accounts payable and accrued liabilities	(131,460)	(112,461)
Changes in Operating Activities	(105,691)	(623,820)
Total cash used in operating activities	(1,281,334)	(981,408)
Investing activities		
Net proceeds on sale of Crawford nickel property	-	885,218
Net proceeds on sale of marketable securities	82,166	-
Purchase of fixed assets	(19,000)	-
Purchase of mining property	(90,498)	(8,400)
Total cash provided (used) in investing activities	(27,332)	876,818
Financing activities		
Long term loan - CEBA	60,000	-
Cash from flow through private placements	1,616,460	-
Deferred premium on flow through shares	98,161	-
Cash from warrants exercised	1,735,500	122,500
Cash from stock options exercised	95,000	-
Share issue costs	(85,827)	-
Advance from director	(32,746)	(42,112)
Total cash provided by financing activities	3,486,548	80,388
(Decrease) increase in cash	2,177,882	(24,202)
Cash at the beginning of the year	(45)	24,157
Cash (Indebtedness) at the end of the year	2,177,837	(45)

The accompanying notes are an integral part of these financial statements

SPRUCE RIDGE RESOURCES LTD.
Notes to the Audited Financial Statements
For the Years Ended April 30, 2021 and 2020

1. 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 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 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, 2021. At April 30, 2021, the Company has not generated any revenues from operations, has retained earnings of \$18,995,812 (April 30, 2020 - \$4,211,378) and has working capital of \$11,199,691 (April 30, 2020 - working capital \$4,965,231). 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.

2. Significant accounting policies

(a) Basis of presentation and statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company operates in one segment defined as the cash generating unit (CGU) which is Canada

The Company's IFRS accounting policies have been applied consistently in all periods in preparing the financial statements for the period ended April 30, 2021, and the comparative information for the year ended April 30, 2020. The policies applied in these financial statements are based on IFRS issued and outstanding as of August 30, 2021, the date of approval by the Company's Board of Directors.

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.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis, except for financial instruments designated at fair value through profit and loss, which are stated at their fair value.

(c) Presentation and functional currency

The Company's presentation currency and functional currency is the Canadian dollar.

(d) Foreign currency translation

Monetary assets and liabilities denominated in a foreign currency are translated to Canadian dollars at exchange rates in effect at statement of financial position date and non-monetary assets and liabilities are translated at rates of exchange in effect when the assets were acquired or obligations incurred.

Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in Statements of Income and Comprehensive Income, except for differences arising on the translation of available for sale equity instruments that are recorded in other accumulated comprehensive income.

Financial assets and financial liabilities are recognized when the Company becomes party to a contractual agreement.

SPRUCE RIDGE RESOURCES LTD.
Notes to the Audited Financial Statements
For the Years Ended April 30, 2021 and 2020

2. Significant accounting policies (Continued)

Classification of Financial Assets

Financial assets are initially measured at fair value and classified into one of the following specified categories: amortized cost, fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVOCI"). Financial assets measured at amortized cost are initially recognized at fair value and subsequently are measured at amortized cost using an effective interest rate method. Financial assets measured at FVTPL are measured at fair value with unrealized gains and losses recognized in the Statements of Income and Comprehensive Income.

Financial assets recognized in the statements of financial position include cash, note receivable, marketable securities, security deposits.

Cash and cash equivalents consist of cash on hand, bank balances and investments in money market instruments in Canada with maturities of three months or less. Cash and cash equivalents are classified as fair value through profit or loss and are measured at fair value.

Security deposit and other receivable is initially recognized at fair value and is subsequently measured at amortized cost using an effective interest rate method.

Investments reported at fair-value-through-profit-and-loss (FVTPL) are recorded at fair value with the difference between fair value and cost being recorded as unrealized gain or loss in value of investments on the Statements of Income (Loss) and Comprehensive Income.

