



Interim Condensed Financial Statements of
Canadian Spirit Resources Inc.
(unaudited)

September 30, 2017

1. STATEMENTS OF FINANCIAL POSITION
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NOTICE: The interim condensed financial statements and notes thereto for the three and nine month periods ended September 30, 2017 have not been reviewed by the Corporation's external auditors.

Canadian Spirit Resources Inc.

STATEMENTS OF FINANCIAL POSITION

	As at September 30, 2017 <i>(unaudited)</i>	As at December 31, 2016 <i>(audited)</i>
Assets		
Non-current assets:		
Exploration and evaluation assets (note 5)	\$ 33,402,012	\$ 32,989,956
Property, plant and equipment (note 6)	5,578,168	6,014,730
Restricted deposits (note 7)	1,668,220	1,668,220
Royalty credits (note 4)	3,412,447	3,417,218
	<u>44,060,847</u>	<u>44,090,124</u>
Current assets:		
Cash and cash equivalents	382,871	1,347,289
Accounts receivable and other accrued receivables	63,243	107,287
Prepaid expenses and other deposits	77,599	103,150
Royalty credits (note 4)	19,718	24,690
	<u>543,431</u>	<u>1,582,416</u>
	<u>\$ 44,604,278</u>	<u>\$ 45,672,540</u>
Liabilities and Shareholders' Capital		
Non-current liabilities:		
Decommissioning liability (note 8)	\$ 2,132,589	\$ 2,268,193
Current liabilities:		
Accounts payable and other accrued liabilities	187,810	426,509
Shareholders' capital:		
Common shares (notes 9, 15)	114,611,475	114,276,295
Share purchase warrants (note 9)	40,497	256,464
Contributed surplus (note 11)	9,292,150	8,975,339
Deficit	(81,660,243)	(80,530,260)
	<u>42,283,879</u>	<u>42,977,838</u>
	<u>\$ 44,604,278</u>	<u>\$ 45,672,540</u>

Corporate information, basis of presentation and going concern (note 1)
Commitments (note 14)

ON BEHALF OF THE BOARD:

(signed) "Donald R. Gardner"
Director

(signed) "Alfred B. Sorensen"
Director

Canadian Spirit Resources Inc.

STATEMENTS OF CHANGES IN SHAREHOLDERS' CAPITAL (unaudited)

	Common Shares	Share Purchase Warrants	Contributed Surplus	Deficit	Total
	(notes 9, 15)	(note 9)	(note 11)		
As at January 1, 2017	\$ 114,276,295	\$ 256,464	\$ 8,975,339	\$ (80,530,260)	\$ 42,977,838
Equity issues:					
Exercise of share purchase warrants	270,000	-	-	-	270,000
Share issue costs	(15,820)	9,783	-	-	(6,037)
Transfers:					
Exercise of share purchase warrants	81,000	(81,000)	-	-	-
Share purchase warrants expired	-	(144,750)	144,750	-	-
Net loss and comprehensive loss	-	-	-	(1,129,983)	(1,129,983)
Share-based compensation, gross	-	-	172,061	-	172,061
As at September 30, 2017	<u>\$ 114,611,475</u>	<u>\$ 40,497</u>	<u>\$ 9,292,150</u>	<u>\$ (81,660,243)</u>	<u>\$ 42,283,879</u>
As at January 1, 2016	\$ 112,553,010	\$ 255,500	\$ 8,538,797	\$ (50,461,163)	\$ 70,886,144
Equity issues:					
Private placements	1,364,250	225,750	-	-	1,590,000
Share issue costs	(55,439)	(9,783)	-	-	(65,222)
Transfers:					
Share purchase warrants expired	-	(255,500)	255,500	-	-
Net loss and comprehensive loss	-	-	-	(712,929)	(712,929)
Share-based compensation, gross	-	-	161,590	-	161,590
Recovery of forfeited options	-	-	(756)	-	(756)
As at September 30, 2016	<u>\$ 113,861,821</u>	<u>\$ 215,967</u>	<u>\$ 8,955,131</u>	<u>\$ (51,174,092)</u>	<u>\$ 71,858,827</u>

Canadian Spirit Resources Inc.

