



**SPRUCE RIDGE RESOURCES LTD.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**YEAR ENDED APRIL 30, 2022**

## **OVERVIEW**

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Spruce Ridge Resources Ltd. ("Spruce Ridge", the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended April 30, 2022. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited consolidated financial statements of the Company for the years ended April 30, 2022 and 2021 together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. The results for the period presented are not necessarily indicative of the results that may be expected for any future period. The Company is considered as a "Venture Issuer" as defined in NI 51-102.

The Company's consolidated financial statements and the financial data included in the MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee that are effective as at April 30, 2022 as set forth in Note 2 of the consolidated financial statements.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Spruce Ridge's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

The MD&A was reviewed and approved by the Board of Directors and is effective as of February 28, 2023.

## **QUALIFIED PERSON**

The technical information in this MD&A has been reviewed and approved by Mr. Stephen Balch, 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

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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 Ridge**" 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 Newfoundland, Canada and has not yet determined whether these properties contain reserves that are economically recoverable. The Company's registered head office is located at 18 King Street East, Suite 902, Toronto, Ontario, M5C 1C4.

As at April 30<sup>th</sup>, 2022, 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 Den	Director

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, 2022, the Company has retained earnings of \$6,802,526 (April 30, 2021 - \$17,461,912) and has working capital of \$8,064,391 (April 30, 2021 - working capital \$11,129,515). The Company is subject to risks and challenges similar to companies in a comparable stage of exploration and development.

The Financial Statements were approved for issuance by the Company's Board of Directors on February 28, 2023.

**DEVELOPMENTS SUBSEQUENT TO PERIOD ENDED APRIL 30<sup>th</sup>, 2022**

**On August 4<sup>th</sup>, 2022** at the Company's Annual General Meeting, the CEO and CFO resigned their positions with the Company and a new Board of Directors was appointed. On August 30, 2022, Ashley Nadon, of Nadon Professional Corporation, was appointed CFO. As at August 30, 2022, the directors and officers of the Company were:

Stephen Balch, P.Geo.	President, CEO and Director
Ashley Nadon, MBA, CPA	CFO
Vance White	Director and Chair
Dr. Sethu Raman	Director
Michael Dehn, P.Geo.	Director
Birks Bovaird	Director

**On August 17<sup>th</sup>, 2022** the assessment office of Newfoundland, on behalf of the Minister of Industry, Energy and Technology, sent notice by email of cancellation of mineral exploration licenses 006683M, 009881M, and 027013M (the "cancelled licenses") for failure by the Company to submit assessment reports within the required time limit. On November 3<sup>rd</sup>, 2022, after communication with the assessment office, the Company filed a formal grievance, which was heard on November 30<sup>th</sup>, 2022. During this hearing, legal counsel representing the Minister argued that the grievance should not be heard as it had been filed after the 30-day time period requirement

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which technically expired on September 17<sup>th</sup>, 2022 or about 45 days before the Company had actually filed. The Company argued that it had not been formally notified. It was suggested by the Chair of the Grievance Board that the Minister provide a written submission of their request to have the grievance cancelled, due to the technical nature of the argument, providing a copy of the written submission both to the Grievance Board and to the Company. It was agreed that the Minister would respond in writing to the Grievance Board by December 14<sup>th</sup>, 2022 and the Company would provide a written response by January 10<sup>th</sup>, 2023. On January 20<sup>th</sup>, 2023 the Minister recommended the cancelled licenses be re-instated provided Spruce Ridge provide supporting documentation that exploration work was done to the required amount and within the required time period. The licenses have been reinstated and are currently in good standing.

**On September 2<sup>nd</sup>, 2022** the Ontario Securities Commission (OSC) sent notice to the Company of a cease trade order (CTO) issued under the securities legislation of Ontario resulting from the Company's failure to file audited financial statements for the year ended April 30<sup>th</sup>, 2022, the management's discussion and analysis relating to the annual financial statements and certification of the filings as required by National Instrument 52-109. The Company has continued to communicate with the OSC and the TSX Venture Exchange (the "TSXV") as it works to resume trading. On December 13<sup>th</sup>, 2022 the TSXV informed the Board of Directors of Spruce Ridge of its intent to move the Company to the NEX board where trading would remain suspended. The Company was able to provide sufficient proof that it could still meet the TSXV listing requirements and the deadline was extended to March 1<sup>st</sup>, 2023.

