



## MANAGEMENT DISCUSSION AND ANALYSIS

### For the nine months ended September 30, 2022

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#### ABOUT CSRI

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.

#### READER ADVISORIES

The following management discussion and analysis (“MD&A”) of the financial conditions and results of operations of the Corporation for three and nine months ended September 30, 2022 should be read in conjunction with the unaudited Interim Financial Statements for the nine months ended September 30, 2021 and the accompanying notes, and the audited financial statements for the year ended December 31, 2021 prepared under International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee. The financial data presented herein is in accordance with IFRS and all amounts are presented in Canadian dollars. This MD&A has been prepared by management and includes information up to November 25, 2022, the date of review and approval by the Corporation’s Board of Directors.

#### Forward-looking Statements

Information provided herein contains estimates and assumptions which management is required to make regarding future events and may constitute forward-looking statements within the meaning of applicable securities laws. Management’s assessment of future plans and operations, capital expenditures, methods of financing capital expenditures and the ability to fund financial liabilities, expected commodity prices and their impact on the Corporation, expected increase in royalty rates, and the timing of and impact of adoption of new accounting policies under GAAP may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, risks associated with natural gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risk, competition from other producers, inability to retain drilling rigs and other services, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, the inability to fully realize the benefits of the acquisitions, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources.

Although management believes the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will be realized. The use of any of the words “anticipate”, “believe”, “continue”, “estimate”, “expect”, “forecast”, “may”, “intend”, “likely”, “will”, “project”, “plan”, “should”, “possible”, “probable”, “schedule”, “position”, “goal”, “objective”, and similar expressions are intended to identify forward-looking information. Forward looking statements or information are based on several factors and assumptions which have been used to develop such statements and information, but which may prove to be incorrect. Although the Corporation believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on these statements because the Corporation can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in the document and other documents filed by the Corporation, assumptions have been made regarding, among other things: the timing of resuming production of shut-in natural gas wells; the general stability of the economic and political environment in which the Corporation operates; the ability of the operator of the projects, in which the Corporation has an interest, to operate the field in a safe, efficient and effective manner; the Corporation’s ability to obtain financing on acceptable terms; field production rates and decline rates; future natural gas prices; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Corporation operates; and the Corporation’s ability to successfully market its natural gas products. Readers are cautioned the foregoing list of factors is not exhaustive.

The forward-looking statements contained in this document are made as at the date of this document and the Corporation does not undertake any obligation to update publicly or to revise any of the included forward looking

# Canadian Spirit Resources Inc.

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For the nine months ended September 30, 2022

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statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

### Non-GAAP Measures

This MD&A contains important, comparable industry benchmarks such as net working capital and operating netback which are not recognized measures under IFRS, referred to as Generally Accepted Accounting Principles (“GAAP”). Management believes these measures are useful for reporting purposes but cautions readers that these measures not be considered as alternatives in accordance with GAAP.

Working capital is defined as total current assets less total current liabilities, which management feels is a useful supplementary measure of the liquidity of the Corporation. Operating netback is calculated by taking petroleum and natural gas sales, less royalties and operating costs as reported in the statements of loss and comprehensive loss and adding back the royalty credits applied. Per unit operating netback is the resulting of dividing operating netback by production for the period. Management feels that operating netback is a key industry benchmark and a measure of performance of the Corporation that provides investors/readers with information that is commonly used by other petroleum and natural gas producers. The calculation of operating netback is consistent with the definition found in the Canadian Oil and Gas Evaluation Handbook.

### Conversion

The oil and gas industry commonly reports production volumes and reserves on a “barrel of oil equivalent” basis (“boe”), whereby natural gas volumes are converted at the ratio of six thousand cubic feet to one barrel of oil. The intention is to sum oil and natural gas measurement units into one basis for improved analysis of results and comparison with other industry participants.