STATEMENTS OF OPERATIONS

(unaudited)

	For the three month periods ended September 30,		For the nine month periods ended September 30,	
	2017	2016	2017	2016
Revenue				
Petroleum and natural gas sales	\$ 55,070	\$ -	\$ 351,417	\$ 83,978
Royalties expense (note 4)	(1,449)	-	(9,743)	(532)
	53,621	-	341,674	83,446
Interest and other income	(391)	427,001	5,617	433,788
Expenses				
Operating costs	74,213	53,627	245,121	237,482
Exploration and evaluation (note 5)	-	-	-	255,500
Depletion and depreciation (note 6)	141,863	68,825	429,885	274,387
Finance costs, accretion (note 8)	11,558	6,057	36,055	78,240
General and administrative, net	189,338	188,056	631,468	660,825
Share-based compensation, net (note 10)	117,972	14,323	134,745	113,729
Flow-through shares premium	-	(15,000)	-	(390,000)
	534,944	315,888	1,477,274	1,230,163
Net income (loss) and comprehensive income (loss)	\$ (481,714)	\$ 111,113	\$ (1,129,983)	\$ (712,929)
Basic income (loss) per share (note 12)	\$ (0.01)	\$ 0.00	\$ (0.01)	\$ (0.01)
Diluted income (loss) per share (note 12)	\$ (0.01)	\$ 0.00	\$ (0.01)	\$ (0.01)

Corporate information, basis of presentation and going concern (note 1)

Commitments (note 14)

Canadian Spirit Resources Inc.

STATEMENTS OF CASH FLOWS

(unaudited)

	For the three month periods ended September 30,		For the nine month periods ended September 30,	
	2017	2016	2017	2016
Cash Flows from (used in) Operating Activities:				
Net income (loss) and comprehensive income (loss)	\$ (481,714)	\$ 111,113	\$ (1,129,983)	\$ (712,929)
Add (deduct) items not affecting cash:				
Royalty credits applied (note 4)	1,449	-	9,743	532
Flow-through shares premium	-	(15,000)	-	(390,000)
Depletion and depreciation (note 6)	141,863	68,825	429,885	274,387
Finance costs, accretion (note 8)	11,558	6,057	36,055	78,240
Exploration and evaluation expense (note 5)	-	-	-	255,500
Share-based compensation, net (note 10)	117,972	14,323	134,745	113,729
Funds flow from operations	(208,872)	185,318	(519,555)	(380,541)
Changes in non-cash working capital (note 13)	39,074	17,327	49,762	12,191
	<u>(169,798)</u>	<u>202,645</u>	<u>(469,793)</u>	<u>(368,350)</u>
Cash Flows from (used in) Financing Activities:				
Common shares issued for cash	-	-	-	1,605,000
Exercise of share purchase warrants (note 9)	-	-	270,000	-
Share issue costs	(6,037)	-	(6,037)	(65,222)
	<u>(6,037)</u>	<u>-</u>	<u>263,963</u>	<u>1,539,778</u>
Cash Flows from (used in) Investing Activities:				
Exploration and evaluation expenditures (note 5)	(82,730)	(272,791)	(412,056)	(3,625,246)
Net expenditures on property, plant and equipment (note 6)				
Development costs of petroleum and natural gas assets	6,496	(2,484)	3,630	(135,857)
Facilities and equipment	9,568	95	3,047	(1,331)
Net additions to capital assets	(66,666)	(275,180)	(405,379)	(3,762,434)
Add (deduct) items not affecting cash:				
Revisions to decommissioning liability (notes 5, 6, 8)	(123,127)	16,028	(171,659)	193,754
Decommissioning liabilities incurred (note 8)	-	-	-	38,283
Capitalized share-based compensation (notes 5, 6)	30,299	6,558	37,316	47,105
Gross additions to capital assets	(159,494)	(252,594)	(539,722)	(3,483,292)
Changes in non-cash working capital (note 13)	(61,097)	(50,101)	(218,866)	73,681
	<u>(220,591)</u>	<u>(302,695)</u>	<u>(758,588)</u>	<u>(3,409,611)</u>
Change in cash and cash equivalents	(396,426)	(100,050)	(964,418)	(2,238,183)
Cash and cash equivalents, beginning of period	779,297	1,344,216	1,347,289	3,482,349
Cash and cash equivalents, end of period	\$ 382,871	\$ 1,244,166	\$ 382,871	\$ 1,244,166
<i>Cash taxes paid</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Cash interest paid</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Canadian Spirit Resources Inc.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited)