**On September 22<sup>nd</sup>, 2022** Scarrow & Donald LLP was appointed auditor of the Company.

**On November 20, 2022** the Company filed an assessment report on its Foggy Pond property covering mineral exploration licenses 033214M, 033215M, 033216M. The work was field by Greg Robinson, P.Geo. who is responsible for its technical content. In February 2021, the Company announced it had completed a high resolution airborne magnetic gradiometer survey over its "Foggy Pond" gold and base-metals property (see Figure 1) covering an area of 19,175 ha from 767 claims which are contiguous to the Company's Great Burnt Copper-Gold Property.

The newly acquired claims cover a large, previously unexplored area underlain by Lower Paleozoic siliciclastic rocks, similar to those hosting recently discovered gold deposits on the Queensway Project of New Found Gold Corp. and the Moosehead Project of Sokoman Minerals Corp. Re-interpretation of province-wide airborne magnetic data has indicated previously undocumented structural complexity, including a regional-scale fold and possible crustal-scale fault structures like the structures that are now known to localize gold mineralization in Central Newfoundland. The fold feature may cause the mineralized horizon containing the Great Burnt copper deposit and the South Pond gold and copper-gold zones to be repeated on a western limb. Local magnetic anomalies have been interpreted as possible ophiolite slivers along a northeast-trending structure that may be like the GRUB line crossing New Found Gold's property.

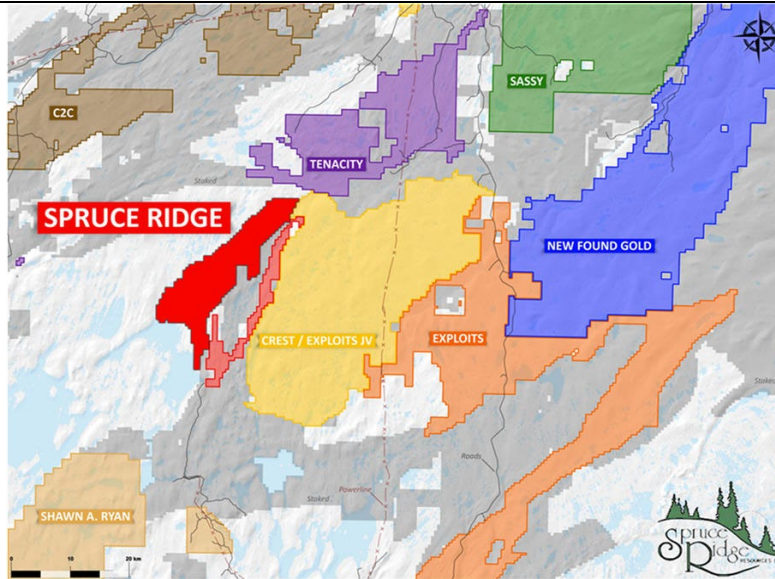


Figure 1: Spruce Ridge Resources Great Burnt Lake Property with Highlighting of Newly Acquired Claims.

Preliminary results from the high-resolution magnetic survey confirm the presence of geologic features that appear to be folds intersected by faults in an area of complex geology that does not match the published geology maps. The new survey (Figure 2a) is compared to the regional magnetic data available from the Newfoundland Government (Figure 2b).

