



**SPRUCE RIDGE RESOURCES LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED OCTOBER 31, 2022**

SPRUCE RIDGE RESOURCES LTD.  
Consolidated Statements of Financial Position  
(Expressed in Canadian Dollars)  
(Unaudited)  
As at October 31, 2022

	Notes	October 31, 2022 \$	April 30, 2022 \$
<b>Assets</b>			
<b>Current</b>			
Cash		295,555	713,701
Accounts receivable	3	63,357	309,856
Miscellaneous receivable	4	638,946	666,729
Marketable securities – short term	5	6,662,260	6,735,847
Prepaid expenses	6	17,831	17,669
		<u>7,677,949</u>	<u>8,443,802</u>
Marketable securities – long term	5	2,145,000	6,600,000
Exploration and evaluation assets	7	757,397	757,397
Property and equipment, net	10	381,568	371,136
Security deposits	9	663,156	663,156
<b>Total Assets</b>		<u>11,625,070</u>	<u>16,835,491</u>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	11	192,729	319,411
CEBA loan	12	60,000	60,000
		<u>252,729</u>	<u>379,411</u>
Reclamation liability	13	244,455	232,814
<b>Total Liabilities</b>		<u>497,187</u>	<u>612,225</u>
<b>Shareholders' Equity</b>			
Share capital	12(a)	17,430,583	17,430,583
Warrants	12(b)	35,729	35,729
Contributed surplus	12(c)	3,268,797	3,268,797
Dividends Canada Nickel Shares		-	(11,314,369)
Retained earnings		(9,607,223)	6,802,526
<b>Total Shareholders' Equity</b>		<u>11,127,886</u>	<u>16,223,266</u>
<b>Total Liabilities and Shareholders' Equity</b>		<u>11,625,070</u>	<u>16,835,491</u>

Nature of operations and going concern

SPRUCE RIDGE RESOURCES LTD.  
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)  
(Expressed in Canadian Dollars)  
For the six months ended October 31, 2022 and 2021

	Notes	Three months ended		Six months ended	
		October 31, 2022	October 31, 2021 (restated)	October 31, 2022	October 31, 2021 (restated)
		\$	\$	\$	\$
Oil and gas revenue	18	30,906	-	59,688	-
Oil Expenses					
Accretion	18	5,821	4,746	11,641	9,491
Amortization	18	11,873	6,596	23,745	13,192
Filing fees	18	200	1,600	4,420	2,370
Professional fees	18	-	168	-	5,323
Office and general	18	4,568	24	5,972	926
Operator expenses	18	70,579	262,539	145,666	330,040
Royalties	18	-	-	878	-
		93,041	275,673	192,323	361,342
Loss from oil and gas operations		(62,135)	(275,673)	(132,635)	(361,342)
Amortization		4,117	2,178	8,235	4,356
Exploration expenses	8	28,623	377,398	240,798	503,855
Filing fees		7,778	18,848	8,428	22,067
Investor and shareholder relations		2,300	13,606	11,348	30,942
Management fee		31,000	45,000	76,000	90,000
Office and general		640	(5,291)	3,930	287
Professional fees		70,537	13,207	81,830	19,457
Property expenses		4,128	3,840	7,366	8,566
		149,123	468,786	439,933	679,530
Net operating loss before other income		(211,258)	(744,459)	(572,568)	(1,040,872)
Gain on foreign exchange		325	-	325	-
Dividend income		-	-	1,862	-
Rental income		2,550	5,250	5,450	10,500
Marketable securities – fair value adjustment		14,517	(3,778,542)	(4,530,449)	(5,209,613)
Net income before income tax		(193,866)	(4,517,751)	(5,095,380)	(6,239,985)
Net income (loss) and comprehensive income (loss)		(193,866)	(4,517,751)	(5,095,380)	(6,239,985)
Net income (loss) per share		(0.00)	(0.03)	(0.03)	(0.04)
Weighted average outstanding shares		180,207,202	134,323,079	180,207,202	169,326,406

SPRUCE RIDGE RESOURCES LTD.  
Consolidated Statements of Changes in Equity  
(Expressed in Canadian Dollars)  
As at October 31, 2022 and 2021