Throughout this MD&A, the Corporation has used the 6:1 boe measure which is the approximate energy equivalency of the two commodities at the burner tip. Boe does not represent a value equivalency at the wellhead nor at the plant gate which is where the Corporation sells its production volumes and therefore may be a misleading measure, particularly if used in isolation. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a 6:1 conversion may be misleading as an indication of value.

### DIRECTORS AND OFFICERS

Louisa DeCarlo, CEO and Director (Chairperson)

Luigi Liberatore, Director

David Monroe, Director

Sarah Hawco, Director

Greg Florence, CFO

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## MANAGEMENT DISCUSSION AND ANALYSIS For the nine months ended September 30, 2022

### RESULTS FROM OPERATIONS

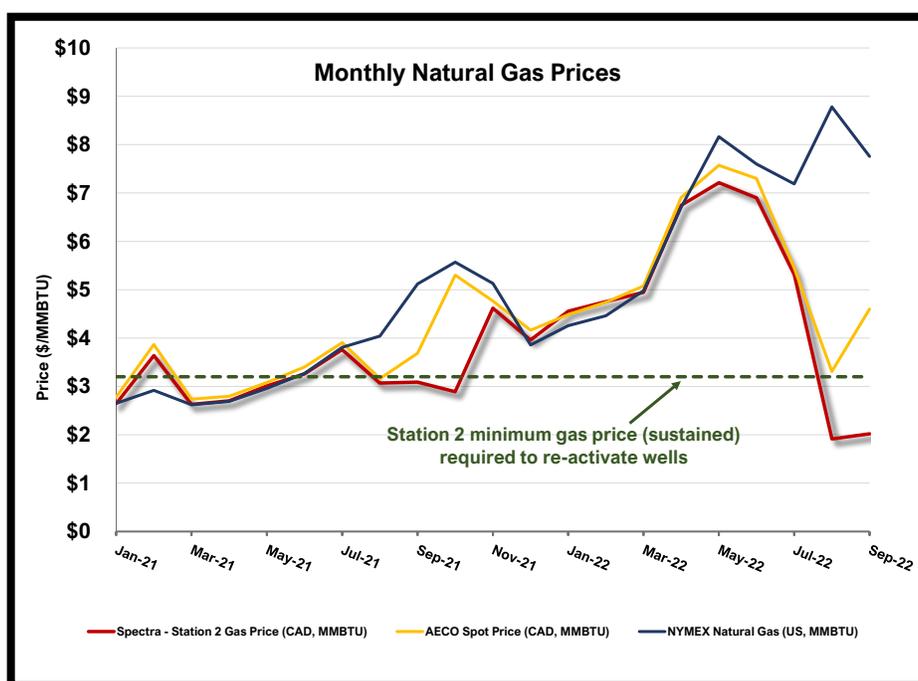
	Three months ended September 30, 2022		September 30, 2021		Nine months ended September 30, 2022		September 30, 2021	
Natural gas sales (net)	\$	25,267	\$	-	\$	25,267	\$	-
Operating costs		(83,777)		(45,437)		(398,987)		(186,596)
Operating netback	\$	(58,510)	\$	(45,437)	\$	(373,720)	\$	(186,596)
Other income and gains		8,119		44		160,044		131
Other Expenses		(339,491)		(219,422)		(940,806)		(704,004)
Settlement of claims		-		-		-		-
Net comprehensive loss for the period	\$	(389,882)	\$	(264,815)	\$	(1,154,482)	\$	(890,469)

### Overview

In 2018 the combination of low commodity prices and the schedule of significant outages on major pipeline systems resulted in the Corporation shutting-in its production at the Farrell Creek/Altare Montney property.

Low natural gas prices and volatility continued to dominate the market throughout 2019 and 2020. Overall, the North American commodity prices in general recovered during 2021 and in the first nine months of 2022. As a result of increasing prices, the Corporation and its joint venture partner spent considerable funds in Q2 2022 to recommission the Ferrell Creek gas plant and associated facilities and prepare tied-in wells to be brought back on production. The companies estimated that a sustained price of \$3.20 to \$3.50 per mcf, or greater would be required to yield positive economic returns.