For the three and nine month periods ended September 30, 2017

1. CORPORATE INFORMATION, BASIS OF PRESENTATION AND GOING CONCERN

Corporate Information

Canadian Spirit Resources Inc. (“CSRI” or the “Corporation”) is a natural resources company whose shares are listed under the trading symbol ‘SPI’ on the TSX Venture Exchange (the “Exchange”). The Corporation’s principal activity is exploring for and developing the productive capability of the Montney Formation natural gas and natural gas liquids resource play in the Farrell Creek/Altares area of northeastern British Columbia. The Corporation is continued under the laws of the province of Alberta and its head and registered offices are located at Suite 1520, First Alberta Place, 777 8th Avenue S.W., Calgary, Alberta, Canada T2P 3R5.

Basis of Presentation

The unaudited interim condensed financial statements and the notes hereto have been prepared as at, and for the three and nine month periods ended, September 30, 2017. All amounts are presented in Canadian dollars. The Corporation has consistently applied the same accounting policies throughout the three and nine month periods ended September 30, 2017 as those set out in the annual audited financial statements for the year ended December 31, 2016. Certain disclosures included in the notes to the December 31, 2016 annual audited financial statements have been condensed in the note disclosures hereto or have been disclosed only on an annual basis. Accordingly, these unaudited interim condensed financial statements should be read in conjunction with the annual audited financial statements for the year ended December 31, 2016, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Statement of Compliance

The interim condensed financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee, including IAS 34: *Interim Financial Reporting*. The accounting policies applied in these unaudited interim condensed financial statements are based on IFRS issued and outstanding as at November 22, 2017, the date of approval by the Board of Directors of the Corporation.

Basis of Measurement

The interim condensed financial statements have been prepared on a going concern basis using the historical cost convention.

Going Concern

These interim condensed financial statements have been prepared using IFRS as they apply to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of operations as they come due. For the nine months ended September 30, 2017 the Corporation has reported a net loss and comprehensive loss of \$1.1 million (2016: \$0.7 million) and an accumulated deficit of \$81.7 million as at that date (December 31, 2016: \$80.5 million). In addition to covering on-going working capital requirements and recurring negative cash flows from operating activities, the Corporation will need to secure additional funding for any future exploration and development programs. In conjunction with recent energy price fluctuations, the current natural gas market continues to experience low commodity prices due to excess supply and lack of additional international markets to sell into. These circumstances result in material uncertainties that may cast significant doubt upon the Corporation’s ability to continue as a going concern, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

In recognition of these circumstances, the Corporation announced in October 2017 that it would raise up to \$2.0 million of equity via a rights offering financing. The rights offering equity financing closed on November 17, 2017 (see note 15). Management has also undertaken steps to

Canadian Spirit Resources Inc.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited)

For the three and nine month periods ended September 30, 2017

reduce operating costs and general and administrative expenses, including but not limited to field operational efficiencies, renegotiation of its office lease terms, and reductions in staffing levels/remuneration.

These undertakings, while significant, are not sufficient in and of themselves to enable the Corporation to fund all aspects of its forecasted operations and any future exploration and development program, and accordingly, management will need to pursue other financing alternatives to fund the Corporation so that it may continue as a going concern. The necessary financing may be secured through further exercises of existing warrants for the purchase of common shares, issuance of new equity or debt instruments, or entering into new joint venture or farm-in arrangements. Nevertheless, there is no assurance that such initiatives would be successful.