Classification of Financial Liabilities

Financial liabilities are classified as either FVTPL or amortized cost. Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized in the Statements of Income and Comprehensive Income unless the change in fair value is attributable to changes in credit risk in which case the change is reported in other comprehensive income. Financial liabilities reported at amortized cost, including borrowings, are initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method. Financial liabilities consist of accounts payable and accrued liabilities and due to director. Accounts payable and accrued liabilities and due to director are initially recognized at fair value and classified as amortized cost, and subsequently measured at amortized cost.

Measurement of Fair Value

All financial instruments that are measured at fair value are categorized into one of three hierarchy levels, as described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities.

Level 1 - inputs are unadjusted quoted prices of identical instruments in active markets

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the comparable asset or liability, either directly or indirectly.

Level 3 - one or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments

Transaction Costs

Transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities recorded at fair value through profit or loss for the period are recognized immediately in the Statements of Income and Comprehensive Income.

Offsetting

Financial assets and financial liabilities are offset and reported on the Statements of Financial Position only if there is an enforceable legal right to offset the recognized amounts, and an intention to realize the asset and settle the liability simultaneously.

Issuance of Equity Instruments

SPRUCE RIDGE RESOURCES LTD.

Notes to the Audited Financial Statements For the Years Ended April 30, 2021 and 2020

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issuance costs.

2. Significant accounting policies (Continued)

Financial assets	IFRS 9
Cash	FVTPL
Other receivables	Amortized cost
Note receivable	Amortized cost
Marketable securities	FVTPL
Security deposit	Amortized cost

Financial liabilities	IFRS 9
Accounts payable and accrued liabilities	Amortized cost
Bank loan	Amortized cost
Due to director	Amortized cost

(f) Property, Plant and Equipment

On initial recognition, property, plant and equipment are valued at cost, being the purchase price which includes the cash consideration and the fair market value of the shares issued for the acquisition of mineral properties and those directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within the provisions.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statements of Income and Comprehensive Income during the financial period in which they are incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized in the Statements of Income and Comprehensive Income.

Property, plant and equipment are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

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

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate.

(g) Leased assets

Under IFRS 16 all leases are capitalized by recognizing the present value of lease payments and recognizing an asset and a financial liability representing an obligation to make future lease payments. The Company does not have any lease obligations.

2. Significant accounting policies (Continued)

SPRUCE RIDGE RESOURCES LTD.
Notes to the Audited Financial Statements
For the Years Ended April 30, 2021 and 2020

(h) Exploration and evaluation assets

Exploration assets

Exploration expenditures relating to resource properties in which a legal right to explore has been obtained and an interest is retained are deferred and are carried as an asset until the results of the projects are known. If a project is unsuccessful or if exploration has ceased because continuation is not economically feasible, the cost of the property is written off. The fair value of resource properties acquired in exchange for the issuance of the Company's shares is determined by the trading price of the Company's shares on the date the shares are issued.

Option payments paid by the Company are capitalized against resource property costs when paid. Option payments received by the Company are deducted from resource property costs when received. No gain or loss on disposition of a partial interest is recorded until all carrying costs of the interest have been offset by proceeds of sale or option payments received or paid.

Evaluation assets

Evaluation expenditures relating to the evaluation of resource properties are capitalized until properties brought into production, at which time costs are amortized on a unit-of production basis over economically recoverable reserves, or abandoned or the interest is sold.

If a project is successful and production has occurred, the exploration expenditures and related deferred evaluation expenditures are first tested for impairment and reclassified to mine property and development, and then amortized by charges against income from future mining operations.

Exploration and evaluation expenditures, which are general in nature and cannot be associated with a specific group of mining claims, and general administrative expenses, are expensed in the year in which they are incurred.

(i) General

Administrative, prospecting and general expenses are expensed in the year in which they are incurred.

(j) 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 presented as a non-current item and 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 the tax rates that have been enacted or substantially enacted by the end of the reporting period. The effect on deferred income tax assets and liabilities resulting from a change in enacted or substantially enacted tax rates is included in income in the period in which the change is enacted or substantively enacted.