Since bringing gas production back on September 26, 2022, gas prices at Station 2 have been volatile as shown below. The Corporation remains cautiously optimistic that prices will stabilize and is monitoring the market closely.



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#### For the nine months ended September 30, 2022

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The Corporation's gas production for September 2022 averaged approximately 310 mcf per day as the wells were only on five days in September. For the days that the wells produced, the Corporation averaged 1,860 mcf per day. If prices improve and show stability, the Corporation has additional production that it can tie-in.

During the nine months of 2022, the Corporation continued its disciplined approach to streamlining its operations and reducing expenses while meeting and exceeding regulatory requirements to minimize its environmental footprint. Through the provincially funded dormant site and well programs, the Corporation has abandoned 12 shallow (non-Montney) idle wells, which represents approximately 70 % of the Corporation's operated idle wells.

The Corporation continues to actively seek strategic alternatives to maximize the value of its Montney assets while maintaining and extending the life of its mineral leases on prospective Montney lands.

#### Net Comprehensive Loss

##### For the three months ended September 30, 2022:

The Corporation's loss and comprehensive loss for the three months ended September 30, 2022 was \$389,882 (2021 - \$264,815) resulting in an increased loss of \$125,067 for the three months. Items that caused the net increase in loss are noted in the following:

##### Revenues

- Net revenues totaled \$25,267 (2021 - \$nil) as wells were put back on production in late September.

##### Expenses:

- Operating costs of \$83,777 (2021 - \$45,437) increased by \$38,340 due to increased activities on the Corporation's properties associated with bringing wells back on production in the current period compared to the three-month period end in 2021.
- General and administrative expenses of \$150,326 (2021 - \$101,331) increased by \$48,995 mainly due to the following:
  - Professional fees of \$41,879 (2021 - \$10,500) increased by \$31,379 due to increases in audit, legal and engineering fees.
  - Insurance expense of \$16,298 (2021 - \$10,523) increased by \$5,775 to increased premiums due to COVID concerns in the insurance industry.
  - Office, software and other expenses of \$14,682 (2021 - \$5,509) increased by \$9,173 as a result of general increases in costs and an under-accrual in Q2 2022 of approximate \$7,500.
- Depletion and depreciation of \$72,532 (2021 - \$72,533) was consistent to the comparative period.
- Finance costs of \$12,084 (2021 - \$7,169) increased as a result of higher amortization of Decommissioning expense.
- Share-based compensation of \$104,549 (2021 - \$38,389) increased by \$66,160 as new stock options were granted in Q3 2022.

##### Other income and gains:

- Interest and other income of \$8,119 (2021 - \$44) was higher as a result of higher interest rates in 2022.

##### For the nine months ended September 30, 2022:

The Corporation's loss and comprehensive loss for the nine months ended September 30, 2022 was \$1,154,482 (2021 - \$890,469), an increased loss of \$264,013 for the nine months. Items that caused the net decrease in loss are noted in the following:

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## MANAGEMENT DISCUSSION AND ANALYSIS For the nine months ended September 30, 2022

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In comparison to the nine-month period ended September 30, 2021:

Expenses:

- Operating costs of \$398,987 (2021 - \$186,596) increased by \$212,391 as a result of the costs to recommission the Ferrell Creek gas plant and the associated gathering system and wells; preparing them to bring production back on.
- General and administrative expenses of \$507,360 (2021 - \$384,136) increased by \$123,224 mainly due to the following:
  - Consulting fees of \$218,630 (2021 - \$203,036) increased modestly by \$15,594.
  - Professional fees of \$152,841 (2021 - \$87,726) increased by \$65,115 due to a significant increase in audit fees (approximately \$54,000) and in legal fees (\$9,500).
  - Directors fees of \$21,415 (2021 - \$14,382) increased by \$7,033 as a result of an modest increase in fees for committee chairs and meeting expenses.
  - Investor relations and filing fees of \$41,946 (2021 - \$28,979) increased by \$12,967 mainly due to filing fees related to the private placement and news releases.
  - Insurance increased to \$48,894 (2021 - \$31,569) as a result of increased premiums due to COVID related concerns by insurance companies.
  - Office supplies, software licenses and other of \$23,634 (2021 - \$18,443) increased by \$5,191 due largely to higher computer software licenses.
- Depletion and depreciation of \$217,596 (2021 - \$217,596) was consistent to the comparative period.
- Finance costs of \$40,272 (2021 - \$22,854) increased by \$17,418 as a result of increased amortization of decommissioning expenses.
- Share-based compensation of \$175,578 (2021 - \$79,418) increased by \$96,160 due to stock options issued in Q3 2022 and the timing of vesting of the options.