	Shares Issued	Share Capital \$	Warrants \$	Contributed Surplus \$	Dividend \$	Retained Earnings (restated) \$	Total (restated) \$
<b>Balance, April 30, 2021</b>	154,814,764	14,765,263	867,916	3,271,088	(4,150,000)	17,461,912	33,750,079
Warrants exercised	23,142,438	1,618,342	-	-	-	-	1,618,342
Transfer to contributed surplus on exercise of warrants	-	827,012	(827,012)	-	-	-	-
Warrants expired	-	-	(5,175)	5,175	-	-	-
Options exercised	250,000	12,500	-	-	-	-	12,500
Transfer of contributed surplus on exercise of options	-	7,466	-	(7,466)	-	-	-
Income and comprehensive income	-	-	-	-	-	(6,239,985)	(6,239,985)
<b>Balance, October 31, 2021</b>	178,207,202	17,230,583	35,729	3,268,797	(4,150,000)	11,221,927	27,607,036
Stock dividend Canada Nickel shares	-	-	-	-	(7,164,369)	-	(7,164,369)
Shares issued - Foggy Pond Property	2,000,000	200,000	-	-	-	-	200,000
Net loss	-	-	-	-	-	(8,937,152)	(8,937,152)
<b>Balance, April 30, 2022</b>	180,207,202	17,430,583	35,729	3,268,797	(11,314,369)	6,802,526	16,223,266
Net loss	-	-	-	-	-	(5,095,400)	(5,502,104)
<b>Balance, October 31, 2022</b>	180,207,202	17,430,583	35,729	3,268,797	(11,314,369)	1,707,126	11,127,866

SPRUCE RIDGE RESOURCES LTD.  
Consolidated Statements of Cash Flows  
(Expressed in Canadian Dollars)  
As at October 31, 2022 and 2021

	Notes	2022 \$	2021 (restated) \$
<b>Operating activities</b>			
<b>Net income (loss) for the year</b>		(5,095,380)	(6,239,985)
<b>Add back / deduct non-cash expenses</b>			
Accretion		11,641	9,491
Amortization		31,981	17,548
Stock dividend		(1,862)	-
Marketable securities - fair value adjustment		4,530,449	5,209,613
<b>Total Non-cash (Income) Expenses</b>		4,572,209	5,236,652
<b>Changes in non-cash balances</b>			
Accounts receivable		246,499	84,943
Security deposits		-	(554,630)
Miscellaneous receivable		27,783	(796,684)
Prepaid expenses		(162)	13,991
Accounts payable and accrued liabilities		(126,682)	204,225
<b>Changes in Operating Activities</b>		147,438	(1,048,155)
<b>Total cash used in operating activities</b>		(375,733)	(2,051,488)
<b>Investing activities</b>			
Purchase of fixed assets		(42,413)	(64,500)
<b>Total cash provided (used) in investing activities</b>		(42,413)	(64,500)
<b>Financing activities</b>			
Cash from warrants exercised		-	1,618,342
Cash from options exercised		-	12,500
<b>Total cash provided by financing activities</b>		-	1,630,841
Change in cash		(418,146)	(485,147)
Cash (indebtedness) at the beginning of the year		713,701	2,177,837
Cash at the end of the year		295,555	1,692,690

## 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 also has producing oil wells in Unity, Saskatchewan from its wholly owned subsidiary Spruce Ridge Oil & Gas Inc. The Company’s registered head office is located at 18 King Street E, Suite 902, Toronto, ON M5C 1C4

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 \$11,127,886 (April 30, 2022 – deficit \$4,511,843) and has working capital of \$7,425,220 (April 30, 2022 - \$8,064,391). 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.

The condensed interim consolidated financial statements of the Company for the period ended October 31, 2022, were authorized for issue in accordance with a resolution of the Board of Directors March 23, 2023.

## 2. Summary of Significant accounting policies

### (a) Basis of presentation and statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB, have been omitted or condensed.