(k) 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. When the related expenditures are incurred, and the tax deductions renounced to the unit holders, the Company reverses the related premium liability on the Statements of Financial Position, and reduces the deferred tax expense on the Statements of Income and Comprehensive Income.

(l) Provisions

Rehabilitation provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive

2. Significant accounting policies (Continued)

SPRUCE RIDGE RESOURCES LTD.
Notes to the Audited Financial Statements
For the Years Ended April 30, 2021 and 2020

obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and revegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks. Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the year in which they occur.

The Company did not have a rehabilitation provision as at April 30, 2021 or April 30, 2020.

Other provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date. If the Company is virtually certain that some or all of a provision will be reimbursed, for example under an insurance contract, such reimbursement is recognized as a separate asset. Provisions may be discounted using a current pre-tax rate that reflects the risks specific to the liability. The expense relating to any provision is presented in the Statements of Income and Comprehensive Income.

(m) Share capital

Financial instruments issued by the Company are defined as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares, stock options or warrants are shown in equity as a deduction, net of tax, from the proceeds.

(n) Use of Estimates

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustments to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

Rehabilitation provisions

Rehabilitation provisions are based on internal estimates. Assumptions, based on the current economic environment, are made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market condition at the time the rehabilitation costs are actually incurred. The final cost of the recognized provisions may be higher or lower than currently provided for

As at April 30, 2021, or April 30, 2020 there were no rehabilitation provisions.

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 future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an

SPRUCE RIDGE RESOURCES LTD.
Notes to the Audited Financial Statements
For the Years Ended April 30, 2021 and 2020

2. Significant accounting policies (Continued)

expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The Company uses the Black-Scholes model to value stock options. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Notes 8(c) and 8(e).

(o) Stock Based Payments

Where equity-settled stock options are awarded to employees, the fair value of the stock options at the date of grant is charged to the Statements of Income and Comprehensive Income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the Statements of Income and Comprehensive Income over the remaining vesting period. Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

When equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the stock based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. All equity-settled stock based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

SPRUCE RIDGE RESOURCES LTD.
Notes to the Audited Financial Statements
For the Years Ended April 30, 2021 and 2020

2. Significant accounting policies (Continued)

The Company values stock options using the Black-Scholes model.

(p) Income Recognition

IFRS 15 has a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the provision of goods (or the completion of services) to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps: i) identify the contract with the customer; ii) identify the performance obligations in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligations in the contract; and v) recognize revenue when (or as) the entity satisfies a performance obligation.

Income from the sale of mineral products, when they occur, are generally recorded on a gross basis when title passes to an external party. The Company recognizes income when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collection of the related receivable is reasonably assured. Title and risk of loss generally pass to the customer at the time of control of the product passes to the customer.

Interest income is accrued as earned.

(q) 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 period 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 in net earnings.

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

Loss per Share

Basic earnings (loss) per share is computed by dividing income (loss) and comprehensive income (loss) available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method. The assumed conversion of outstanding common share options and warrants has an anti-dilutive impact in April 30, 2021 and April 30, 2020.

(r) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

A previously recognized impairment loss may be reversed, to the extent of previously recorded losses, if the asset subsequently recovers.

Non-financial assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Indications of impairment such as significant decrease in its market price, evidence of obsolescence and physical damage, carrying amount of the net assets is more than its market capitalization, or significant adverse change in use.

SPRUCE RIDGE RESOURCES LTD.
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2. Significant accounting policies (Continued)

Where the carrying value of an asset exceeds its recoverable amount, which is the greater of value in use and fair value less disposal costs, the asset is written down accordingly. If the carrying amount of an asset exceeds its estimated recoverable amount, the asset is written down and the impairment loss is recognized in the Statements of Income and Comprehensive Income.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the smallest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

A previously recognized impairment loss may be reversed only if there has been a change in the estimates used to determine the recoverable amount of the asset. If this is the case, the carrying amount of the asset is increased to its recoverable amount and is recognized in the Statements of Income and Comprehensive Income. The increased amount cannot exceed the carrying amount that would have been determined had no impairment been recognized for the asset.