Other income and gains:

- Interest and other income of \$12,294 (2021 - \$131) increased as a result of higher interest rates.
- Gain on sale of property, plant and equipment of \$147,750 (2021 - Nil) was due to idle equipment sold in 2022.

### General and Administrative Expenses (“G&A”)

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	Three months ended September 30, 2022		2021		Nine months ended September 30, 2022		2021	
Consulting fees	\$	66,510	\$	66,510	\$	218,630	\$	203,036
Professional fees		41,879		10,500		152,841		87,726
Director’s and officer’s fees and expenses		6,269		4,120		21,415		14,382
Investor relations and filing fees		4,689		4,169		41,946		28,979
Insurance		16,298		10,523		48,894		31,569
Office, software and other expenses		14,681		5,509		23,634		18,444
	\$	150,326	\$	101,331	\$	507,360	\$	384,136

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Management utilizes consultants to complete accounting and engineering work required. The increase in G&A costs in 2022 are largely out of management’s control: increased audit costs, insurance premium increases and private placement filing fees.

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#### Depletion and Depreciation

	Three months ended September 30, 2022		2021		Nine months ended September 30, 2022		2021	
Depreciation of property, plant and equipment ("PP&E")	\$	71,188	\$	71,188	\$	213,564	\$	213,563
Depreciation of Right-of-use		1,344		1,345		4,032		4,033
	\$	72,532	\$	72,533	\$	217,596	\$	217,596

The Corporation did not record depletion expense for the nine months ended September 30, 2021 as only a few of the Corporation's wells were producing for five days in September.

Depreciation of PP&E is primarily comprised of straight-line depreciation on the Corporation's 25% interest in the Williston Reservoir water pipeline. As this pipeline has not had any capital improvement in the period, depreciation is comparable to the prior period ended September 30, 2021.

#### Impairment Expense

At September 30, 2022, the Corporation completed an assessment of the indicators for impairment for its Cash Generating Units ("CGUs"): the Farrell Creek Montney CGU; Farrell Creek Gething CGU; and the Williston Reservoir Water Pipeline CGU. Royalty credits were also tested for impairment. There was no impairment for any of the CGUs.

The following summarizes the results of the assessments and tests on each category of asset:

#### E&E Assets

The Corporation performed impairment tests as at September 30, 2022 to assess the recoverable value of E&E assets of both the Corporation's Farrell Creek Montney CGU and the Farrell Creek Gething CGU. 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/Altares area, as well as resource and reserve values as at December 31, 2021 prepared by independent reservoir engineering consultants. Based on these and other factors, the estimated recoverable amount of the Farrell Creek Montney E&E assets was calculated to be greater than the carrying value and, as such, there was no impairment recorded.

#### PP&E

During the year ended December 31, 2018, the Corporation performed an impairment test of the Farrell Creek Montney - D&P CGU within PP&E assets under the fair value less costs of disposal model and noted that the recoverable amount was substantially below the carrying amount and, accordingly, an impairment charge of \$1.2 million was recorded, which brought the Farrell Creek Montney - D&P CGU to a carrying value of \$Nil. No indicators suggest a reversal of impairment should be recorded for the period ended September 30, 2022.

