



Canadian Spirit Resources Inc.

Condensed Interim Financial Statements
(Unaudited – Prepared by Management)

For the three-month period ended September 30, 2023
(Expressed in Canadian Dollars)

Canadian Spirit Resources Inc.

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Canadian Spirit Resources Inc.

Dated November 29, 2023

Management's Comments on Unaudited Interim Financial Statements

The accompanying unaudited interim financial statements of Canadian Spirit Resources Inc. for the three months ended September 30, 2023 and 2022 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim financial statements for the three-month period ended September 30, 2023.

Canadian Spirit Resources Inc.

Condensed Interim Statements of Financial Position

As at September 30, 2023 and June 30, 2023

(Expressed in Canadian Dollars)

	September 30, 2023 (unaudited)	June 30, 2023 (audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 774,607	\$ 1,176,782
Accounts receivables	26,453	23,308
Prepaid expenses and deposits	23,600	9,630
	<u>824,660</u>	<u>1,209,720</u>
Exploration and evaluation assets (Note 4)	32,944,312	32,950,945
Property and equipment (Note 5)	3,164,343	3,279,778
Right-of-use assets (Note 6)	22,850	24,194
Restricted deposits (Note 3)	1,531,540	1,531,540
Royalty credits (Note 9)	271,341	271,341
	<u>37,934,386</u>	<u>38,057,798</u>
	\$ 38,759,046	\$ 39,267,518
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 452,232	\$ 548,627
Decommissioning liabilities (Note 12)	426,056	531,553
Lease liability (Note 7)	9,000	5,560
	<u>887,288</u>	<u>1,085,740</u>
Non-current liabilities		
Decommissioning liabilities (Note 10)	1,657,610	1,729,247
Lease liability (Note 7)	19,667	23,107
	<u>1,677,277</u>	<u>1,752,354</u>
	<u>2,564,565</u>	<u>2,838,094</u>
Shareholders' equity		
Common shares (Note 11)	123,227,558	123,227,558
Contributed surplus	10,447,007	10,258,986
Deficit	(97,480,084)	(97,057,120)
	<u>36,194,481</u>	<u>36,429,424</u>
Total shareholders' equity	36,194,481	36,429,424
	\$ 38,759,046	\$ 39,267,518

Going concern and basis of presentation (Note 1)

Subsequent event (Note 18)

ON BEHALF OF THE BOARD:

(signed) "Louisa DeCarlo"

Director

(signed) "Sarah Hawco"

Director

The accompanying notes are an integral part of these interim financial statements

Canadian Spirit Resources Inc.

Condensed Interim Statements of Loss and Comprehensive Loss

For the three months ended September 30, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

	Three months ended	
	September 30,	
	2023	2022
Revenues		
Natural gas sales	\$ -	\$ 28,712
Royalties	-	(3,445)
	<u>-</u>	<u>25,267</u>
Expenses		
Operating costs	40,932	83,777
General and administrative (Note 16)	135,763	150,326
Depletion and depreciation (Notes 5 and 6)	72,532	72,532
Finance costs (Notes 7 and 10)	29,582	12,084
Share-based compensation (Note 12)	188,021	104,549
Exploration and evaluation expense recovery	(40,679)	-
	<u>(426,151)</u>	<u>(423,268)</u>
Other income and gains		
Interest and other income	3,187	8,119
	<u>3,187</u>	<u>8,119</u>
Net loss and comprehensive loss for the period	<u>\$ (422,964)</u>	<u>\$ (389,882)</u>
Basic and diluted loss per common share	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted average number of shares outstanding - basic and diluted (Note 13)	278,177,583	268,177,583

The accompanying notes are an integral part of these interim financial statements

Canadian Spirit Resources Inc.