CSRI's ability to continue as a going concern is dependent upon its ability to fund any future exploration and development programs as well as generate positive cash flows from operating activities. These interim condensed financial statements do not reflect any adjustments to the carrying values and classifications of assets and liabilities, or to the reported revenues and expenses that would be necessary if the Corporation were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations; such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

The interim condensed financial statements have been prepared following the same accounting policies as disclosed in the Corporation's annual audited financial statements for the year ended December 31, 2016. In addition, as of January 1, 2017, the Corporation adopted those IFRS standards disclosed therein that became effective for annual periods commencing on or after January 1, 2017. The adoption of those standards had no impact on the amounts recorded in the interim condensed financial statements for the three and nine months ended September 30, 2017 or on the comparative prior periods. For the purposes of calculating deferred income taxes during interim periods, the Corporation utilizes estimated annualized statutory income tax rates.

3. FINANCIAL INSTRUMENTS

The fair values of cash and cash equivalents, accounts receivable and other accrued receivables, and accounts payable and other accrued liabilities approximate their carrying values due to the short-term maturity of those instruments. The fair value of the restricted deposits balance approximates its carrying value as the deposits are considered by management to be low risk since they are held by an agency of the British Columbia provincial government (see note 7).

4. ROYALTY CREDITS

During the three and nine months ended September 30, 2017, the Corporation applied \$1,449 and \$9,743, respectively, (2016: \$Nil and \$532, respectively) of royalty credits against crown royalties that would otherwise have been payable. A summary of the royalty credits applied by, as well as available to, the Corporation is as follows:

	For the nine months ended September 30, 2017	For the year ended December 31, 2016
Balance, beginning of period	\$ 3,441,908	\$ 3,445,758
Royalty credits applied	(9,743)	(3,850)
Balance, end of period	<u>\$ 3,432,165</u>	<u>\$ 3,441,908</u>
Non-current portion	<u>\$ 3,412,447</u>	<u>\$ 3,417,218</u>
Current portion	<u>\$ 19,718</u>	<u>\$ 24,690</u>

Canadian Spirit Resources Inc.
NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited)
For the three and nine month periods ended September 30, 2017

5. EXPLORATION AND EVALUATION ASSETS

	Petroleum and Natural Gas Properties	Facilities and Equipment	Total
As at January 1, 2017	\$ 31,092,095	\$ 1,897,861	\$ 32,989,956
Gross additions	456,699	77,510	534,209
Change in decommissioning liability	(145,334)	(14,135)	(159,469)
Capitalized share-based compensation	36,943	373	37,316
Net additions	348,308	63,748	412,056
As at September 30, 2017	<u>\$ 31,440,403</u>	<u>\$ 1,961,609</u>	<u>\$ 33,402,012</u>
As at January 1, 2016	\$ 56,581,781	\$ 1,907,920	\$ 58,489,701
Gross additions	3,840,197	20,955	3,861,152
Transfers to property, plant and equipment	(105,000)	-	(105,000)
Change in decommissioning liability	131,220	(31,548)	99,672
Capitalized share-based compensation	52,681	534	53,215
Net additions	3,919,098	(10,059)	3,909,039
Exploration and evaluation expense	(255,500)	-	(255,500)
Impairment of natural gas costs	(29,153,284)	-	(29,153,284)
As at December 31, 2016	<u>\$ 31,092,095</u>	<u>\$ 1,897,861</u>	<u>\$ 32,989,956</u>

Exploration and Evaluation (“E&E”) assets comprise the Corporation’s Farrell Creek Montney Formation and Farrell Creek Gething Formation projects which are pending the determination of commercial viability and technical feasibility. Exploration and evaluation expense relates to the derecognition of the historical cost of certain Farrell Creek Gething Formation project land lease expiries of exploration rights that occurred during the period. The Corporation has determined that the expiry of such land leases eliminates the future economic benefit of those Gething E&E assets, and therefore the historical cost is expensed in the statement of operations.