As at September 30, 2021, the Corporation determined that there was no impairment required for the 25% interest in the Williston water pipeline.

#### Royalty Credits

For the period ended September 30, 2022, the Corporation assessed the future recoverability of the undrawn balance of the Deep Royalty Credits (available for use only against royalties assessed on the wells that gave rise to the credit) compared to the proven plus probable future cash flow forecast prepared by the Corporation's independent reserve engineers. No impairment was indicated or recorded.

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#### Share-Based Compensation

	Three months ended September 30, 2022		2021		Nine months ended September 30, 2021		2021	
Share-based compensation, gross	\$	104,549	\$	38,389	\$	175,578	\$	79,418

The Corporation granted 2,600,000 stock options on August 25, 2022 to directors, officers and a consultant. The stock options are exercisable for a period of five years at a price of \$0.105 per share. The stock options vest by February 2024. The fair value of the options was calculated as \$0.098 using the Black-Scholes valuation model using the following inputs: share price - \$0.14; exercise price \$0.105; term - 5 years, volatility rate - 86.77%; and interest rate of 3.23%.

At September 30, 2022, the Corporation had options to purchase 8,625,000 (December 31, 2021 - 6,150,000) common shares outstanding with a weighted average exercise price of \$0.09. For the nine months ended September 30, 2022, the Corporation expensed share compensation of \$175,578 (2021 - \$79,418).

#### Capital expenditures

The following table summarizes the Corporation's cash capital expenditures:

	Three months ended September 30, 2022		2021		Nine months ended September 30, 2022		2021	
Exploration & evaluation	\$	507	\$	59,370	\$	67,206	\$	142,722
Property, plant & equipment		(21,927)		-		327,315		-
	\$	(21,420)	\$	59,370	\$	394,521	\$	142,722

During the nine months ended September 30, 2022, the Corporation incurred mineral lease rentals of \$67,206 on leases held as E&E Assets.

During the period nine-month period ended September 30, 2022, the Corporation received proceeds of \$147,750 (2021 - Nil) on the Farrell Creek Gething fully depreciated idle equipment resulting in a gain on disposition of \$147,750 (2021 - Nil). In addition, \$327,315 was incurred in Q2 2022 on the recommissioning of the Farrell Creek gas plant and facilities associated with the Montney wells that were shut-in in 2018. An over-accrual in Q2 2022 on the recommissioning costs created the credit of \$21,927 for the three months ended September 30, 2022.

#### LIQUIDITY AND CAPITAL RESOURCES

The Corporation's working capital as at September 30, 2022 was \$744,589 (December 31, 2021 - \$909,492). The Corporation's shareholders equity is \$37,720,688 at September 30, 2022 (December 31, 2021 - \$36,649,592).

The Corporation will continue to pursue financing alternatives to maintain the Corporation as a going concern as it seeks and evaluates strategic alternatives. On March 15, 2022, the Corporation issued 20,000,000 units at \$0.0525 per share for gross proceeds of \$1,050,000. Each unit consisted of a common share and warrant exercisable into a common share at a price of \$0.08 for 2 years. Additional necessary financing may be secured through either the issue of new equity or debt instruments or entering into new joint venture or farm-in arrangements.

