Form 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS

For the Year Period July 31, 2021

This management discussion and analysis ("MD&A") has been prepared based on information available to Spruce Ridge Resources Ltd. ("Spruce" or the "Company") as at September 29, 2021. The MD&A of the operating results and financial condition of the Company for the period ended July 31, 2021 should be read in conjunction with the audited financial statements of the Company, including the notes thereto, for the year ended April 30, 2021 and April 30, 2020 which are prepared in accordance with International Financial Reporting Standards ("IFRS") for audited financial statements, and the annual MD&A for the period ended April 30, 2021. Additional information relating to the Company may be found under its profile on SEDAR at www.sedar.com.

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

Management's Assessment of Internal Control Over Financial Reporting ("ICFR")

Management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The internal control system was designed to provide reasonable assurance to the Company's management regarding the preparation and presentation of the financial statements

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

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

Forward-looking Statements

This MD&A may contain forward-looking statements that are based on the Company's expectations, estimates and projections regarding its business and the economic environment in which it operates. These statements speak only as of the date on which they are made, are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. Examples of some of the specific risks associated with the operations of the Company are set out below under "Risk Factors". Actual outcomes and results may differ materially from those expressed in these forward-looking statements and readers should not place undue reliance on such statements.

NATURE OF OPERATIONS AND GOING CONCERN

Spruce Ridge Resources Ltd. ("**Spruce**" or the "**Company**") is a public company listed on the TSX Venture Exchange (TSXV-SHL) and is operating under the laws of the Province of Ontario. The Company is an exploration-stage company that is in the process of exploring its mineral properties located in Canada and the United States of America and has not yet determined whether these properties contain reserves that are economically recoverable. The Company's registered head office is located at 7735 Leslie Road West, Puslinch, ON N0B 2J0.

As at July 31, 2021, the directors and officers of the Company were:

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

These 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 July 31, 2021, the Company has not generated any revenues from operations, has retained earnings of $17,364,754 (April 30, 2021 - $18,995,812) and has working capital of $11,337,963 (April 30, 2021 - working capital $11,199,691). 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 September 29, 2021.

DEVELOPMENTS DURING AND SUBSEQUENT TO PERIOD ENDED JULY 31, 2021

On June 3, 2021 the Company reported progress towards a Preliminary Economic Assessment (PEA) of the Great Burnt Copper Deposit in central Newfoundland. The PEA, which is being undertaken by P&E Mining Consultants Inc., will include an updated Mineral Resource Estimate and incorporate the results of metallurgical testing, and is expected to be complete by early Q4 2021.

The updated Mineral Resource Estimate for the Great Burnt Copper Deposit, incorporating the results of the Company's 2020 diamond drilling program on the Great Burnt Main Zone, is expected to be completed by late June. Core samples from the 2020 diamond drilling program were sent to SGS in Lakefield, Ontario for beneficiation testing. Metallurgical testing by SGS, as well as external testwork using sorting technology, is now under way, with results expected by late July.

July 16, 2021 – the Company announced that work has begun on the access trail from Great Burnt Main Zone to South Pond "B" Gold Zone and continues on to the South Pond "A" Copper/Gold Zone. Once the trail reaches the South Pond "B" Gold Zone drill sites will be cleared and drilling will commence.

Results of historical drilling on the South Pond "B" Zone by BP Minerals in 1987 and 1989 included the following: 27.25 metres averaging 1.06 grams of gold per tonne (g/t Au) in hole GB87-08, 4.33 metres of 4.43 g/t Au in GB87- 12 and 17.13 metres of 1.11 g/t Au in GB89-06. The map below shows the locations and gold intersections in the BP drill holes.

July 19, 2021 – the Company announced that it has 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 produced water disposal well.

Production on the acquired leases is mainly from the McLaren Formation in the Cretaceous Mannville Group at a depth of approximately 660 m. Net pay in the Salt Lake McLaren pool ranges from 2 to 4.5 m. The wells are mainly directional wells with cold, heavy oil (11-12 API) production. The McLaren pool is well-characterized from 3D seismic interpretations and the property has significant undeveloped resource potential with multiple new drilling locations.