The condensed interim consolidated financial statements of the Company include the accounts of its wholly owned subsidiary Spruce Ridge Oil & Gas Inc. and have been prepared on a historical cost basis. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for the investments which have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The condensed interim consolidated financial statements have been prepared on a going concern basis and are presented in Canadian dollars, which is the Company’s functional currency.

The condensed interim consolidated financial statements should be read in conjunction with the most recently annual financial statements of Spruce, which includes information necessary or

## 2. Summary of Significant accounting policies (continued)

useful to understanding the Company's financial statement presentation. In particular, the Company's significant accounting policies were presented in Note 2 to the consolidated financial statements for the year ended April 30, 2022 and have been consistently applied in the preparation of these condensed interim consolidated financial statements except as described herein.

The operating results for the six months ended October 31, 2022, are not necessarily indicative of results that may be expected for the full year ended April 30, 2023, due to variation in property expenses and other factors.

## 3. Accounts Receivable

	31-October-22	30-Apr-22
	\$	\$
HST	46,253	188,221
HST – SRO&G	17,104	16,650
Accounts receivable	-	44,985
Grant receivable	-	60,000
Total	<u>63,357</u>	<u>309,856</u>

## 4. Miscellaneous Receivable

The Company's miscellaneous receivable is due from a former officer and director. This note is non-interest bearing with no set terms of repayment. At April 30, 2022, an amount of \$416,185 was secured by shares held by the former officer and director in another publicly listed corporation.

## 5. Marketable securities

At October 31 and April 30, 2022, the Company held marketable securities as follows:

31-October-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
		<u>2,338,960</u>	<u>5,074,697</u>	<u>1,393,139</u>	<u>\$8,807,260</u>

SPRUCE RIDGE RESOURCES LTD.  
Notes to the Consolidated Financial Statements  
(Expressed in Canadian Dollars)  
As at October 31, 2022 and 2021

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**5. Marketable securities (continued)**

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	1,125,000	4,583,989	-	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.	76,126	48,611	(22,480)	-	26,131
Cerro Grande Mining Corp.	261,150	20,593	(20,331)	-	262
		2,744,204	4,741,178	5,850,000	<b>\$13,335,847</b>

The shares of Canada Nickel Company classified as long-term are held in an Escrow account. The shares are released in 6-month intervals.

**6. Prepaid expenses**

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

	31- October-22	30-Apr-22
	\$	\$
Prepaid expenses	17,831	4,019
Prepaid expenses - SRO&G	-	13,650



**7. Exploration and evaluation assets**

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

**(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, 2022, commercial production had not commenced.

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

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

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

**(c) 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.

## 7. Exploration and evaluation assets (continued)

### 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%.

Subsequent to April 30, 2022 the agreement was amended such that Magna Terra would issue 2,500,000 common shares to complete their 100% acquisition of the Viking and Kramer projects including the cancellation of the NSR's. As a result of the amended agreement, a \$610,000 write down to the estimated recoverable amount of \$125,000 of the asset was recorded.

### **(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 Pavey Ark Minerals Inc. for \$390,000 and 200,000 common shares and 300,000 warrants. To acquire the 100%-undivided interest the Company is required to,

- i) Make cash payments of \$25,000 (paid);
- ii) Issue 200,000 common shares (issued);
- iii) Issue 300,000 purchase warrants (issued);
- iv)
  - 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 Pavey Ark. These amounts were refunded directly to Pavey 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.

## 7. Exploration and evaluation assets (continued)

### (d) Foggy Pond Property

On September 14, 2021 the Company acquired 767 claims covering 19,175 hectares of land which are contiguous to the Company's Great Burnt Copper-Gold Property.

Spruce Ridge will pay the vendors staking fees of \$49,855 and will issue 2 million Spruce Ridge shares with the first million shares to be issued upon approval and the second million shares will be issued after receiving the results of a Magnetic Gradiometer survey over the property.

At April 30, 2022, the Company had paid \$49,855 in staking costs and issued 2,000,000 shares valued at \$200,000 to the vendors.