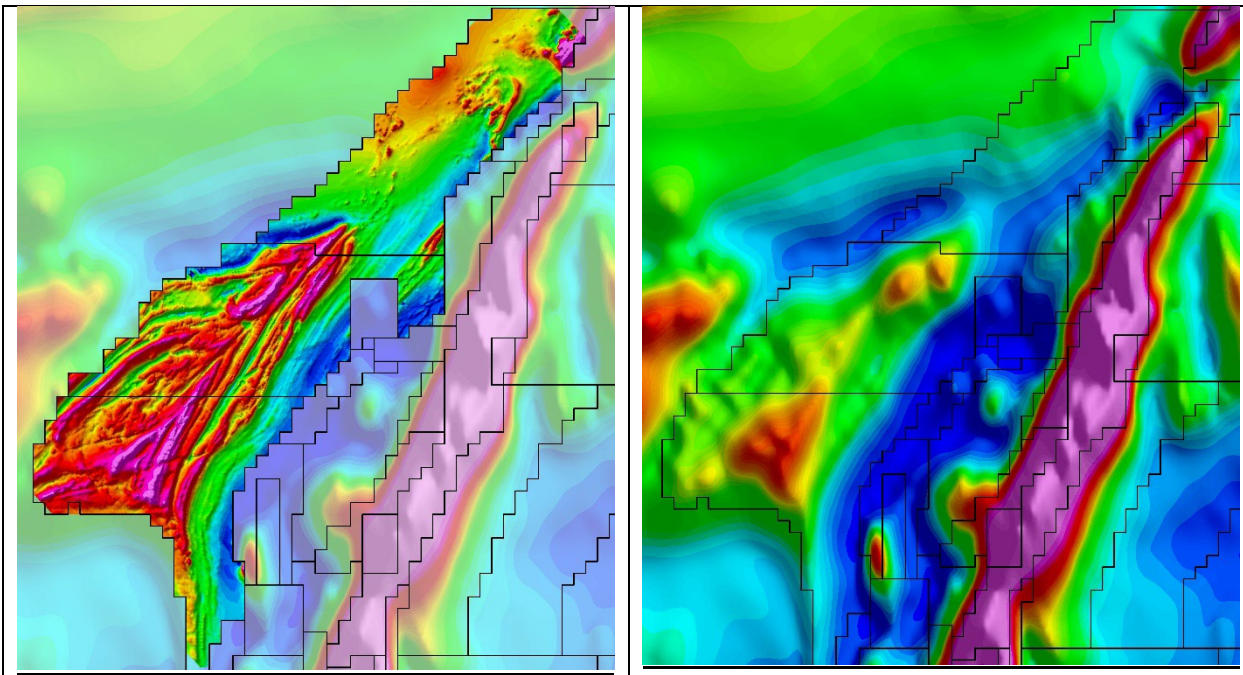


Figure 2: The recently acquired high-resolution magnetic survey is compared to regional government magnetic data.

**On December 5th, 2022**, the Company sold its Saskatchewan oil & gas interests to Original Oil Inc., an Alberta-based oil & gas producer. The Company will receive a total of \$500,000 based on an initial \$25,000 cash payment (which has been received) and ongoing gross-over-riding royalty payments of 5.0% on production. The Company also applied to the Saskatchewan Government for return of its security bond in the amount of \$554,629.64. The Ministry of Energy and Resources received Spruce's application and agreed there is no longer a security requirement as the Company no longer holds well or facility licenses in the Saskatchewan. On January 10th,

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2023, the Company received the refund. As of January 10th, 2023 Spruce had no more financial obligations for these assets.

**Subsequent to the year ended April 30, 2022**, it was discovered that a former senior officer and director borrowed Company funds in the amount of \$666,729 with no apparent authority or documentation on the terms for repayment, interest or security. In addition, a bonus in the amount of \$300,000 was paid to the same officer, with no record of Company approval. Legal advice has been sought for the most appropriate collection strategy so as to recover the funds. The Company will diligently pursue the recovery of these funds, however recovery in any amount or at all cannot be assured at this time.

**SELECTED ANNUAL INFORMATION**

The following table sets forth a summary of the financial results for the years ended April 30, 2022, 2021 and 2020:

<b>Years ended April 30 (CDN \$)</b>	<b>2022</b>	<b>2021 (restated)</b>	<b>2020</b>
Interest income	Nil	Nil	Nil
Net Income (Loss) and Comprehensive Income (Loss)	\$(10,659,386)	\$21,673,290	\$ 8,613,864
Basic Income (Loss) per share	\$(0.06)	\$0.16	\$0.088
Total assets	\$ 16,835,491	\$34,130,611	\$11,845,117

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 oil revenue and 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 proven reserves are determined. To date, the Company has not discovered any such reserves.