July 27, 2021 – the Company announced that its board of directors has declared a dividend-in-kind (the "Dividend") of 2,500,000 of the 8,100,000 common shares of Canada Nickel Company Inc. (TSXV: CNC) ("CNC Shares") held by Spruce Ridge. The Dividend is payable on or before September 3, 2021 to holders of record of Spruce Ridge shares at the close of business on August 6, 2021 (the "Record Date"). This Dividend will be the second payable as the first Dividend of 2,500,000 shares were distributed In September 2020.

August 10, 2021 – the Company has applied for its common shares to be trading on the OTCQB Venture Market, a United States trading platform operated by the OTC Markets Group in New York. The company will provide further information once its common shares commence trading.

The OTCQB is the premiere marketplace for early stage and developing U.S. and international companies that are committed to providing a high-quality trading and information experience for their U.S. investors. The OTCBQ quality standards provide a strong baseline of transparency as well as the technology and regulation to improve the information and trading experience for investors. Investors can find real-time quote and market information for the company at OTCQB's website

The company believes that trading on the OTCBQ will provide additional liquidity and increase its visibility within the U.S. capital markets. Spruce Ridge will continue to trade on the TSX Venture Exchange under its symbol SHL.

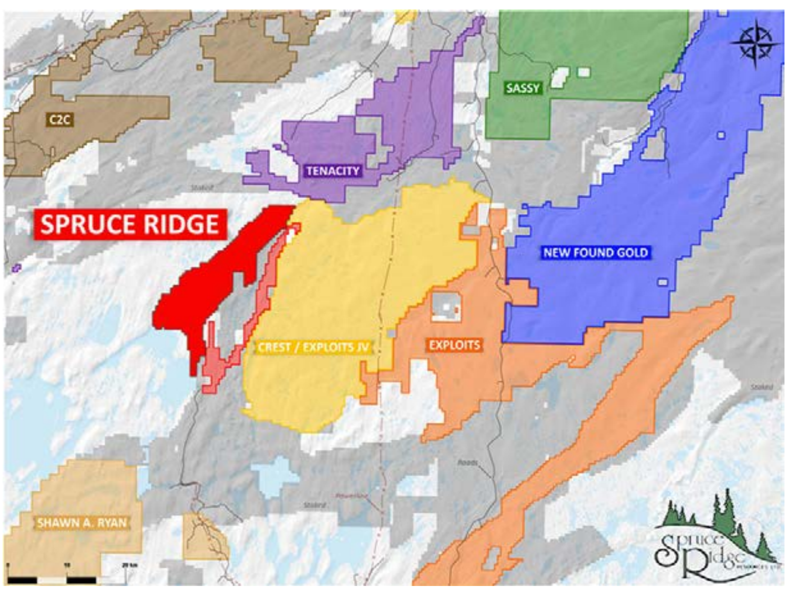
September 3, 2021 - announces that the Company has postponed the dividend-in-kind (the "**Dividend**") of 2,500,000 of the 8,100,000 common shares of Canada Nickel Company Inc. (TSXV: CNC) ("**CNC Shares**") held by Spruce Ridge, previously announced on July 27, 2021, and that the Dividend was not paid on or after August 28, 2021, as previously announced. The Company intends to postpone the Dividend to a later date, with a new date of record ("**Record Date**") and payable date ("**Payment Date**"), to be determined in consultation with the TSX Venture Exchange. The Company will provide a further update on the Dividend with the new Record Date and Payment Date in due course.

Spruce Ridge recognizes that those shareholders of record on the original record date of August 6, 2021 who sold their shares after August 6, 2021 until the date hereof will be unduly affected by the postponement and the Company will make those shareholders whole. Spruce Ridge asks those shareholders who sold their Spruce Ridge shares after August 6, 2021 until the date hereof to advise the Company at spruceridgeresources@gmail.com, with verification of ownership and sale of Spruce Ridge shares after August 6, 2021 until the date hereof, by October 31, 2021.

September 14, 2021

announce it has acquired from a private company 767 claims totaling 19,175 hectares which are contiguous to the current Great Burnt Copper-Gold Property. With this new addition, Spruce Ridge's land position has increased to 26,000 hectares.

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 similar to 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 the western limb. Local magnetic anomalies have been interpreted as possible ophiolite slivers along a northeast-trending structure that may be similar to the GRUB line.



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.