The Corporation performed impairment tests as at December 31, 2016 to assess the recoverable value of E&E assets of both the Farrell Creek Montney Formation and Farrell Creek Gething Formation projects. Estimates of fair value less costs of disposal for the Montney E&E assets were determined in part using merger and acquisition metrics, prevailing land tender prices in the Farrell Creek area, as well as resource and reserve values as at December 31, 2016 prepared by independent reservoir engineering consultants. Based on these and other factors, the estimated recoverable amount of the Montney E&E assets was calculated to be greater than the carrying value and as such there was no impairment. However, the estimated recoverable amount of the Gething E&E assets, determined in part by project status as well as feasible future development opportunities available, was found to be impaired as compared to the carrying value. As such, an impairment of natural gas costs for the Gething E&E assets of \$29.1 million was recorded in the statement of operations as at December 31, 2016. The Corporation determined that there were no further indicators of impairment of Montney or Gething E&E assets as at September 30, 2017.

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For the three and nine month periods ended September 30, 2017

6. PROPERTY, PLANT AND EQUIPMENT

	Petroleum and Natural Gas Properties	Facilities and Equipment	Office Equipment and Fixtures	Total
<i>Cost</i>				
As at January 1, 2017	\$ 17,220,930	\$ 8,852,616	\$ 226,860	\$ 26,300,406
Gross additions	2,160	3,353	-	5,513
Change in decommissioning liability	(5,790)	(6,400)	-	(12,190)
Capitalized share-based compensation	-	-	-	-
Net additions	(3,630)	(3,047)	-	(6,677)
As at September 30, 2017	17,217,300	8,849,569	226,860	26,293,729
<i>Accumulated depletion, depreciation and impairment</i>				
As at January 1, 2017	15,966,415	4,095,644	223,617	20,285,676
Charge for the year				
Depletion and depreciation	180,649	247,414	1,822	429,885
As at September 30, 2017	16,147,064	4,343,058	225,439	20,715,561
Carrying amount as at September 30, 2017	\$ 1,070,236	\$ 4,506,511	\$ 1,421	\$ 5,578,168
<i>Cost</i>				
As at January 1, 2016	\$ 17,197,325	\$ 8,840,287	\$ 226,860	\$ 26,264,472
Gross additions	2,770	31,687	-	34,457
Transfers from exploration and evaluation assets	105,000	-	-	105,000
Change in decommissioning liability	(84,353)	(19,359)	-	(103,712)
Capitalized share-based compensation	188	1	-	189
Net additions	23,605	12,329	-	35,934
As at December 31, 2016	17,220,930	8,852,616	226,860	26,300,406
<i>Accumulated depletion, depreciation and impairment</i>				
As at January 1, 2016	15,807,507	3,790,481	219,862	19,817,850
Charge for the year				
Depletion and depreciation	158,908	305,163	3,755	467,826
As at December 31, 2016	15,966,415	4,095,644	223,617	20,285,676
Carrying amount as at December 31, 2016	\$ 1,254,515	\$ 4,756,972	\$ 3,243	\$ 6,014,730

During the three and nine months ended September 30, 2017, the Corporation capitalized within the gross additions category of both E&E assets (see note 5) and property, plant and equipment (see above) a combined total of \$65,096 and \$207,230, respectively, (2016: \$67,183 and \$207,777, respectively) of general and administrative costs directly related to the respective exploration and development activities. During the three and nine months ended September 30, 2017, the Corporation also capitalized for both E&E assets (see note 5) and property, plant and equipment (see above) a combined total of \$30,299 and \$37,316, respectively, (2016: \$6,558 and \$47,105, respectively) of share-based compensation for those employees of the Corporation directly involved in exploration and development activities.

Included in the calculation of depletion for the three and nine months ended September 30, 2017 of \$70,142 and \$214,780, respectively, (2016: \$Nil and \$66,587, respectively) are future development costs of \$10.6 million (2016: \$10.7 million).

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The Williston Reservoir Water Pipeline (included within the facilities and equipment category) licence term expires on December 31, 2031. The Corporation has recorded depreciation for the three and nine months ended September 30, 2017 of \$71,114 and \$213,283, respectively (2016: \$68,217 and \$204,652, respectively).