Condensed Interim Statements of Changes in Shareholders' Equity

(Unaudited - Expressed in Canadian Dollars)

	Common Shares		Contributed		
	Number	Amount	Surplus	Deficit	Total
Unlimited number of common shares with no par value					
Balance as at June 30, 2022	268,177,583	\$ 122,427,558	\$ 9,731,717	\$ (95,153,254)	\$ 37,006,021
Share-based compensation (Note 12)	-	-	104,549	-	104,549
Net loss and comprehensive loss	-	-	-	(389,882)	(389,882)
Balance as at September 30, 2022	268,177,583	122,427,558	9,836,266	(95,543,136)	36,720,688
Warrant exercise (Note 11)	10,000,000	800,000	-	-	800,000
Share-based compensation (Note 12)	-	-	422,720	-	422,720
Net loss and comprehensive loss	-	-	-	(1,513,984)	(1,513,984)
Balance as at June 30, 2023	278,177,583	123,227,558	\$ 10,258,986	(97,057,120)	36,429,424
Share-based compensation (Note 12)	-	-	188,021	-	188,021
Net loss and comprehensive loss	-	-	-	(422,964)	(422,964)
Balance as at September 30, 2023	278,177,583	\$ 123,227,558	\$ 10,447,007	\$ (97,480,084)	\$ 36,194,481

The accompanying notes are an integral part of these interim financial statements

Canadian Spirit Resources Inc.

Condensed Interim Statements of Cash Flows

For the three months ended September 30, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

	Three months ended	
	September 30,	
	2023	2022
Cash Flows used in Operating Activities:		
Net loss and comprehensive loss	\$ (422,964)	\$ (389,882)
Add items not affecting operating cash:		
Depletion and depreciation (Note 5)	72,532	72,532
Accretion (Notes 7 and 10)	29,582	12,084
Share-based compensation (Note 12)	188,021	104,549
Exploration and evaluation expense recovery	(40,679)	-
	<u>(173,508)</u>	<u>(200,717)</u>
Changes in non-cash working capital		
Accounts receivable	(3,144)	(12,042)
Prepaid expenses and other deposits	(13,970)	16,297
Accounts payable and other accruals	(96,395)	(49,250)
Decommissioning expenditures (Note 10)	<u>(110,500)</u>	<u>(15,834)</u>
	<u>(397,517)</u>	<u>(261,546)</u>
Cash Flows used in Investing Activities:		
Exploration and evaluation expenditures (Note 4)	(5,288)	3,993
Property and equipment expenditures (Note 5)	630	(58,085)
	<u>(4,658)</u>	<u>(54,092)</u>
Change in cash and cash equivalents	(402,175)	(315,638)
Cash and cash equivalents, beginning of the year	<u>1,176,782</u>	<u>1,723,433</u>
Cash and cash equivalents, end of the period	<u>\$ 774,607</u>	<u>\$ 1,407,795</u>

The accompanying notes are an integral part of these interim financial statements

Canadian Spirit Resources Inc.

Condensed Interim Notes to the Financial Statements

For the three months ended September 30, 2023

1. CORPORATE INFORMATION, GOING CONCERN AND BASIS OF PRESENTATION

Corporate Information

Canadian Spirit Resources Inc. (“CSRI” or the “Corporation”) is a natural resources company focusing on the identification and development of opportunities in the unconventional natural gas sector of the energy industry and its shares are listed under the trading symbol “SPI” on the TSX Venture Exchange (the “Exchange”). The Corporation is continued under the laws of the province of Alberta and its head office is located at Suite 900, 140 - 4th Avenue S.W., Calgary, Alberta, Canada T2P 3N3.

Going Concern

These condensed interim financial statements (the “Financial Statements”) have been prepared using International Financial Reporting Standards (“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 three months ended September 30, 2023, the Corporation has reported a net loss and comprehensive loss of \$422,964 (September 30, 2022: \$389,882) and an accumulated deficit at September 30, 2023 of \$97,480,084 (June 30, 2023: \$97,057,120). In addition to covering on-going working capital requirements and recurring negative cash flows used in operating activities, the Corporation will need to secure additional funding for any future exploration and development programs. Natural gas prices in the Corporation’s operating area do not generate revenues sufficient to cover ongoing operating and general and administrative expenses and the Corporation’s working interest wells were shut in early in June 2023. There is no guarantee that natural gas prices will improve to levels required for the Corporation’s wells to be placed back on production. The Corporation’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. Significant additional financing is required in order for the Corporation to be able to further develop its oil and gas properties and exploration and evaluation assets and meet both its existing and future obligations. There is no guarantee that the Corporation will be successful in this regard. As such a material uncertainty exists that casts significant doubt on the Corporation’s ability to continue as a going concern.

Management believes that the use of the going concern assumption is appropriate in the preparation of these financial statements. During the six month period ended June 30, 2023 the Corporation raised \$800,000 (see Note 13) through the exercise of warrants from its largest shareholder, Elmag Investment Inc. however 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 either the issue of new equity or debt instruments or entering into new joint venture or farm-in arrangements. Nevertheless, there is no assurance that such initiatives will be successful.