3. Accounts Receivable

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

	30-Apr-21 \$	30-Apr-20 \$
HST	158,319	76,693
Other receivable	-	16,203
Total	158,319	92,896

4. Note Receivable

The Company's note receivable due from Noble Mineral Exploration Ltd. is from the sale of the Crawford nickel property to Canada Nickel Company in the April 30, 2020 year-end. During the year-ended April 30, 2021, the note receivable has been received in full.

	30-Apr-21 \$	30-Apr-20 \$
Note Receivable	-	500,000

5. Marketable securities

At April 30, 2021 and April 30, 2020, the Company held marketable securities as follows:

30-Apr-21	Number of Shares	Cost	Short Term FV Adjustment	Long Term FV Adjustment	Fair Value
Cash					\$200
Canada Nickel Company	3,000,000	750,000	9,870,000		10,620,000
Canada Nickel Company	4,500,000	1,125,000	-	14,805,000	15,930,000
Canada Nickel Company	600,019	264,000	1,860,000	-	2,124,000
Noble Mineral Exploration	10,000,000	800,000	500,000	-	1,300,000
Magna Terra Minerals Inc.	76,126	25,000	(9,775)	-	15,225
Cerro Grande Mining Corp.	26,150	20,593	(19,939)	-	654
		2,984,593	12,200,353	14,805,000	\$29,990,079
30-Apr-20	Number of Shares	Cost	FV Adjustment	FV Adjustment	Fair Value
Cash					\$23
Canada Nickel Company	4,000,000	1,000,000	2,400,000		3,400,000
Canada Nickel Company	6,000,000	1,500,000	-	3,600,000	5,100,000
Canada Nickel Company	674,774	296,901	276,657	-	573,558
Noble Mineral Exploration	10,000,000	800,000	(100,000)	-	700,000
Cerro Grande Mining Corp.	26,150	20,593	20,462	-	131
		3,617,494	2,597,119	3,600,000	9,773,712

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Notes to the Audited Financial Statements
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5. Marketable securities (Continued)

On September 10, 2020 Spruce Ridge distributed a dividend-in-kind (the "Dividend") of 2,500,000 common shares of Canada Nickel Company Inc. (TSXV: CNC) ("CNC Shares") held by Spruce Ridge Resources Ltd.. Spruce Ridge Resources Ltd. now owns 8,100,000 shares as at April 30, 2021.

6. Prepaid expenses and security deposits

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

	30-Apr-21	30-Apr-20
	\$	\$
Security deposit	70,176	70,176
Prepaid expenses	423,812	15,004

7. Exploration and evaluation assets

As at April 30, 2021	Acquisition costs			
	Opening	Additions	Closing	
	May 1, 2020	(Write downs)	Adjustment	April 30, 2021
	\$	\$	\$	\$
Nora Lake	7,500	-	-	7,500
Viking/Kramer	922,500	-	(125,000)	797,500
Great Burnt Copper / Gold	376,297	28,695	-	404,992
	1,306,297	28,695	(125,000)	1,209,992

As at April 30, 2020	Acquisition costs			
	Opening	Additions	Closing	
	May 1, 2019	(Write downs)	Adjustment	April 30, 2020
	\$	\$	\$	\$
Nora Lake	7,500	-	-	7,500
Viking/Kramer	922,500	-	*	922,500
Great Burnt Copper / Gold	367,897	8,400	-	376,297
Crawford property	332,709	318,745	(651,454)	-
	1,630,606	327,145	(651,454)	1,306,297

(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 April 30, 2021, 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)

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Notes to the Audited Financial Statements
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7. Exploration and evaluation assets (Continued)

