SPRUCE RIDGE RESOURCES LTD.

MANAGEMENT DISCUSSION AND ANALYSIS

SIX MONTH PERIOD ENDED OCTOBER 31, 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 six months ended October 31, 2022 (unaudited) and the year ended April 30, 2022 (audited) including all notes, risk factors and information contained therein. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. 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 condensed interim consolidated financial statements and the financial data included in the MD&A have been prepared in accordance with International Financial Reposting 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 March 23, 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 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 October 31st , 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

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, 2022. At October 31, 2022, the Company has retained deficit of $9,607,223 (April 30, 2022 - $4,511,843) and has working capital of $7,425,220 (April 30, 2022 - $8,064,391). 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 March 10, 2023.

DEVELOPMENTS SUBSEQUENT TO PERIOD ENDED OCTOBER 31ST, 2022

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.

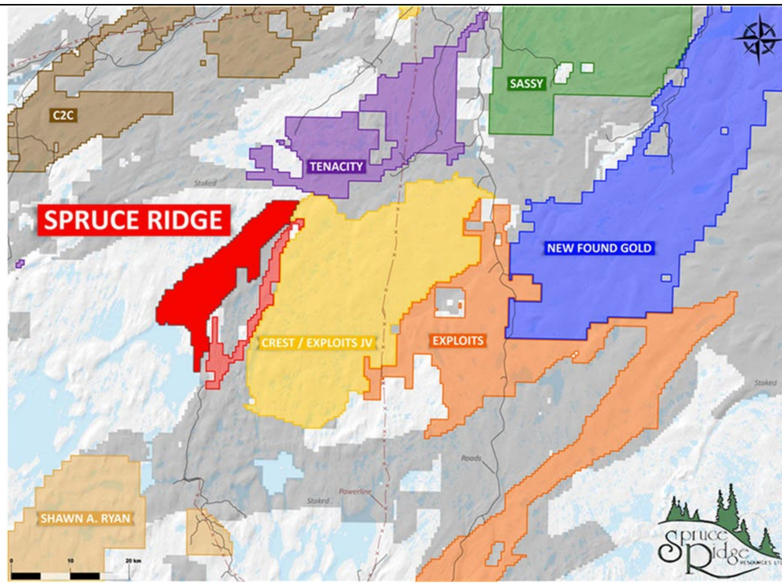

Figure 1: Spruce Ridge Resources Great Burnt Lake Property with Highlighting of Newly Acquired Claims.

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).