These 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.

Other Events Impacting the Global Economy

Worldwide events and conditions may impact, directly or indirectly, the business and future operations of the Corporation: Implications of the existing conflicts between Russia and Ukraine; the armed conflicts in the Middle East; or the sanctions, actions or inactions taken by major organizations such as the Organization of the Petroleum Exporting Countries Plus, or major countries such as the U.S., may negatively impact other regional and global economic markets, sectors, industries and markets for securities and commodities globally.

Other events that may impact the Corporation’s business, but not limited to, the global recession, increased inflation, increased costs associated with additional government regulations and policies and supply chain issues.

The duration of these events may create additional layers of uncertainties within the business of the Corporation, and the impact these may have on the Corporation’s future operations cannot be reasonably estimated at this time.

Canadian Spirit Resources Inc.

Condensed Interim Notes to the Financial Statements

For the three months ended September 30, 2023

1. CORPORATE INFORMATION, GOING CONCERN AND BASIS OF PRESENTATION (Continued)

Statement of Compliance

These Financial Statements are unaudited and have been prepared in accordance with IAS 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The Financial Statements do not include all the information required for annual financial statements and should be read in conjunction with the Corporation's annual audited consolidated financial statements for the year ended June 30, 2023 ("Annual Financial Statements").

The accounting policies, basis of measurement, critical accounting judgments and significant estimates to prepare the Annual Financial Statements as at and for the year ended June 30, 2023 have been applied in the preparation of these Financial Statements.

The Board of Directors approved the financial statements for issue on November 29, 2023.

Basis of Presentation

The Financial Statements have been prepared on a going concern basis using the historical cost convention, except as detailed in the accounting policies disclosed in the Corporation's Annual Financial Statements. The preparation of the Financial Statements requires Management to use judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingencies at the date of the Financial Statements, and revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimated. Significant estimates and judgments used in the preparation of the Financial Statements are detailed in the Corporation's Annual Financial Statements.

2. DETERMINATION OF FAIR VALUES

A number of the Corporation's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Corporation's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

- (a) Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- (b) Level 2: Pricing inputs are other than quoted prices in active markets included in Level 1. Prices are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- (c) Level 3: Valuations in this level are those with inputs for the asset or liability that are not based on observable market data, such as used in the impairment testing models for E&E assets and PP&E assets.

Exploration and Evaluation Assets and Property, Plant and Equipment

The fair values of PP&E assets and E&E assets recognized in an acquisition are based on market values. The fair values of PP&E assets and E&E are the estimated amounts for which they could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Canadian Spirit Resources Inc.

Condensed Interim Notes to the Financial Statements

For the three months ended September 30, 2023

2. DETERMINATION OF FAIR VALUES (Continued)

Cash and Cash Equivalents, Accounts Receivable, Restricted Deposits, Accounts Payable and Other Accrued Liabilities and Lease Liabilities.

The fair value of cash and cash equivalents, accounts receivable and other accrued receivables, restricted deposits, accounts payable and other accrued liabilities and lease liabilities are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At September 30, 2023 and June 30, 2023, the fair value of these balances approximated their carrying value.

Stock Options

The fair value of stock options is measured using the Black-Scholes pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends and the risk-free interest rate.

3. RESTRICTED DEPOSITS

BCER recently introduced the Permittee Capability Assessment (“PCA”), which is a replacement for the BCER’s Liability Management program. The PCA assesses each permit holder’s corporate health against the liability associated with their Dormant, Inactive, and Marginal sites (referred to as DIM Liability) to determine corrective action requirements.

Based on a Permittee Capability Assessment (“PCA”) performed by the British Columbia Energy Regulator (“BCER”), the Corporation has been assessed \$1,531,540 in aggregate as at September 30, 2023 (June 30, 2023: \$1,531,540) and these amounts are secured by cash deposits. Since these cash deposits are held against future abandonment and reclamation liabilities for its operated wells and facilities, the balance is considered by management to be restricted in use and is therefore classified as a non-current asset.