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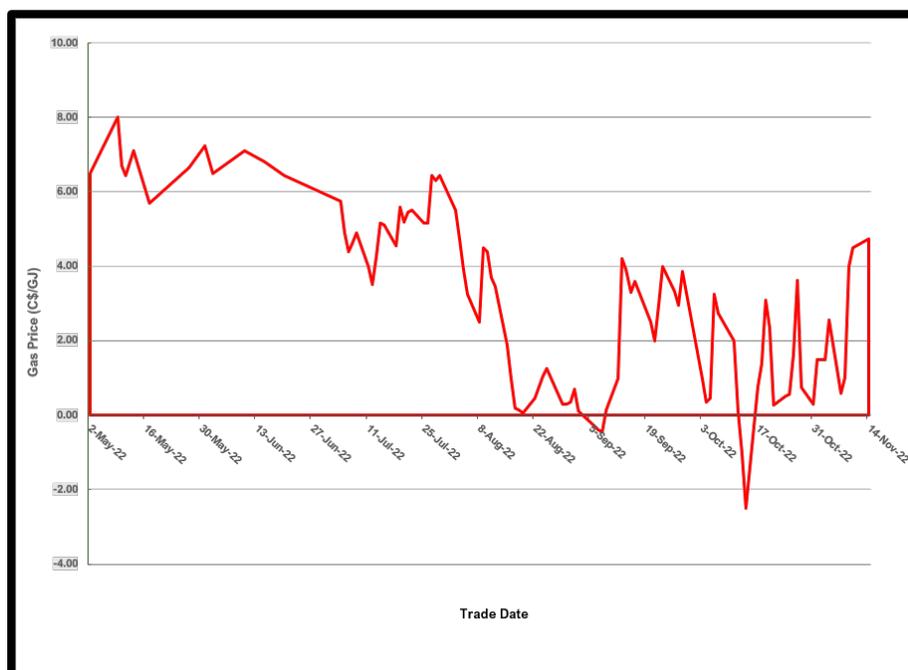
For the nine months ended September 30, 2022

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### Volatile Market Conditions

During 2021 and in the first quarter of 2022, overall commodity prices increased as a result of many factors related to local and global supply and demand, pipeline system and export capacity, decreasing storage levels, to name a few.

Subsequent to Q2 2022, Western Canadian natural gas prices began to drastically decline as a result of gas production surges, limited pipeline capacity, and maintenance and construction work done on export pipelines. Station 2 prices have been extremely volatile through September, October and November, often below the \$1.50 per mcf benchmark the Corporation needs to show positive operating cash flow.



In addition, the lack of capital investment experienced in the oil and gas industry over the last five or six years contributed to a limited oil and gas supply, hence a drastic increase in overall commodity prices, to levels unforeseen.

Management continues to work on revisions to the Corporation's forecasts and development plans in light of the current conditions. Should prices continue to remain lower than \$3.25 per mcf, the Corporation will need to shut-in the wells again.

The Corporation's ability to continue as a going concern is dependent upon its ability to fund future working capital requirements and any future exploration and development programs. The financial statements for the nine months ended September 30, 2022 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. Refer to the Going Concern disclosure in Note 1 to the September 30, 2022 financial statements.

### CRITICAL ACCOUNTING ESTIMATES

The Corporation's significant accounting policies are disclosed in Note 2 to the December 31, 2021 audited financial statements. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The Corporation continuously refines its management and reporting systems to ensure that accurate, timely and useful

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information is gathered and disseminated. The Corporation's financial and operating results incorporate certain estimates and assumptions including the following:

- estimated value of decommissioning liabilities that is dependent upon estimates of future costs and timing of expenditures;
- estimated future recoverable value of E&E, PP&E and Royalty Credits and associated impairment charges or recoveries;
- estimated compensation expense for the Corporation's share-based compensation plan; and
- assumptions regarding going concern.

For further information on the determination of certain estimates inherent in the financial statements, refer to Note 3 "Management Judgments and Estimation Uncertainty" in the December 31, 2021 audited financial statements.

#### NEW ACCOUNTING POLICIES AND AMENDMENTS TO BE ADOPTED

##### ***Property, Plant and Equipment (Amendments to IAS 16)***

The amendments to IAS 16 prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

This amendments was effective January 1, 2022 and will have no impact for the Corporation.

##### ***Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)***

The amendments to IAS 37 specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

This amendment was effective January 1, 2022 and will have no impact for the Corporation.

##### ***Classification of Liabilities as Current or Non-current (Amendments to IAS 1)***

The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date.

These amendments are effective for reporting periods beginning on or after January 1, 2023 and will have no impact for the Corporation.

#### SHARE CAPITAL

##### **Common Shares**

The Corporation has authorized share capital of an unlimited number of common shares with no par value.