(c) Viking/Kramer Gold Property, Western Newfoundland

On September 8, 2020 the company entered into an Amended Option Agreements (the "Agreements") with Magna Terra Minerals Inc. ("Magna Terra") for both the Viking and Kramer Properties ("Viking", "Kramer" or the "Properties") situated near the communities of Pollard's Point and Sop's Arm in White Bay, Newfoundland. The original Option Agreements for the Properties were entered into on February 5, 2016 between Spruce Ridge and Anaconda Mining Inc. ("Anaconda") (See Spruce Ridge News Release dated February 10, 2016). On December 5, 2019 Anaconda assigned its interest in and to the Agreements to a wholly owned subsidiary company – 2647102 Ontario Inc. On August 12, 2020, Magna Terra completed the acquisition of 2647102 Ontario Inc. from Anaconda, and thus took over ownership of the Agreements.

Option Details

Magna Terra can earn a 100% interest in the Viking and Kramer Projects by paying Spruce Ridge a total of \$300,000 over 4 payment periods ending February 15, 2023. At Magna Terra's election up to half (50%) of the payments can be made via the issuance of Common Share Units (the "Units"). Pricing of the units will be calculated using the 20 day volume weighted average price ("VWAP") of Magna Terra's common shares on the TSX Venture Exchange immediately prior to the payment date. Each Unit will consist of one Common Share and ½ Common Share Purchase Warrant. Each whole warrant will be exercisable at a 50% premium to the Common Share VWAP, for a period of 2 years from the payment date. The warrant exercise price will not be less than the market price of the common shares at the time of issuance. The maximum number of Units issuable by Magna Terra is 740,742. Further, Spruce Ridge is entitled to a 0.5% uncapped NSR on all minerals sales from the Viking Property, and a 2.0% NSR on all mineral sales from the Kramer Property, which is capped at \$2,500,000, after which the NSR will be reduced to 1.0%. The TSX Venture Exchange accepted for filing the documentation relating to the amended option agreement September 25, 2020.

(d) 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 Pavay 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);
- i)
 - a. 13 monthly principal and interest (8% annual interest) payments of \$11,437.77 (13 payments made);
 - b. 23 monthly principal and interest (8% annual interest) payments of \$8,663.68 (23 payments made);
 - During the 2017 fiscal year, the Company allocated refundable government deposits in the amount of \$58,971 to Pavay Ark. These amounts were refunded directly to Pavay Ark during the 2017 fiscal year;
 - As a result of these amounts refunded, the terms of the commitment were revised from the originally agreed to 36 monthly payments of \$11,437.77. The terms of the agreement were revised reducing the monthly payment amount to \$8,663.68, with no changes to the number of payments.

The Company now owns 100% of the property as all payments have been made.

(e) Crawford VMS, Nickel property, Northern Ontario

On February 19, 2020 the Company entered into an agreement (the "Termination Agreement") with Noble Mineral Exploration Inc. ("Noble") and Canada Nickel Company Inc. ("Canada Nickel") to terminate the option and joint venture agreement dated May 4, 2018 (the "Crawford JV Agreement") between the Company and Noble. The Crawford JV Agreement is subject to an amendment between the Company and certain private investors (the "Investors") dated September 9, 2018 (the "Investor Agreement").

In conjunction with the entering of the Termination Agreement, the Company has also entered into an agreement with Investors to terminate the Investor Agreement (the "Investors Termination Agreement").

The Crawford JV Agreement

Under the Crawford JV Agreement, as amended by the Investor Agreement, Spruce has the right, subject to the terms and conditions thereof, to earn up to a 75% undivided interest in the Crawford project and the Investors have the right to earn up to a 37.5% undivided interest in the Crawford project (with Spruce retaining a 37.5% undivided interest therein).