4. EXPLORATION AND EVALUATION ASSETS

	Petroleum and Natural Gas Properties	Facilities and Equipment	Total
As at December 31, 2022	32,755,623	100,250	32,855,873
Additions	78,191	-	78,191
Changes in decommissioning liabilities	16,881	-	16,881
As at June 30, 2023	\$ 32,850,695	\$ 100,250	\$ 32,950,945
Additions	5,288	-	5,288
Change in decommissioning liability	(11,921)	-	(11,921)
As at September 30, 2023	\$ 32,844,062	\$ 100,250	\$ 32,944,312

E&E assets comprise the Corporation’s exploration and evaluation projects which are pending the determination of commercial viability and technical feasibility.

Canadian Spirit Resources Inc.

Condensed Interim Notes to the Financial Statements For the three months ended September 30, 2023

5. PROPERTY, PLANT AND EQUIPMENT

	Petroleum and Natural Gas Properties	Facilities and Equipment	Office Equipment and Fixtures	Total
Cost				
As at December 31, 2022	\$ 17,849,959	\$ 9,218,745	\$ 228,198	\$ 27,296,902
Additions	-	3,808	-	3,808
Change in decommissioning liabilities	(18,032)	(1,836)	-	(19,868)
As at June 30, 2023	17,831,927	9,220,717	228,198	27,280,842
Additions	-	(630)	-	(630)
Change in decommissioning liabilities	(39,586)	(4,031)	-	(43,617)
As at September 30, 2023	\$ 17,792,341	\$ 9,216,056	\$ 228,198	\$ 27,236,595
Accumulated depletion, depreciation and impairment				
As at December 31, 2022	\$ 17,241,146	\$ 6,218,388	\$ 228,198	\$ 23,687,732
Depletion and depreciation	101,956	211,376	-	313,332
As at June 30, 2023	17,343,102	6,429,764	228,198	24,001,064
Depletion and depreciation	-	71,188	-	71,188
As at September 30, 2023	\$ 17,343,102	\$ 6,500,952	\$ 228,198	\$ 24,072,252
Carrying amounts				
As at December 31, 2022	\$ 608,813	\$ 3,000,357	\$ -	\$ 3,609,170
As at June 30, 2023	\$ 488,825	\$ 2,790,953	\$ -	\$ 3,279,778
As at September 30, 2023	\$ 449,239	\$ 2,715,104	\$ -	\$ 3,164,343

The Williston Reservoir Water Pipeline licence term expires on December 31, 2031, thus on a straight-line basis the Corporation has recorded depreciation for the period ended September 30, 2023 of \$71,188 (June 30, 2023: \$142,376).

Canadian Spirit Resources Inc.

Condensed Interim Notes to the Financial Statements

For the three months ended September 30, 2023

6. RIGHT-OF-USE ASSETS

The following is the continuity of the cost and accumulated depreciation of right-of-use assets (pipeline surface leases) as at and for the period ended September 30, 2022 and December 31, 2021:

	September 30, 2023	June 30, 2023
Cost		
Balance, beginning and end of period	\$ 48,387	\$ 48,387
Accumulated depreciation		
Balance, beginning of period	(24,193)	(21,505)
Depreciation	(1,344)	(2,688)
Balance, end of period	(25,537)	(24,193)
Ending balance	\$ 22,850	\$ 24,194

7. LEASE LIABILITY

	September 30, 2023	June 30, 2023
Balance, beginning of period	\$ 28,667	\$ 33,125
Lease payments	-	(8,000)
Interest accretion on lease liabilities	-	3,542
Balance, end of period	28,667	28,667
Current portion	9,000	5,560
Non-current portion	\$ 19,667	\$ 23,107

8. IMPAIRMENT

Gething CGU

The Corporation did not identify any impairment trigger indicators with respect to the Corporation's Gething CGU.

Montney D&P and Montney E&E CGUs

The Corporation identified an indicator of impairment at June 30, 2023 with respect to the Montney D&P CGU as the wells were shut-in in early June 2023. As such, the Corporation performed an impairment test to estimate the recoverable amount of the Montney D&P CGU. As a result of the impairment test, the Corporation did not record any further impairment with respect to the Montney D&P CGU.

The Corporation did not identify any impairment trigger indicators with respect to the Corporation's Montney E&E CGU.

9. ROYALTY CREDITS

The British Columbia Ministry of Energy and Mines provides certain oil and gas drilling incentives including royalty credits.

Canadian Spirit Resources Inc.