SELECTED ANNUAL INFORMATION

The following table sets forth a summary of the financial results for the years ended April 30, 2020, 2019 and 2018:

Years ended April 30 (CDN $)	2021	2020	2019
Interest income	Nil	Nil	Nil
Net Income (Loss) and Comprehensive Income (Loss)	$23,207,190	$8,613,864	($603,577)
Basic Income (Loss) per share	$0.17	$0.088	($0.007)
Total assets	$34,130,612	$11,845,117	$1,915,651

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

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

RESULTS OF OPERATIONS

The Company has no operating revenues other than rental income and relies on external financings to generate capital. For the period ended July 31, 2021, Spruce had a net loss of $1,631,057. The fair value adjustment of $1,431,071 on marketable securities made up most of the current loss. Rental income was $5,250 (2020 - $4,800).

The Company incurred $126,457 in exploration expenses (2020 – $3,210).

The Company routinely monitors its operations and costs associated with those operations, in order to better plan and implement its activities, taking into consideration the current economic climate and industry outlook. For the period ended July 31, 2021, Spruce reported total general and administrative expenses ("G&A") of $63,179 (2020 - $81,494).

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

Period ended July 31	2021 $	2020 $
Management fee	45,000	30,000
Amortization	2,178	1,420
Professional fees	6,250	14,223
Filing fees	3,219	6,489
Office and general	70	192
Property expenses	4,726	1,932
Investor and shareholder relations	17,336	27,238
	63,179	81,494

Overall general and administrative expenses decreased $18,315. Professional fees and investor and shareholder accounted for most of this decrease.

As at July 31, 2021 investments in securities available for sale was composed of:

July 31, 2021	Number of Shares	Cost	Short Term FV Adjustment	Long Term FV Adjustment	Fair Value
Cash					$200
Canada Nickel Company	3,000,000	750,000	9,360,000	-	10,110,000
Canada Nickel Company	4,500,000	1,125,000	-	15,165,000	15,165,000
Canada Nickel Company	600,619	264,000	1,758,064	-	2,022,064
Noble Mineral Exploration	10,000,000	800,000	450,000	-	1,250,000
Magna Terra Minerals Inc.	76,126	25,000	(13.581)	-	11,419
Cerro Grande Mining Corp.	26,150	20,593	(20,201)	-	392
		2,984,593	11,534,282	15,165,000	**$28,558,875**

July 31, 2020	Number of Shares	Cost	Fair Value
Cash			$23
Canada Nickel Company	10,000,000	2,500,000	22,500,000
Canada Nickel Company	600,019	264,000	1,350,000
Noble Mineral Exploration	10,000,000	800,000	950,000
Cerro Grande Mining Corp.	26,150	20,593	131
		$3,590,494	**$24,800,154**

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

EXPENDITURES ON RESOURCE PROPERTIES

A summary of exploration expenditures incurred for the period ended July 31, 2021 are as follows:

As at July 31, 2021		Acquisition costs		
	Opening May 1, 2021 $	Additions (Write downs) $	Adjustment $	Closing July 31, 2021 $
Nora Lake	7,500	-	-	7,500
Viking/Kramer	797,500	-	-	797,500
Great Burnt Copper / Gold	404,992	-	-	404,992
	1,209,992	-	-	1,209,992

As at July 31, 2020		Acquisition costs		
	Opening May 1, 2020 $	Additions (Write downs) $	Adjustment $	Closing July 31, 2020 $
Nora Lake	7,500	-	-	7,500
Viking/Kramer	922,500	-	-	922,500
Great Burnt Copper / Gold	376,297	20,295	-	396,592
	1,306,297	20,295		1,326,592

SELECTED QUARTERLY INFORMATION

	QUARTER ENDED			
	31-Jul 2021	30-Apr 2021	31-Jan 2021	31-Oct 2020
Total assets	33,392,249	34,130,612	24,133,297	19,872,574
Mineral properties	1,209,992	1,209,992	1,276,592	1,276,592
Working capital	11,337,963	11,199,691	11,291,794	9,189,236
Shareholders' equity	33,019,170	33,750,079	23,950,202	19,685,065
Comprehensive Income (loss)	(1,631,057)	7,943,232	2,721,659	(2,151,395)
Income (loss) per share	(0.01)	0.054	0.02	(0.027)