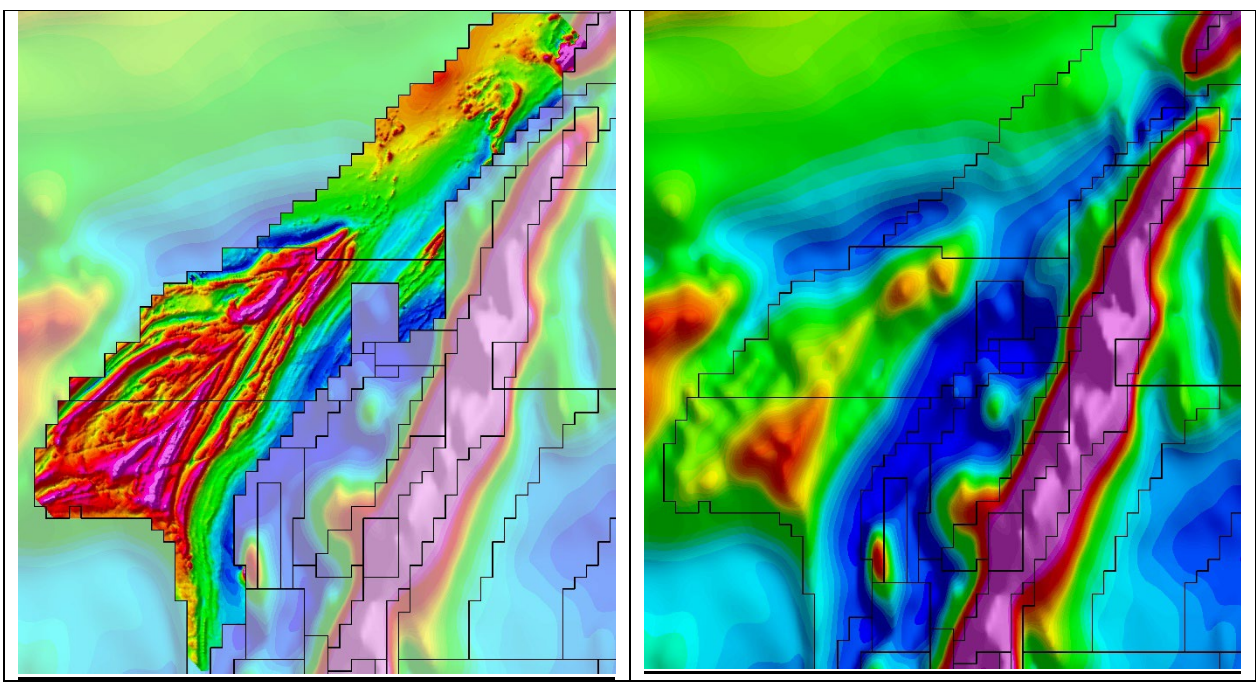

Figure 2: The recently acquired high-resolution magnetic survey is compared to regional government magnetic data.

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

On February 15th, 2023, the Company sold its interest in the Kramer and Viking properties, both located in Newfoundland, as well as cancelled the NSR for both properties to Magna Terra Minerals Inc. ("Magna Terra") for total proceeds of 2.5 M common shares of Magna Terra.

SELECTED ANNUAL INFORMATION

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

Years ended April 30 (CDN $)	2022	2021 (restated)	2020
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 October 31, 2022 consolidated financial statements. For the six months ended October 31, 2022, the Company incurred a loss of $5,095,380 (2021 (restated) – $6,239,985)

The expenses and related costs that reflect changes in the Company's operations during the six months ended October 31, 2022 include the following:

- The Company had oil & gas revenue of $59,688 (2021 - $Nil); operating expense related to these assets was $192,323 (2021 (restated) - $361,342).
- Professional fees increased to $83,782 (2021 - $24,780) due to increased legal fees resulting from the AGM, management resignations and the cease trade order. Professional fees include audit fees of $18,750 (2021 - $12,500) and legal fees of $65,032 (2021 - $6,957).
- Exploration expenses decreased $263,057 to $240,798 (2021 - $503,856) due to decreased exploration activity in Newfoundland.
- Management fees were fees paid to the Company's former CEO $45,000 (2021 - $90,000), the interim CEO $24,000 (2021 - $nil), and the CFO $4,000 (2021 - $nil).
- Fair value adjustment of $(4,530,449) (2021 – $5,209,613) due largely to the fact that the value of Canada Nickel shares at October 31, 2022 was $1.37 (October 31, 2021 - $2.92).

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 six months ended October 31, 2022, Spruce reported total general and administrative expenses ("G&A") of $242,915 (2021 (restated) - $206,977).

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

Six months ended October 31	2022 $	2021 $
Management fee	76,000	90,000
Accretion	11,641	9,491
Amortization	31,980	17,548
Professional fees	81,830	24,780
Filing fees	12,848	24,437
Office and general	9,902	1,213
Property expenses	7,366	8,566
Investor and shareholder relations	11,348	30,942
	242,915	206,977

The company had oil and gas revenue of $59,688 and incurred $192,323 in expenses. 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 Saskatchewan. On January 10th, 2023, the Company received the refund. As of January 10th, 2023 Spruce had no financial obligations for these assets other than any outstanding previous obligations that the Company believes are limited to under $12,000.

As at October 31, 2022 investments in securities available for sale was composed of:

31-Oct-22	**Number of Shares**	**Cost**	**Short Term FV Adjustment**	**Long Term FV Adjustment**	**Fair Value**
Cash					$ 465
Canada Nickel Company - ST	4,267,495	1,125,000	4,977,518	-	6,102,518
Canada Nickel Company - LT	1,500,000	751,862	-	1,393,139	2,145,000
Noble Mineral Exploration	10,000,000	392,894	157,106	-	550,000
Magna Terra Minerals Inc.	261,312	48,611	(39,465)	-	9,146
Cerro Grande Mining Corp.	261,150	20,593	(20,462)	-	131
		2,338,960	5,074,697	1,393,139	**$8,807,260**