Condensed Interim Notes to the Financial Statements

For the three months ended September 30, 2023

9. ROYALTY CREDITS (Continued)

As at September 30, 2023, the credits were \$271,341 (June 30, 2023: \$271,341). The royalty credits are drawn down as production and revenue are recognized for the wells qualifying for the royalty credits. During the three month period ended September 30, 2023, the Corporation applied \$Nil (six months ended June 30, 2023: \$14,793) of royalty credits against crown royalties payable and made an adjustment in the in the six months ended June 30, 2023 of \$19,674, which was taken into income in that period.

In addition, credits in the Corporation's Deep Well Credit Bank totalling \$Nil were applied against crown royalties payable in the in the three months ended September 30, 2023 (six months ended June 30, 2023: \$47,900). As the Corporation is not carrying any value for its Deep Well Credit Bank, the amount applied against royalties in the six month period ended June 30, 2023 was taken into income.

	Summer Drilling Credit	Infrastructure Royalty Credit	Total Drilling Credits
Balance at June 30, 2023 and September 30, 2023	\$ 134,957	\$ 136,384	\$ 271,341

10. DECOMMISSIONING LIABILITY

	September 30, 2023	June 30, 2023
Balance, beginning of period	\$ 2,260,800	\$ 2,241,638
Changes in estimated life, cash flows and discount rates	(96,216)	(14,876)
Accretion	29,582	50,110
Expenditures incurred during the period	(110,500)	(16,072)
	2,083,666	2,260,800
Less: current portion of liability	426,056	(531,553)
Non-current portion	\$ 1,657,610	\$ 1,729,247

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, 2023 the estimated total undiscounted future liability of \$2,679,054 (June 30, 2023: \$2,791,065) had a net present value of \$1,657,610 (June 30, 2023: \$1,729,247) assuming expected decommissioning payments are to be made over the next 15 years, using an estimated risk-free nominal interest rate of 3.81% - 4.87% (June 30, 2023: 3.09% – 4.06%), and an inflation rate of 1.75% (June 30, 2023: 1.70%).

The decommissioning liability is comprised of both the Corporation's proportionate interest in its jointly controlled operations as well as its own 100% operations. The restricted deposits held toward future abandonment and reclamation costs (see Note 3) as at September 30, 2023 of \$1,531,540 (June 30, 2023: \$1,531,540) are secured against the Corporation's 100% operations, where the Corporation is the primary permit holder.

The revisions to the estimated future obligation are due to the increases or decreases in the estimated risk-free nominal interest rate and changes in the abandonment and reclamation costs assumptions by well. Liabilities settled refer to well-bores abandoned or well-sites reclaimed during the year. During the three month period ended September 30, 2023, financing costs of \$29,582 (six months ended June 30, 2023: \$50,110) relate to the accretion of the decommissioning liabilities. Certain of the change in estimate amount

Canadian Spirit Resources Inc.

Condensed Interim Notes to the Financial Statements

For the three months ended September 30, 2023

10. DECOMMISSIONING LIABILITY (continued)

has been recorded as an expense recovery as it relates to assets which had been fully impaired and therefore had a carrying value of \$nil.

11. SHAREHOLDERS' CAPITAL

Common Shares

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

During the period ended June 30, 2023, the Corporation issued 10,000,000 common shares on the exercise of 10,000,000 warrants at \$0.08 per share for gross proceeds of \$800,000. No finders fees were paid on this transaction.

Share Purchase Warrants

As at September 30, 2023 there were 10,000,000 (June 30, 2023: Nil) warrants outstanding at an exercise price of \$0.08 expiring March 24, 2024.

12. SHARE-BASED COMPENSATION PLANS

Stock Options

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, 2023 was 27,817,758 (June 30, 2023: 16,392,758).

	For the three months ended September 30, 2023		For the six months ended June 30, 2023	
	Number of Options	Weighted Avg. Exercise Price	Number of Options	Weighted Avg. Exercise Price
Balance, beginning of year	11,425,000	\$ 0.08	11,425,000	\$ 0.09
Expired/Forfeited	(125,000)	0.10	-	-
Granted	5,250,000	0.07	-	-
Balance, end of year	16,550,000	\$ 0.08	11,425,000	\$ 0.09
Options exercisable, end of period	10,525,000	\$ 0.08	7,750,000	\$ 0.09

Canadian Spirit Resources Inc.