**RESULTS OF OPERATIONS**

The review of the results of operations should be read in conjunction with the Company's April 30, 2022 audited consolidated financial statements. For the year ended April 30, 2022, the Company incurred a loss of \$10,659,386 (2021 – income \$21,673,290)

The expenses and related costs that reflect changes in the Company's operations during the year ended June 30, 2022 include the following:

- The Company had oil & gas revenue of \$131,390 (2021 - \$Nil) resulting from the acquisition of oil & gas assets during the year; operating expense related to these assets was \$642,472 (2021 - \$nil).
- Professional fees increased to \$53,430 (2021 - \$40,541) due to the legal fees associated with the Oil & Gas assets in Saskatchewan. Professional fees include audit fees of \$27,500 (2021 - \$30,000) and legal fees of \$10,607 (2021 - \$10,541).
- Exploration expenses increased \$724,470 to \$1,359,834 (2021 - \$635,364) due to increased exploration activity in Newfoundland.
- Write down of exploration and evaluation assets of \$610,000 related to the Viking/Kramer property
- Management fees were fees paid to the Company's former CEO. The Company incurred management fees of \$183,166 (2021 - \$440,000) as there was a large bonus paid in 2021 which was not paid in fiscal 2022. These amounts were payments made to the former CEO.
- Loss on the dividend in kind of \$150,301 (2021 – gain \$1,800,000)
- Fair value adjustment of \$(9,363,173) (2021 – \$22,604,748) due largely to the fact that the value of Canada Nickel shares at April 30, 2022 was \$2.20 (April 30, 2021 - \$3.54).

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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 year ended April 30, 2022, Spruce reported total general and administrative expenses ("G&A") of \$417,901 (2021 - \$628,174).

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

Year ended April 30	2022 \$	2021 \$
Management fee	183,166	440,000
Amortization	35,093	5,680
Professional fees	53,430	40,541
Filing fees	38,748	28,719
Office and general	4,066	1,333
Property expenses	12,129	8,409
Investor and shareholder relations	91,269	103,492
	417,901	628,174

The company had oil and gas revenue of \$131,390 and incurred \$642,472 in expenses. The oil wells that were acquired had been shut in for more than a year and bringing them online has been quite challenging. Also, oil production and revenue has been affected by the extreme cold Unity, Saskatchewan has endured this year. We expect higher oil revenues and production costs to be reduced significantly. The company currently has two producing oil wells and the Water Disposal Plant which receives water from Company wells and from Repsol will also generate oil revenues as the water brought in contains oil. Once these two wells are producing consistently the Company plans to bring additional wells on line.

As at April 30, 2022 investments in securities available for sale was composed of:

30-Apr-22	Number of Shares	Cost	Short Term FV Adjustment	Long Term FV Adjustment	Fair Value
Cash					\$ 465
Canada Nickel Company - ST	2,594,995	706,752	5,002,237	-	5,708,989
Canada Nickel Company - LT	3,000,000	750,000	-	5,850,000	6,600,000
Noble Mineral Exploration	10,000,000	800,000	200,000	-	1,000,000
Magna Terra Minerals Inc.	261,312	48,611	(22,480)	-	26,131
Cerro Grande Mining Corp.	261,150	20,593	(20,331)	-	262
		2,325,956	5,159,426	5,850,000	<b>\$13,335,847</b>

30-Apr-21	Number of Shares	Cost	Short Term FV Adjustment	Long Term FV Adjustment	Fair Value
Cash					\$ 200
Canada Nickel Company - ST	2,100,000	639,000	6,795,000	-	7,434,000
Canada Nickel Company - LT	6,000,000	1,500,000	-	19,740,000	21,240,000
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	7,265,286	19,740,000	<b>\$29,990,079</b>

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.

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**EXPENDITURES ON RESOURCE PROPERTIES**

A summary of exploration expenditures incurred for the period ended January 31, 2022 are as follows:

	Nora Lake \$	Viking/Kramer \$	Great Burnt Copper/Gold \$	Foggy Pond \$	Total \$
<b>Balance, April 30, 2020</b>	<b>7,500</b>	<b>922,500</b>	<b>376,297</b>	-	<b>1,306,297</b>
Additions	-	-	28,695	-	28,695
Adjustment	-	(125,000)	-	-	(125,000)
<b>Balance, April 30, 2021</b>	<b>7,500</b>	<b>797,500</b>	<b>404,992</b>	-	<b>1,209,992</b>
Additions	-	12,500	8,400	211,505	232,405
Adjustment	-	(75,000)	-	-	(75,000)
Write down	-	(610,000)	-	-	(610,000)
<b>Balance, April 30, 2022</b>	<b>7,500</b>	<b>125,000</b>	<b>413,392</b>	<b>211,505</b>	<b>757,397</b>