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7. Exploration and evaluation assets (Continued)

The Termination Agreement and Investors Termination Agreement

Pursuant to the Termination Agreement, Noble, Canada Nickel and the Company have agreed to terminate the Crawford JV Agreement on the following terms (the "Termination Agreement Terms"):

- o Noble issued \$1,000,000 promissory note to Spruce Ridge and 10,000,000 units of Noble to Spruce Ridge. Each Noble unit is comprised of one common share and one half of one common share purchase warrant, each whole warrant exercisable for three years from the date of issuance at a price of \$0.15 per common share of Noble;
- o Canada Nickel issued 20,000,000 common shares of Canada Nickel to Spruce Ridge for a deemed aggregate value of \$5,000,000;
- o Spruce Ridge issued 2,000,000 common shares of Spruce Ridge to Noble for a deemed aggregate value of \$130,000; and
- o Noble entered into an agreement with Spruce Ridge regarding the transfer of the ownership of the mineral claims and the various patented properties (the "Crawford VMS Assets") on an as-is where-is basis pursuant to an agreement providing that Noble has the right to acquire up to a 25% interest in the Crawford VMS Assets, exercisable at any time by making a payment to Spruce Ridge in the amount of the *pro rata* costs of exploration expenditures incurred by Spruce Ridge on the Crawford VMS Assets and, for greater certainty, also providing Spruce Ridge with the right to exchange and substitute other potential VMS properties (being patented properties or mineral claims) held by Noble within Crawford Township with properties of the same size from the Crawford VMS Assets on the same terms as provided in the Crawford JV Agreement.

Pursuant to the Investors Termination Agreement, the Company and the Investors have terminated the Investor Agreement on the following terms (the "Investors Termination Agreement Terms"):

- o Spruce Ridge transferred 10,000,000 common shares in the capital of Canada Nickel received under the Termination Agreement to the Investors for a deemed aggregate value of \$2,500,000; and
- o Spruce Ridge issued 10,000,000 Spruce Ridge Units to the Investors for a deemed aggregate value of \$650,000. Each Spruce Ridge unit is comprised of one common share and one half of one common share purchase warrant, each whole warrant exercisable for three years from the date of issuance at a price of \$0.10 per common share of Spruce Ridge.

The Company has recorded a gain on sale of the Crawford Nickel property of \$2,566,676.

8. Exploration expenses

A summary of exploration expenditures incurred for the period ended April 30, 2021 is as follows:

	Great Burnt
	\$
Field Expenses	118,177
Geo's	51,427
Drilling	385,810
Wages	40,406
Assays	19,744
Lease	19,800
	<u>635,364</u>

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9. Property and equipment

Cost	Land	Buildings	Equipment	Office		Total
				Equipment	Trucks	
	\$	\$	\$	\$	\$	\$
Balance, April 30, 2020	40,000	159,000	216,756	9,200	10,000	434,956
Addition	-	-	19,000	-	-	19,000
Balance, April 30, 2021	40,000	159,000	235,756	9,200	10,000	453,956
Accumulated amortization						
Balance, April 30, 2020	-	121,296	208,295	8,631	9,657	347,879
Balance, April 30, 2021	-	125,067	209,988	8,745	9,760	353,560
Net book value						
As at April 30, 2020	40,000	37,704	8,461	569	343	87,077
Balance, April 30, 2021	40,000	33,934	25,768	455	240	100,397

10. Accounts payable and accrued liabilities

Payables and accrued liabilities for the Company are as follows:

	30-Apr-21	30-Apr-20
	\$	\$
Trade payables	56,633	213,452
Accrued liabilities	65,718	140,359
Total	222,351	353,811

11. Due to Director

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

	30-Apr-21	30-Apr-20
	\$	\$
Due to Director	Nil	32,746

12. Equity Capital and Reserve

(a) **Authorized**

Unlimited common shares without par value

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

	Shares	\$ Value
Balance, as at April 30, 2020	113,158,622	10,747,522
Warrants exercised	28,210,000	1,735,500
Black Scholes of warrants exercised	-	813,666
Flow through shares issued	11,546,142	1,616,460
Share issue costs	-	(85,827)
Black Scholes on broker warrants issued	-	(52,100)
Deferred premium of FT shares issued	-	(161,646)
Stock options exercised	1,900,000	95,000
Black Scholes on stock options exercised	-	56,689
Balance, as at April 30, 2021	154,814,764	14,765,263