7. RESTRICTED DEPOSITS

For operations in British Columbia, the Corporation is required to provide deposits towards future abandonment and reclamation costs based on the number of wells and facilities for which the Corporation is the primary permit holder. Based on a Liability Management Rating (“LMR”) review performed by the British Columbia Oil and Gas Commission (“BCOGC”) in 2011, the Corporation was assessed an initial LMR amount of \$1,235,829. Up to June 30, 2017, CSRI has been assessed by the BCOGC additional cash deposit LMR amounts totaling \$432,391, bringing the total LMR amount to \$1,668,220. The total assessed LMR amount of \$1,668,220 as at September 30, 2017 is secured by cash deposits. Since these cash deposits are held against future abandonment and reclamation liabilities, the balance is therefore considered by management to be restricted in its use and is classified as a non-current asset.

8. DECOMMISSIONING LIABILITY

	For the nine months ended September 30, 2017	For the year ended December 31, 2016
Balance, beginning of period	\$ 2,268,193	\$ 2,183,706
Liabilities incurred	-	38,283
Revisions to estimated future obligation	(171,659)	(42,323)
Accretion	36,055	88,527
Balance, end of period	<u>\$ 2,132,589</u>	<u>\$ 2,268,193</u>

The total future decommissioning liability, including costs to reclaim and abandon wells and facilities plus the years in which such costs are expected to be incurred, is estimated by management. As at September 30, 2017, the estimated total undiscounted future liability of \$3,249,596 (December 31, 2016: \$3,157,588) had a net present value of \$2,132,589 (December 31, 2016: \$2,268,193) assuming expected decommissioning payments are to be made over the next 4.25 to 24.25 years, using an estimated risk-free nominal interest rate of 2.36% (December 31, 2016: 2.23%) and an inflation rate of 1.75% (December 31, 2016: 1.75%). The total balance of the decommissioning liability is determined to be non-current.

Liabilities incurred relate to new wells drilled or fracture stimulated during the respective periods. The revisions to the estimated future obligation are due to increases or decreases in the estimated risk-free nominal interest rate and changes in the abandonment and reclamation assumptions by well. Financing costs for the three and nine months ended September 30, 2017 of \$11,558 and \$36,055, respectively, (2016: \$6,057 and \$78,240, respectively) relate to the accretion of the decommissioning liability.

Canadian Spirit Resources Inc.
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9. SHAREHOLDERS' CAPITAL

Common Shares

The Corporation has authorized share capital of an unlimited number of common shares with no par value. As at September 30, 2017 there were 159,458,860 common shares outstanding (at a carrying amount of \$114,611,475) as follows:

	For the nine months ended September 30, 2017		For the year ended December 31, 2016	
	Number of Shares	Amount of Shares	Number of Shares	Amount of Shares
Balance, beginning of period	156,758,860	\$ 114,276,295	141,367,192	\$ 112,553,010
Common shares issued:				
Via private placements	-	-	15,391,668	1,822,584
Exercise of share purchase warrants	2,700,000	270,000	-	-
Credit from share purchase warrants	-	81,000	-	-
Share issue costs	-	(15,820)	-	(99,299)
Balance, end of period	<u>159,458,860</u>	<u>\$ 114,611,475</u>	<u>156,758,860</u>	<u>\$ 114,276,295</u>

Subsequent to the quarter end, the Corporation announced and closed a rights offering equity financing (see note 15).

Share Purchase Warrants

In conjunction with previous unit equity financings, the Corporation has issued share purchase warrants with a term of one year to acquire common shares at specific exercise prices.