Condensed Interim Notes to the Financial Statements

For the three months ended September 30, 2023

12. SHARE-BASED COMPENSATION PLANS (Continued)

The following table summarizes the information about stock options outstanding as at September 30, 2023 and June 30, 2023:

Expiry Date	As at September 30, 2023			As at June 30, 2023	
	Exercise Price	Number of Options Outstanding	Remaining Contractual Life (in years)	Number of Options Outstanding	Remaining Contractual Life (in years)
August 28, 2023	0.10	-	-	125,000	0.16
August 25, 2025	0.05	1,000,000	1.92	1,000,000	2.17
November 27, 2025	0.10	1,800,000	2.16	1,800,000	2.41
August 26, 2026	0.07	1,150,000	2.91	1,150,000	3.15
August 25, 2027	0.105	2,600,000	3.90	2,600,000	4.15
November 28, 2027	0.0825	4,750,000	4.16	4,750,000	4.41
July 12, 2028	0.07	5,250,000	4.79	-	-
	\$ 0.08	16,550,000	3.88	11,425,000	3.67

The following table summarizes the information about stock options vested as at September 30, 2023 and June 30, 2023:

Expiry Date	As at September 30, 2023			As at June 30, 2023	
	Exercise Price	Number of Options Vested	Remaining Contractual Life (in years)	Number of Options Vested	Remaining Contractual Life (in years)
August 29, 2023	0.10	-	-	125,000	0.16
August 25, 2025	0.05	1,000,000	1.92	1,000,000	2.17
November 27, 2025	0.10	1,800,000	2.16	1,800,000	2.41
August 26, 2026	0.07	1,150,000	2.91	1,150,000	3.15
August 25, 2027	0.105	1,950,000	3.90	1,300,000	4.15
November 28, 2027	0.0825	2,375,000	4.16	2,375,000	4.41
July 12, 2028	0.07	2,250,000	4.79	-	-
	\$ 0.08	10,525,000	3.56	3,625,000	2.22

During the three months ended September 30, 2023, the Company granted 5,250,000 (June 30, 2023: Nil) stock options with an estimated weighted average fair value of \$0.0393 calculated using the Black-Scholes option pricing model. The fair value of stock options vested during the period and recognized as share-based payments expense was \$188,021 (June 30, 2023: \$229,141).

Option pricing models require the use of estimates and assumptions including the expected volatility. Changes in underlying assumptions can materially affect the fair value estimates. The following weighted average assumptions were used for the Black-Scholes valuation of options granted during the period:

Canadian Spirit Resources Inc.
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For the three months ended September 30, 2023

12. SHARE-BASED COMPENSATION PLANS (Continued)

	Options issued July 12, 2023
Share price	\$0.06
Risk-free interest rate	3.81%
Expected life of options	5 years
Annualized volatility based on historical volatility	89.5%
Dividend rate	0.00%
Forfeiture rate	0.00%
Fair value per option	\$0.0393
Exercise price	\$0.07

* Annualized volatility was determined by reference to historic volatility of the Company.

13. PER SHARE AMOUNTS

Per share amounts have been calculated on the weighted average number of shares outstanding for the relevant periods. The diluted loss per share calculations for the periods ended September 30, 2023 and September 30, 2022 were not affected by the outstanding stock options or warrants as they are anti-dilutive.

14. FINANCIAL RISK MANAGEMENT

The Corporation's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production and financing activities such as: credit risk, market risk and liquidity risk.

The Board of Directors of the Corporation oversees management's establishment and execution of the Corporation's risk management framework. Management has implemented and monitors compliance with risk management policies. The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls and to monitor risks and adherence to market conditions and the Corporation's activities.

Credit risk is the risk of financial loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligations. The maximum exposure to credit risk at September 30, 2023 and June 30, 2023 is the carrying amount of the Corporation's accounts receivable balances.

The following summarized the Corporation's accounts receivable as at September 30, 2023 and June 30, 2023:

	September 30, 2023	June 30, 2023
Joint venture and other	\$ 12,341	\$ 7,651
GST	14,112	15,656
	\$ 26,453	\$ 23,308

The Corporation did not incur any write-offs relating to accounts receivable balances during the periods ended September 30, 2023 and June 30, 2023. Accounts receivable at September 30, 2023 and June 30, 2023 were all current.