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12. Equity Capital and Reserve (Continued)

On December 31, 2020, the Company completed a private placement for total proceeds of \$610,000 consisting of 4,357,142 flow-through shares at a price of \$0.14 per share. The Company issued 263,000 broker warrants exercisable at \$0.14 for 24 months from the date of issue

On January 19, 2021, the Company completed a private placement for total proceeds of \$1,006,460 consisting of 7,189,000 flow-through shares at a price of \$0.14 per share. The Company issued 286,960 broker warrants exercisable at \$0.14 for 24 months from the date of issue.

(c) Warrants

Details of warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price \$
Balance, as at April 30, 2020	50,967,500	0.07
Broker warrants issued – flow through private placement	549,960	0.14
Warrants exercised	(6,500,000)	0.10
Warrants exercised	(21,710,000)	0.05
Warrants expired	(482,500)	0.05
Balance, as at April 30, 2021	22,824,960	0.07

Number of warrants	Fair value at grant date	Exercise Price	Expiry Date
3,500,000	\$39,180	0.10	25-May-21
3,600,000	149,220	0.05	31-May-21
175,000	5,175	0.05	26-Oct-21
5,000,000	149,409	0.05	30-May-23
5,000,000	198,745	0.05	10-Jun-24
5,000,000	274,087	0.10	19-Feb-23
263,000	25,250	0.14	31-Dec-23
286,960	26,850	0.14	19-Jan-23
22,824,960	\$867,916		

(d) Stock Options

A summary of the status of outstanding stock options as of April 30, 2021 is presented below.

	Stock Options	Weighted Average Exercise Price
Balance, April 30, 2020	3,500,000	Nil
Stock options exercised	(1,900,000)	\$0.05
Balance, as at April 30, 2021	1,600,000	\$0.05

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12. Equity Capital and Reserve (Continued)

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	95 to 209%
Risk-free interest rate	0.94 to 1.29%
Expected average life	3 and 5 years

(e) Contributed Surplus

Balance, April 30, 2020	\$3,287,709
Stock options vested	34,843
Black Scholes stock options exercised	(56,689)
Warrants expired	5,225
Balance, as at April 30, 2021	\$3,271,088

13. Related Party Transactions

No director fees have been paid to directors.

As at April 30, 2021, \$340,000 (April 30, 2020 - \$95,000) was paid or accrued to a company controlled by the President of the Company for management and accounting services. Balance in accounts payable is \$Nil (April 30, 2020 - \$Nil).

The Company has advanced \$416,185 to a director on account of management fees and ongoing expenses anticipated to be paid by the director for the year ended April 30, 2022. These amounts are shown as prepaid expenses. These expenses have historically been paid by the director and subsequently reimbursed to the director by the company.

As at April 30, 2021, \$140,092 (April 30, 2020 - \$10,518) was paid or accrued to the Vice President of Exploration for geological services, with \$73,538.12 (April 30, 2020 - Nil) remaining in accounts payable.

The amount due to director as at April 30, 2021 is Nil (April 30, 2020 - \$32,746).

14. Commitments

In connection with the flow-through share financings in December 2020 and January 2021, the Company is committed to incur qualifying Canadian Exploration Expenditures (as such term is defined in the Income Tax Act (Canada)) of a total of \$610,000 by December 31, 2021 and \$1,006,460 by December 31, 2022, for a total of \$1,616,460.

As at April 30, 2021, the Company is required to incur \$981,614 of these qualifying exploration expenditures.

15. Capital and Financial Risk Management

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 April 30, 2021.

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.

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15. Capital and Financial Risk Management (Continued)

Fair Value

The carrying values for primary financial instruments, including cash, note receivable, security deposit, marketable securities, accounts payable and accrued liabilities and due to director 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 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.

Cash and equivalents are held with Canadian financial institutions with "AA" credit rating.