As at September 30, 2022, the Corporation had 268,177,583 common shares outstanding (December 31, 2021 – 248,177,583).

##### **Share Purchase Warrants**

As at September 30, 2022, there were 20,000,000 share purchase warrants outstanding, exercisable at a price of \$0.08 and expiring on March 15, 2024 (December 31, 2021 – Nil).

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### Stock Options

As at September 30, 2022 the Corporation had outstanding options to purchase 8,625,000 common shares at a weighted average exercise price of \$0.09 per common share (December 31, 2021 – 6,150,000).

### OFF-BALANCE SHEET TRANSACTIONS

The Corporation had no off-balance sheet transactions during the period ended September 30, 2022.

### RELATED PARTY TRANSACTIONS

Transactions with related parties are recorded at exchange amounts for services provided. During the period ended September 30, 2022 and 2021, the transactions the Corporation had with its directors, related persons or controlled entities in the normal course of business are as follows:

#### Executive Compensation

Executive compensation relates to amounts paid to or earned by executive officers and fees paid and/or accrued to non-executive directors, and also includes non-cash share-based compensation as follows:

Consulting fees relate to amounts paid to or earned by executive officers and fees paid and/or accrued to non-executive directors.

	Period ended	
	September 30, 2022	September 30, 2021
Included in general and administrative expenses		
Consulting fees (executive)	\$ 99,831	\$ 87,030
Directors' fees	14,000	12,000
Share-based compensation	160,486	79,418
	<b>\$ 274,317</b>	<b>\$ 178,448</b>

As at September 30, 2022 an accounts payable balance of \$10,576 (December 31, 2021: \$10,538) was outstanding to the officers and directors of the Corporation. The balance owing is unsecured, non-interest bearing, and has no specific terms of repayment.

### COMMITMENTS

The Corporation had no capital commitments as at September 30, 2022 (December 31, 2021 – Nil).

### BUSINESS RISKS

The Corporation's production and exploration and development activities are concentrated in Western Canada, where activity is highly competitive and includes a variety of companies ranging from smaller junior producers to the much larger integrated producers.

The Corporation is subject to various types of business risks and uncertainties, including but not limited to:

- production of natural gas in commercial quantities;
- finding and developing petroleum and natural gas reserves at economic costs;
- volatility of natural gas prices;
- marketability of natural gas production; and
- access to capital markets.

In order to reduce exploration risk, the Corporation strives to employ highly qualified professional employees

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and consultants with demonstrated ability to generate quality proprietary geological and geophysical prospects. In addition, the Corporation has a joint venture partner for a significant portion of its producing and prospective Montney lands which maximizes access to knowledge, experience and technology while sharing the financial risks.

The Corporation's ability to continue its operations is highly dependent upon capital markets. Its ability to develop its assets and realize their carrying values is dependent upon the continued support of its shareholders and joint venture partner, favorable capital market conditions and commodity prices, obtaining additional equity financing, converting undiscovered and discovered resources into economically recoverable reserves, and ultimately, generating revenues sufficient to cover operating costs and capital requirements. Without the support of any one of these factors, or a number of them together, the Corporation's ability to continue its operations could be compromised. To minimize financial risk, the Corporation pre-funds all capital commitments.

During the first six months of 2022, petroleum and natural gas prices and stock market values recovered and surpassed pre-November 2019 levels after the significant declines for various reasons linked to the Coronavirus pandemic and other conditions impacting worldwide prices. The impairment tests for the Corporation's PP&E and E&E assets are based on fair value less costs of disposal. Impairment indicators for the Corporation's oil and gas assets could exist subsequent to September 30, 2022, if significant declines and volatility at Station 2 continue through the balance of 2022 and into 2023.