## 8. Exploration expenses

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

	<b>Great Burnt \$</b>	<b>Foggy Pond \$</b>	<b>Pipestone \$</b>	<b>Totals \$</b>
Assays	51,461	-	-	51,461
Drilling	103,262	-	-	103,262
Field Expenses	58,332	-	-	58,332
Geologists	9,000	-	-	9,000
Wages	18,743	-	-	18,743
	<u>240,798</u>	<u>-</u>	<u>-</u>	<u>240,798</u>

## 9. Security deposits

The \$663,156 (April 30, 2022 - \$663,156) of security deposits are on hand with provincial governments in connection with various mineral rights claims.

The Company 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 793 ha of 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 plus \$10,000 paid to the Orphan Fund. The purchase price considers the Company's responsibility for the Environmental Liabilities, including Environmental Defects and Abandonment and Reclamation Obligations. An abandonment and reclamation security deposit of \$554,630 was paid to the Saskatchewan government.

SPRUCE RIDGE RESOURCES LTD.  
Notes to the Consolidated Financial Statements  
(Expressed in Canadian Dollars)  
As at October 31, 2022 and 2021

**10. Property and equipment**

Cost	Land	Buildings	Equipment	Office Equipment	Trucks	Oil & Gas Assets	Total
	\$	\$	\$	\$	\$	\$	\$
Balance, April 30, 2022	40,000	159,000	241,756	9,200	36,000	273,833	759,789
Additions	-	-	-	-	42,413	-	42,413
Balance, October 31, 2022	40,000	159,000	241,756	9,200	78,413	273,833	802,202

**Accumulated  
Amortization**

Balance, April 30, 2022	-	128,460	215,142	8,836	9,832	26,383	388,653
Amortization	-	1,697	2,577	36	3,925	23,746	31,981
Balance, October 31, 2022	-	130,157	217,719	8,872	13,757	50,129	420,634

**Net Book Value**

Balance, April 30, 2022	40,000	30,540	26,614	364	26,168	247,450	371,136
Balance, October 31, 2022	40,000	28,843	24,037	328	64,656	223,704	381,568

**11. Accounts payable and accrued liabilities**

Payables and accrued liabilities for the Company are as follows:

	31- October-22	30-Apr-22
	\$	\$
Trade payables	47,242	10,981
Trade payables – SRO&G	20,556	141,288
Accrued liabilities	124,931	115,485
<b>Total</b>	<b>192,729</b>	<b>267,754</b>

**12. CEBA loan**

The Company received a \$60,000 interest free loan due December 31, 2023 supported by the Government of Canada through the Canada Emergency Business Account (CEBA) program. For qualifying entities, the loan is unsecured and non-interest bearing up until December 31, 2023 and will then bear interest of 5% up to December 31, 2025 at which point the balance is due in full. The Company did not qualify for the CEBA loan and therefore the loan is due on demand.

**13. Reclamation liability**

During the year ended April 30, 2022 the Company assumed a reclamation liability of \$232,814 as part of the acquisition of the oil and gas assets in Saskatchewan. The reclamation liability is estimated based on the Company's net ownership interest in the oil and gas assets, estimated costs to abandon and reclaim the facilities, and the estimated timing of costs to be incurred in

### 13. Reclamation liability (continued)

future periods. It is estimated that the oil and gas assets have an estimated useful life of 10 years and a 10% discount rate was used in calculating the net present value of the reclamation liability.

Accretion expense of \$11,641 was recorded during the six months ended October 31, 2022 resulting in a \$244,455 liability as of October 31, 2022.

### 14. Shareholders' Equity

#### (a) Share capital

There is an unlimited number of common shares without par value. As at October 31, 2022 180,207,202 (April 30, 2022 – 180,207,202) common shares have been issued.

#### (b) Warrants

The following common share purchase warrants entitle the holders thereof the right to purchase one common share for each common share purchase warrant. Broker compensation units entitle the holders thereof the right to purchase one common share and one common share purchase warrant for each unit.