Market risk is the risk that changes in market indices, such as foreign exchange rates, interest rates and commodity prices, will affect the Corporation's income, cash flow, or the value of its held financial instruments. As the Corporation holds its cash and cash equivalents in the form of bank deposits and has limited dealings with foreign currency exchange, the Corporation's exposure to market risk is currently

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14. FINANCIAL RISK MANAGEMENT (continued)

minimal and dependant on interest rates on its bank deposits. The Corporation is exposed to commodity price risk from the production and sale of natural gas, which is sold at prevailing market prices. There are no forward sales contracts and the Corporation does not currently engage in price hedging activities.

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they become due. CSRI manages its liquidity risk by synchronizing its forecasted cash requirements for operations with its anticipated capital financing activities and maintaining significant cash balances. The impacts on the Corporation's liquidity risk due to current equity and commodity price market conditions include: a) increased uncertainty in raising additional funds on reasonable terms for future capital projects; and b) a reduction in the Corporation's ability to generate sufficient revenues from the sale of natural gas to cover administrative and operating costs. See Note 1 for further discussion regarding the Corporation's ability to operate as a going concern.

15. CAPITAL MANAGEMENT

The Corporation defines capital as shareholders' capital plus working capital based on the Corporation's financial statements as follows:

	September 30, 2023	June 30, 2023
Working capital:		
Current assets	\$ 824,660	\$ 1,209,720
Current liabilities	(887,288)	(1,085,740)
	(62,628)	123,980
Shareholders' Equity	36,194,481	36,429,424
	\$ 36,131,853	\$ 36,553,404

The current objectives of the capital management process are to maximize long term shareholder value by (i) ensuring sufficient funding to enable the Corporation's unconventional natural gas resource project to reach the stage of reserves, production and cash flows and by (ii) minimizing the Corporation's cost of capital consistent with a low level of financial and liquidity risk.

The policies followed by the Corporation in managing its capital include:

- (a) targeting a minimum working capital position that covers all budgeted capital commitments, anticipated administration and field operating costs for a minimum period of three months, current reclamation obligations, and other non-contingent financial liabilities;
- (b) funding 100% of capital requirements through the issue of equity instruments and debt instruments until such time as cash generated from operations exceeds anticipated overhead expenses prior to capitalization; and
- (c) holding the proceeds of equity and funding in deposit accounts of major financial institutions providing for immediate access.

The Corporation manages its capital by continuously monitoring the quality and level of working capital and the amount of its financial commitments and current obligations. An annual funding plan is approved by the Board of Directors in conjunction with the capital budget process and capital commitments are made based on a quarterly budget review and approval process (see Note 1 – Going Concern). The capital management process takes into account exploration and development results, economic conditions, cost inflation, commodity prices and capital market conditions.

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15. CAPITAL MANAGEMENT (continued)

The Corporation manages its liquidity risk by synchronizing its forecasted cash requirements for operations with its anticipated capital financing activities and maintaining significant cash balances. In order to finance the Corporation's capital programs and to cover administrative and overhead expenses, the Corporation is reducing its overall expenses and will be seeking equity and/or debt financing. Many factors influence the Corporation's ability to raise funds, including the health of the resource market, the climate for investment, the Corporation's track record, and the experience and caliber of its management.

16. GENERAL AND ADMINISTRATIVE

General and Administrative Expenses

	Three months ended	
	September 30, 2023	September 30, 2022
Consulting fees	\$ 74,365	\$ 66,510
Professional fees	15,811	41,879
Directors' fees and expenses	4,000	6,269
Investor relations and filing fees	21,299	4,689
Insurance	9,630	16,298
Office supplies, software licences & other	10,658	14,681
	\$ 135,763	\$ 150,326

17. RELATED PARTY TRANSACTIONS

Transactions with related parties are recorded at exchange amounts for services provided. During the periods ended September 30, 2023 and September 30, 2022, the transactions the Corporation had with its directors, related persons or controlled entities in the normal course of business.

Consulting fees relate 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:

	Three months ended	
	September 30, 2023	September 30, 2022
Included in general and administrative expenses		
Consulting fees (executive)	\$ 29,010	\$ 99,831
Directors' fees	4,000	14,000
Share-based compensation	188,021	160,486
	\$ 221,031	\$ 274,317

18. SUBSEQUENT EVENT

The Corporation has initiated a process to review strategic alternatives with a view to maximizing the value of the Corporation's Montney resource base at Farrell Creek and Altares. CSRI has engaged Sayers Energy Advisors to assist in this process.