Per the following two tables, as at September 30, 2017, there were 2,083,334 share purchase warrants outstanding:

	For the nine months ended September 30, 2017		For the year ended December 31, 2016	
	Number of Warrants	Amount of Warrants	Number of Warrants	Amount of Warrants
Balance, beginning of period	7,195,834	\$ 256,464	2,555,000	\$ 255,500
Issued via private placements	-	-	7,195,834	267,416
Exercised prior to expiry	(2,700,000)	(81,000)	-	-
Expired unexercised	(2,412,500)	(144,750)	(2,555,000)	(255,500)
Share issue costs	-	9,783	-	(10,952)
Balance, end of period	<u>2,083,334</u>	<u>\$ 40,497</u>	<u>7,195,834</u>	<u>\$ 256,464</u>

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Issue Date	Weighted Average Exercise Price	Number of Warrants Outstanding as at September 30, 2017	Weighted Average Fair Value (rounded)	Weighted Average Fair Value as at September 30, 2017	Expiry Date
June 27, 2016	\$0.10	-	\$0.03	-	June 27, 2017 ⁽¹⁾
December 21, 2016	\$0.12	2,083,334	\$0.02	\$41,666	December 21, 2017
Share issue costs				(\$1,169)	
	\$0.12	2,083,334	\$0.02	\$40,497	

Note:

(1) Between June 7, 2017 and June 27, 2017, all 2,700,000 of the June 27, 2016 warrants were exercised by holders resulting in gross proceeds to the Corporation of \$270,000.

10. SHARE-BASED COMPENSATION PLANS

The Corporation has a 10% rolling stock option plan for directors, executive officers, employees and consultants which provides for the granting of options to acquire common shares. Under the terms of the plan, options vest over periods as determined by the Board of Directors of the Corporation and expire to a maximum of five years. The number of common shares available for grant of additional options under the plan as at September 30, 2017 was 7,807,886 (December 31, 2016: 7,912,886).

As at September 30, 2017, options to acquire 8,138,000 (December 31, 2016: 7,763,000) common shares were outstanding of which 7,050,500 (December 31, 2016: 6,463,000) had vested and 1,087,500 (December 31, 2016: 1,300,000) remained unvested, as follows:

	For the nine months ended September 30, 2017		For the year ended December 31, 2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	7,763,000	\$ 0.34	6,430,000	\$ 0.43
Granted	2,075,000	0.12	1,600,000	0.20
Forfeited	-	-	(25,000)	0.24
Expired	(1,700,000)	0.35	(242,000)	1.70
Outstanding, end of period	8,138,000	\$ 0.23	7,763,000	\$ 0.34
Options vested, end of period	7,050,500	\$ 0.25	6,463,000	\$ 0.34

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The following table summarizes the information about stock options outstanding and vested as at September 30, 2017:

Range of Exercise Price	Options Outstanding			Options Exercisable		
	Number of Options Outstanding	Remaining Contractual Life (in Yrs)	Weighted Average Exercise Price	Number of Vested Options	Remaining Vested Contractual Life (in Yrs)	Weighted Average Exercise Price
\$0.00 - \$0.19	2,075,000	4.90	\$ 0.12	987,500	4.90	\$ 0.12
\$0.20 - \$0.39	5,718,000	1.81	0.25	5,718,000	1.81	0.25
\$0.40 - \$0.59	345,000	1.86	0.50	345,000	1.86	0.50
	8,138,000	2.60	\$ 0.23	7,050,500	2.24	\$ 0.25

Options granted are accounted for using the fair value method. During the three and nine months ended September 30, 2017 there were options granted to purchase 2,075,000 common shares (2016: Nil and 1,600,000, respectively). Prior to capitalization of \$30,299 and \$37,316, respectively, (2016: \$6,558 and \$47,105, respectively) the total compensation cost for share-based compensation during the three and nine months ended September 30, 2017 was \$148,271 and \$172,061, respectively (2016: \$20,881 and \$160,834, respectively).

The fair value of all options granted during the nine month periods ended September 30, 2017 and 2016 is estimated on the date of grant using the Black-Scholes pricing model with the following annualized weighted average assumptions:

	For the nine months ended September 30, 2017	For the nine months ended September 30, 2016
Risk free interest rate	1.50%	0.63%
Expected forfeiture rate	3.98%	2.74%
Expected stock price volatility	91.66%	88.99%
Expected time to exercise	3.69 years	4.18 years
Fair value of options granted	\$0.08	\$0.11
Term of options granted	5.0 years	5.0 years

The expected stock price volatility is based on the historical volatility of the Corporation's underlying common shares, and is calculated as the measure of the rate and magnitude of the historical changes in the stock price of the Corporation's common shares.