**SELECTED QUARTERLY INFORMATION**

	30-Apr 2022	31-Jan 2022	31-Oct 2021	31-Jul 2021
Total assets	16,835,491	21,409,770	29,950,937	33,392,249
Mineral properties	757,397	1,472,492	1,209,992	1,209,992
Working capital	8,064,391	10,356,466	13,350,687	11,337,963
Shareholders' equity	16,223,266	21,182,759	29,502,275	33,019,170
Comprehensive Income (loss)	(10,239,572)	5,453,316	(4,242,073)	(1,631,057)
Income (loss) per share	(0.054)	0.030	(0.024)	(0.010)
	30-Apr 2021	31-Jan 2021	31-Oct 2020	31-Jul 2020
Total assets	34,130,612	24,133,297	19,872,574	27,961,031
Mineral properties	1,209,992	1,276,592	1,276,592	1,326,592
Working capital	11,129,515	11,291,794	9,189,236	12,803,848
Shareholders' equity	32,216,179	23,950,202	19,685,065	27,716,097
Comprehensive Income (loss)	6,109,332	2,721,659	(2,151,395)	14,993,694
Loss per share	0.054	0.020	(0.027)	0.126

During the three months ended April 30, 2022, the Company reported net and comprehensive loss of \$10,239,572 (2021 – income \$6,109,332). The primary contributors were:

- FV adjustment of \$(9,363,173) (2021 – FV increase of \$22,604,748) largely due to the decrease in the value of Canadian Nickel shares to \$2.20 at April 30, 2022 (April 30, 2021 - \$3.54).
- Exploration expenditures of \$230,534 (2021 - \$43,969) related to increased exploration work at Burnt Pond property.



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- Write down of \$610,000 related to the Viking/Kramer property
- Oil and gas expenditures of \$100,298 (2021 - \$nil).

**LIQUIDITY & FINANCING**

The Company had working capital of \$8,064,391 as at April 30, 2022 (April 30, 2021 - \$11,129,515). Expenses will be paid either from the sale of company assets or raising funds through private placements.

**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 April 30, 2022, the Company has incurred \$1,359,834 on exploration expenses.

**SHARE CAPITAL**

The Company had 180,207,202 common shares issued and outstanding at April 30, 2022

Warrants outstanding: April 30, 2022 – 374,990

Warrants outstanding: April 30, 2021 – 23,464,960

Options outstanding: April 30, 2022 – 1,350,000

Options outstanding: April 30, 2021 – 1,600,000

**RELATED PARTY TRANSACTIONS**

No director fees have been paid to directors.

As at April 30, 2022, \$180,000 (April 30, 2021 - \$340,000) of expenses were incurred to a company controlled by the former President of the Company for management and accounting services. Balance in accounts payable is \$Nil (April 30, 2021 – \$Nil).

Miscellaneous receivables of \$666,729 (April 30, 2021 - \$416,185) as an advance for management fees and expenses incurred on behalf of the company.

During the year ended April 30, 2022, \$66,718 (April 30, 2021 - \$140,092) of expenses were incurred to the former Vice President of Exploration for geological services. Balance in accounts payable is \$52,156 (April 30, 2021 – \$73,538).

**OFF-BALANCE SHEET TRANSACTIONS**

As at April 30, 2022, 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,

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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")**

**SPRUCE RIDGE RESOURCES LTD.**  
Management's Discussion and Analysis  
Year Ended April 30, 2022

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The Company is currently assessing the impact of the following future accounting policies that are not expected to have a material impact on the Company:

Amendment to IAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current. In January 2020, the IASB issued amendments to IAS 1 to clarify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions which exist at the end of a reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. The amendments are to be applied retrospectively.

In February 2021 the IASB issued amendments to IAS 1 to require entities to disclose their material accounting policy information rather than their significant accounting policies. To support this amendment the IASB also amended IFRS Practice Statement 2 "Making Materiality Judgements". The amendments are effective January 1, 2023 with earlier adoption permitted.

In May 2021, the IASB issued amendments to IAS 12 "Income Taxes" to require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective January 1, 2023 with early adoption permitted. The amendments are required to be adopted retrospectively.

**Stephen Balch, P.Geo.**  
**Chief Executive Officer**  
**February 28, 2023**