#### **ENVIRONMENTAL RISKS**

Oil and gas exploration and production can involve environmental risks such as litigation, physical and regulatory risks. Physical risks include the pollution of the environment, climate change and destruction of natural habitat, as well as safety risks such as personal injury. The Corporation works hard to understand the sensitivities of the environments in which it operates and its responsibilities from the beginning to the end. It also strives to identify the potential environmental impacts of its new projects in the planning stage and during operations. The Corporation conducts its operations with high standards in order to protect the environment, its employees and consultants, and the general public. The Corporation maintains current insurance coverage for comprehensive and general liability as well as limited pollution liability.

The amount and terms of this insurance are reviewed on an ongoing basis and adjusted as necessary to reflect current corporate requirements, as well as industry standards and government regulations. Without such insurance, and if the Corporation becomes subject to environmental liabilities, the payment of such liabilities could reduce or eliminate its available funds or could exceed the funds the Corporation has available and result in financial distress.

#### **SUBSEQUENT EVENT**

On November 9th, 2022, the Farrell Creek natural gas processing facility experienced a shut down related to cold weather. Work is underway to rectify the issue and the Corporation anticipates re-start of the Farrell Creek facility and associated Montney wells by mid-December 2022.

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## MANAGEMENT DISCUSSION AND ANALYSIS For the nine months ended September 30, 2022

### SELECTED ANNUAL INFORMATION

	2021	2020	2019
Petroleum and natural gas sales	\$ -	\$ -	\$ -
Net loss and comprehensive loss	1,107,437	1,978,122	1,421,434
- per share basic and diluted	0.00	0.01	0.01
Working capital	909,492	464,264	588,325
Total assets	38,997,891	39,132,048	38,595,074
Long term lease liability	33,605	37,612	41,618
Shareholders' equity	36,649,592	36,047,484	36,377,845
Common shares outstanding	248,177,583	228,177,583	196,177,583
Net capital expenditures	508,041	344,702	179,389

### SELECTED QUARTERLY INFORMATION <sup>(1)</sup>

The following is a summary of the results of the Corporation for the eight most recently completed quarters (000's, unless otherwise indicated):

	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Petroleum and natural gas sales	\$ 25	\$ -	\$ -	\$ -
Operating netback	\$ (58)	\$ (274)	\$ (41)	\$ 23
Cashflow used in operating activities	\$ (246)	\$ 144	\$ (477)	\$ (18)
Net Income (loss) and comprehensive income (loss)	\$ (390)	\$ (543)	\$ (222)	\$ (217)
- per share basic and diluted	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Working capital (deficit)	\$ 744	\$ 1,015	\$ 1,795	\$ 909
Total assets	\$ 39,222	\$ 39,697	\$ 39,523	\$ 38,998
Shareholders' equity	\$ 36,721	\$ 37,006	\$ 37,521	\$ 36,650
Common shares outstanding	268,178	268,177	268,177	248,177
Capital expenditures	\$ (21)	\$ 342	\$ 73	\$ 343

	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Petroleum and natural gas sales	\$ -	\$ -	\$ -	\$ -
Operating netback	\$ (45)	\$ (106)	\$ (35)	\$ (7)
Cashflow used in operating activities	\$ (312)	\$ (102)	\$ (730)	\$ (59)
Net loss and comprehensive loss	\$ (265)	\$ (391)	\$ (235)	\$ (347)
- per share basic and diluted	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Working capital	\$ 1,343	\$ 1,492	\$ 236	\$ 464
Total assets	\$ 39,230	\$ 39,639	\$ 38,708	\$ 39,132
Shareholders' equity	\$ 36,836	\$ 37,063	\$ 35,284	\$ 36,047
Common shares outstanding	248,177	248,177	228,177	228,177
Capital expenditures	\$ 25	\$ 24	\$ 79	\$ 254

#### Notes:

(1) Quarterly amounts may not total or calculate to year-to-date amounts due to rounding.

## **Canadian Spirit Resources Inc.**

### **MANAGEMENT DISCUSSION AND ANALYSIS**

**For the nine months ended September 30, 2022**

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#### **CORPORATE INFORMATION**

Additional information regarding the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com) or the Corporation's website at [www.csri.ca](http://www.csri.ca).