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11. CONTRIBUTED SURPLUS

	For the nine months ended September 30, 2017	For the year ended December 31, 2016
Balance, beginning of period	\$ 8,975,339	\$ 8,538,797
Share-based compensation, gross	172,061	181,798
Recovery of forfeited options	-	(756)
Share purchase warrants expired unexercised	144,750	255,500
	<u> </u>	<u> </u>
Balance, end of period	<u>\$ 9,292,150</u>	<u>\$ 8,975,339</u>

12. PER SHARE AMOUNTS

The basic and diluted weighted average number of common shares outstanding used in the per share calculations are reconciled as follows:

	For the nine months ended September 30, 2017	For the nine months ended September 30, 2016
Weighted average number of common shares - basic	157,870,582	148,259,528
Dilutive effect of share-based compensation / share purchase warrants	921,130	193,720
	<u> </u>	<u> </u>
Weighted average number of common shares - diluted	<u>158,791,712</u>	<u>148,453,248</u>

For the three and nine months ended September 30, 2017 and 2016, the existence of stock options and share purchase warrants affects the calculation of loss per share on a diluted basis. As the effect of this dilution is to reduce the reported loss per share, diluted loss per share equals basic loss per share.

13. CHANGES IN NON-CASH WORKING CAPITAL

	For the nine months ended September 30, 2017	For the nine months ended September 30, 2016
Cash provided by (used for) operating activities:		
Accounts receivable and other accrued receivables	\$ 44,044	\$ 26,769
Prepaid expenses and other deposits	25,551	23,453
Accounts payable and other accrued liabilities	(19,833)	(38,031)
	<u> </u>	<u> </u>
	49,762	12,191
Cash provided by (used for) investing activities:		
Accounts payable and other accrued liabilities	(218,866)	73,681
	<u> </u>	<u> </u>
	<u>\$ (169,104)</u>	<u>\$ 85,872</u>

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14. COMMITMENTS

Capital Commitments

The Corporation had no capital commitments as at September 30, 2017 or at December 31, 2016.

Office Lease Arrangements

The Corporation's office sub-lease agreement (that originally terminated on May 31, 2016) was extended to September 30, 2017 during a prior period. The amended sub-lease requires the Corporation to pay base annual rent of \$11.00 per square foot (formerly \$19.00 per square foot) plus operating costs on 3,420 square feet until September 30, 2017. In June 2017, the sub-lease agreement was amended a second time on a month-to-month term basis beyond September 30, 2017 at a base annual rent of \$Nil per square foot plus operating costs.

Operating lease payments represent monthly rent payables for the Corporation's head office location. The table below shows the year-to-date expense recorded:

	For the nine months ended September 30, 2017	For the nine months ended September 30, 2016
Minimum lease payments	<u>\$ 71,710</u>	<u>\$ 70,621</u>

Future Minimum Lease Payments

The following is a summary of the estimated costs required to fulfill the Corporation's remaining operating lease contractual commitments:

	As at September 30, 2017	As at December 31, 2016
Payable within 12 months	\$ -	\$ 65,279
Payable from 1 to 4 years subsequent	\$ -	\$ -
Thereafter	\$ -	\$ -

15. SUBSEQUENT EVENT

On October 19, 2017 the Corporation announced an equity financing in the form of a rights offering to holders of its common shares (at the close of business on October 27, 2017) on the basis of one right for each common share held. Each nine and one-half rights entitled the holder to subscribe for one common share of CSRI upon payment of a subscription price of \$0.12 per common share. The rights offering maximum raise was set at \$2.0 million of gross proceeds based on that ratio and subscription price. The rights offering expired on November 14, 2017 and subsequently 16,785,143 rights shares were issued on the closing date of November 17, 2017 for total gross proceeds of \$2.0 million. Pursuant to the closing of the rights offering, the rights shares subscribed to by the directors, executive officers and other insiders of the Corporation totalled 13,808,022 (or 82.3% of the total) for gross proceeds of \$1.7 million.