	QUARTER ENDED			
	31-Jul 2020	30-Apr 2020	31-Jan 2020	31-Oct 2019
Total assets	27,961,031	11,845,117	2,068,872	2,057,194
Mineral properties	1,326,592	1,306,297	1,870,587	1,870,587
Working capital (deficiency)	12,803,848	10,065,186	(602,768)	(498,418)
Shareholders' equity	27,716,097	11,458,560	1,356,630	1,462,715
Comprehensive Loss	14,993,694	8,898,179	(106,085)	(101,469)
Loss per share	0.126	0.091	(0.001)	(0.001)

LIQUIDITY & FINANCING

The Company had working capital of $11,337,963 as at July 31, 2021 (April 30, 2021 - working capital was $11,199,691). 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 July 31, 2021, the Company has incurred $126,457 on exploration expenses.

SHARE CAPITAL

Issued and outstanding: July 31, 2021 – 134,298,622
Issued and outstanding: September 29, 2021 – 134,348,622 (50,000 broker warrants were exercised).

Warrants outstanding: July 31, 2021 – 31,427,500
Warrants outstanding: September 29, 2021 – 31,427,500 (50,000 broker warrants were exercised)

Options outstanding: July 31, 2021 – 1,900,000
Options outstanding: September 29, 2021 – 1,900,000

RELATED PARTY TRANSACTIONS

No director fees have been paid to directors.

As at July 31, 2020, $30,000 (April 30, 2020 - $60,000) was accrued or paid to a company controlled by the President of the Company for management and accounting services. Balance in accounts payable is $30,000 (April 30, 2020 – $Nil).

Included in accounts payable is an amount of $30,725.28 (April 30, 2020 – $Nil) owing to the President of the Company. These amounts relate to expenses incurred by the President on behalf of the Company.

As at July 31, 2020, $Nil (April 30, 2020 - $10,518) was accrued or paid to the Vice President of Exploration for geological services, with $Nil (April 30, 2020 - Nil) remaining in accounts payable.

The amount due to director as at July 31, 2020 is $65,246 (April 30, 2020 - $32,746). The loan is non-interest bearing and has no set terms of repayment.

OFF-BALANCE SHEET TRANSACTIONS

As at July 31, 2021, the Company had no off-balance sheet arrangements such as guaranteed contracts, contingent interests in assets transferred to an entity, derivative instrument obligations or any instruments that could trigger financing, market or credit risk to Spruce.

RISK FACTORS

Spruce's business of exploring mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future.

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

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

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

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

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

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

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

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

Exploration, Development and Operational Risk
The exploration for, and development of, mineral deposits involves significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties, which are explored, are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices which are highly cyclical, and government regulations including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in Spruce not receiving an adequate return on invested capital.
The Company does not currently operate a mine on any of its properties. There is no certainty that the expenditures made by Spruce towards the search for, and evaluation of, mineral deposits will result in discoveries of commercial quantities of ore. Mining operations generally involve a high degree of risk. Such operations are subject to all the hazards and risks normally encountered in the exploration for, and development and production of gold and other precious or base metals. Such hazards and risks include unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability.

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

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

No Assurance of Titles, Boundaries or Approvals
Titles to Spruce’s properties may be challenged or impugned, and title insurance is generally not available. Spruce’s mineral properties may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. In addition, Spruce may be unable to operate its properties as permitted or to enforce its rights with respect to its properties. Spruce cannot assure that it will receive the necessary approval or permits to exploit any or all of its mineral projects in the future. The failure to obtain such permits could adversely affect Spruce’s operations.

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

hazards may exist on the properties in which Spruce holds interests which are unknown to Spruce at present and which have been caused by previous or existing owners or operators of the properties.

Uninsured Risks

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

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

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

The following standards were adopted on May 1, 2018:

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

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

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

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

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

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

OUTLOOK

Great Burnt Copper/Gold Property – Central Newfoundland

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

- A diamond drilling program is expected to begin this quarter on the South Pond "B" Gold zone. The access trail from Great Burnt Copper Gold property to the South Pond Copper Gold property has been completed. A number of drill targets have been selected. The 1,100-metre long South Pond "B" zone comprises only gold mineralization with drill intercepts of up to 4.75 g/t Au over 4.33 metres (true width 3.0 metres) and 1.16 g/t Au over 28 metres (true width approximately 25 metres). This zone is open at depth.

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

John Ryan, CPA, CGA
Chief Executive Officer
September 29, 2021