Warrants transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price \$
<b>Balance, as at April 30, 2021</b>	<b>23,464,960</b>	0.07
Warrants exercised	(3,500,000)	0.10
Warrants exercised	(3,992,500)	0.05
Warrants exercised	(5,000,000)	0.10
Warrants exercised	(9,607,500)	0.05
Warrants expired	(175,000)	0.05
Broker Compensation warrants issued	227,470	0.14
Broker Compensation warrants exercised	(640,000)	0.05
Broker Compensation warrants exercised	(402,440)	0.14
<b>Balance, as at October 31, 2021</b>	<b>374,990</b>	0.14
<b>Balance, as at April 30, 2022</b>	<b>374,990</b>	0.14
<b>Balance, as at October 31, 2022</b>	<b>374,990</b>	0.14

#### 14. Shareholders' equity (continued)

##### (b) Warrants (continued)

Number of Warrants	Fair value at grant date	Exercise Price \$	Expiry Date
263,000	\$10,479	0.14	31-Dec-23
111,990	25,250	0.14	19-Jan-23
<b>374,990</b>	<b>\$35,729</b>		

##### (c) Stock Options

A summary of the status of outstanding stock options as of October 31, 2022 is presented below.

	Stock Options	Weighted Average Exercise Price
<b>Balance, as at April 30, 2022</b>	1,350,000	\$0.05
	-	
<b>Balance, as at October 31, 2022</b>	1,350,000	\$0.05

#### 15. 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.

#### 16. Commitments

In connection with the flow-through share financings in December 2020 and January 2021, the Company was 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. As of October 31, 2022, the Company has incurred the qualifying exploration expenditures.

## **17. 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 October 31, 2022.

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

The Company manages capital in proportion to risk and manages the exploration and evaluation assets and capital structure based on economic conditions and prevailing gold commodity pricing and trends. The Company relies on equity financings to

maintain adequate liquidity to support its ongoing exploration and development activities and ongoing working capital commitments.

### Fair Value

The carrying values for primary financial instruments, including cash, 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 manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of the CEBA loan and shareholders' equity comprised of issued share capital and warrants.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances or by undertaking other activities as deemed appropriate under the specific circumstances.

**17. Capital and Financial Risk Management (Continued)**

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended April 30, 2022.

**18. Restated comparative information**

During the six months ended October 31, 2022, management noted that amounts related to Spruce Ridge Oil & Gas Inc. were incorrectly allocated in the financial statements for the six months ended October 31, 2021. As a result, a prior period adjustment has been made to these consolidated financial statements as follows:

	As previously reported	Adjustment	Restated
Due from Spruce Ridge Oil & Gas Inc.	\$ 786,672	\$ (786,672)	\$ -
Cash	\$ -	\$ 31,203	\$ 31,203
Miscellaneous receivable	\$ -	\$ (74,593)	\$ (74,593)
Security deposit	\$ 70,176	\$ 554,630	\$ 624,806
Property, plant and equipment	\$ -	\$ 60,000	\$ 60,000
Accounts payable	\$ -	\$ (123,226)	\$ (123,226)
Filing fees	\$ -	\$ 2,370	\$ 2,370
Professional fees	\$ -	\$ 5,323	\$ 5,323
Office and general	\$ -	\$ 752	\$ 752
Operator expenses	\$ -	\$ 330,213	\$ 330,213
Total non-cash expenses	\$ 5,213,969	\$ 22,683	\$ 5,236,652
Total cash used in operating activities	\$ (1,280,280)	\$ (771,208)	\$ (2,051,488)
Cash used in investing activities	\$ (4,500)	\$ (60,000)	\$ (64,500)

**19. Subsequent Events**

On August 17, 2022, three mineral claims lapsed and were subsequently cancelled by the Newfoundland Ministry of Energy, Mines and Resources. 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.

On September 2, 2022, a Cease Trade Order ("CTO") was issued by the Ontario Securities Commission due to delays in filing the audited financial statements, CEO and CFO certifications, and management discussion and analysis (the "Annual Filings") for the year ended April 30, 2022 by the filing deadline of August 29, 2022. The CTO prohibits all trading in the Company's shares until all filing requirements are completed.



**19. Subsequent Events (continued)**

On December 5, 2022, the Company sold its oil & gas assets to Original Oil Inc. for \$500,000 with \$25,000 to be paid on closing and the balance to be paid by way of a 5% royalty on production.

On November 4, 2022, 900,000 options expired unexercised.

On January 19, 2023, 111,990 warrants expired unexercised.