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	**$13,335,847**

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

EXPENDITURES ON RESOURCE PROPERTIES

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

	Nora Lake	Viking/Kramer	Great Burnt Copper/Gold	Foggy Pond	Total
	$	$	$	$	$
Balance, April 30, 2021	**7,500**	**797,500**	**404,992**	**-**	**1,209,992**
Additions	-	-	-	-	-
Adjustment	-	-	-	-	-
Balance, October 31, 2021	**7,500**	**797,500**	**404,992**	**-**	**1,209,992**
Additions	-	12,500	8,400	211,505	232,405
Adjustment	-	(75,000)	-	-	(75,000)
Write-downs		(610,000)	-	-	(610,000)
Balance, April 30, 2022	**7,500**	**125,000**	**413,392**	**211,505**	**757,397**
Additions	-	-	-	-	-
Adjustment	-	-	-	-	-
Write-downs	-	-	-	-	-
Balance, October 31, 2022	**7,500**	**125,000**	**413,392**	**211,505**	**757,397**

SELECTED QUARTERLY INFORMATION

	31-Oct 2022	31-Jul 2022	30-Apr 2022	31-Jan 2022
Total assets	11,218,346	11,943,732	16,835,491	21,409,770
Mineral properties	757,397	757,297	757,397	1,472,492
Working capital	7,018,496	5,332,275	8,064,391	10,356,466
Shareholders' equity	10,721,162	11,321,752	16,223,266	21,182,759
Comprehensive Income (loss)	(193,866)	(4,901,514)	(10,239,572)	5,453,316
Income (loss) per share	(0.00)	(0.03)	(0.05)	0.03

	31-Oct 2021	31-Jul 2021	30-Apr 2021	31-Jan 2021
Total assets	29,950,937	33,392,249	34,130,612	24,133,297
Mineral properties	1,209,992	1,209,992	1,209,992	1,276,592
Working capital	13,350,687	11,337,963	11,129,515	11,291,794
Shareholders' equity	29,502,275	33,019,170	32,216,179	23,950,202
Comprehensive Income (loss)	(4,242,073)	(1,631,057)	6,109,332	2,721,659
Loss per share	(0.02)	(0.01)	0.05	0.02

During the three months ended October 31, 2022, the Company reported net and comprehensive loss of $193,866 (2021 (restated) – $4,517,751). The primary contributors were:

- FV adjustment of $14,517 (2021 –$(3,778,542)) largely due to the return of capital from Noble Minerals.

- Exploration expenditures of $28,623 (2021 - $377,398) related to decreased exploration work at Burnt Pond property.
- Loss from oil and gas operations of $62,135 (2021 (restated) - $275,673).

LIQUIDITY & FINANCING

The Company had working capital of $7,425,220 as at October 31, 2022 (April 30, 2022 - $8,064,391). 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 October 31, 2022, the Company has incurred $240,798 on exploration expenses.

SHARE CAPITAL

The Company had 180,207,202 common shares issued and outstanding at October 31, 2022

Warrants outstanding: October 31, 2022 – 374,990
Warrants outstanding: October 31, 2021 – 134,298,622

Options outstanding: October 31, 2022 – 1,350,000
Options outstanding: October 31, 2021 – 1,900,000

RELATED PARTY TRANSACTIONS

No director fees have been paid to directors.

During the six months ended October 31, 2022, $45,000 (October 31, 2021 - $90,000) of expenses were incurred to a company controlled by the former President of the Company for management and accounting services.

During the six months ended October 31, 2022, $24,000 (October 31, 2021 - $nil) of expenses were incurred to a company controlled by the interim CEO for management services.

During the six months ended October 31, 2022, $4,000 (October 31, 2021 - $nil) of expenses were incurred to a company controlled by the CFO for accounting services.

During the six months ended October 31, 2022, $46,486 (October 31, 2021 - $165,000) of expenses were incurred to the former Vice President of Exploration for geological services

OFF-BALANCE SHEET TRANSACTIONS

As at October 31, 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, including arrangements to finance such opportunities or, where necessary, integrate the acquired businesses and their personnel into Spruce's operations. Spruce cannot assure that it can complete any business arrangement that it pursues on favorable terms, or that any business arrangements completed will ultimately benefit Spruce's business.

Reliance on Management and Key Employees

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

No Assurance of Titles, Boundaries or Approvals

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

Environmental Risks and Hazards

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

Uninsured Risks

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

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

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

The 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
March 23, 2023