Property risk

The Company's significant projects are the Great Burnt Copper Gold property in Newfoundland, Crawford property in Northern Ontario, Nora Lake in Ontario, and 50% joint venture with Americas Silver Corp. 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:

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

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in mineral exploration companies and may impact the Company's ability to raise equity financing for its ongoing working capital requirements.

15. Capital and Financial Risk Management (Continued)

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.

16. Bank Loan

The Company received a \$60,000 interest free loan due December 2022 supported by the Government of Canada through the Canada Emergency Business Account (CEBA) program. Payment of \$40,000 by the due date will result in \$20,000 forgiveness.

17. Income Tax

The provision for income taxes differs from the amounts computed by applying the cumulative Canadian federal and provincial tax rates to the loss before tax provision due to the following:

	2021	2020
Statutory income tax rate	26.5%	26.50%
Net income before provision for income taxes	\$ 6,229,405	\$ 2,282,674
Exploration expenses	168,371	67,550
Amortization	1,505	1,839
Stock based Compensation	9,233	9,223
Taxable gain on sale of Crawford property	-	340,085
Taxable gain on disposition of marketable securities	240,966	-
Share issue costs	6,524	1,975
Gain on sale of Crawford property	-	(680,169)
Gain on disposition of marketable securities	(481,931)	-
Other	(3,760)	(4,485)
Fair value adjustment	<u>(5,990,258)</u>	<u>(1,636,814)</u>
	<u>180,055</u>	<u>381,888</u>
Income tax asset/liability not realized	(116,571)	-
Deferred income tax recovery	63,484	-
Tax recovery on loss carryforward	-	(381,888)
Income tax provision (recovery)	-	-

A deferred income tax asset has not been recorded as it is not known whether this benefit will be realized.

SPRUCE RIDGE RESOURCES LTD.
Notes to the Audited Financial Statements
For the Years Ended April 30, 2021 and 2020

17. Income Tax (Continued)

As at April 30, 2021, the Company has non-capital losses of approximately \$3,957,279 (April 30, 2020 - \$3,957,279) available for deduction against future taxable income, which will expire as follows:

	30-Apr-21
	\$
2040	
2039	583,984
2038	233,291
2037	150,695
2036	313,854
2035	94,818
2034	674,492
2033	1,084,591
2032	197,012
2031	104,903
2030	519,639
2029	
2028	
	<hr/> <hr/> 3,957,279

As at April 30, 2021, the Company has capital losses of approximately \$Nil (April 30, 2020- \$Nil) available against future taxable income.

18. Subsequent event

On July 19, 2021 Spruce Ridge acquired certain mineral leases with petroleum and natural gas rights, plus oil and gas wells, pipelines and facilities in the Unity area of southwestern Saskatchewan from Repsol Canada Energy Partnership. Included in the purchase are petroleum and natural gas rights from surface to the base of the Mannville Group with an average working interest of 84%. The purchase includes 5 active oil wells, 10 suspended oil and gas wells, heavy oil facilities, pipelines, and an active water disposal well.

The purchase price is \$50,000 cash, subject to adjustments and certain over riding royalties on production of petroleum substances. The purchase price takes into account the Company's responsibility for the Environmental Liabilities, including Environmental Defects and Abandonment and Reclamation Obligations.

On July 27, 2021, Spruce Ridge declared a dividend-in-kind (the "Dividend") of 2,500,000 of the 8,100,000 common shares of Canada Nickel Company Inc. (TSXV: CNC) ("CNC Shares") held by Spruce Ridge. The Dividend is payable on or before September 3, 2021 to holders of record of Spruce Ridge shares at the close of business on August 6, 2021 (the "Record Date")

19. Covid

On March 11, 2020, the World Health Organization (WHO) declared that a strain of the novel coronavirus ("COVID-19") is a pandemic which has resulted in a series of public health and emergency measures to combat the spread of the virus. The duration and impact of COVID19 is unknown at this time and it is not possible to estimate the impact that the length and severity of these developments will have on the financial results and conditions of the Company in future periods.