



## MANAGEMENT DISCUSSION AND ANALYSIS

### For the three months ended September 30, 2024

---

#### 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 months ended September 30, 2024 should be read in conjunction with the unaudited Interim Financial Statements for the three months ended September 30, 2024 and the accompanying notes, and the audited financial statements for the year ended June 30, 2024 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 27, 2024, 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 that 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 statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

# **Canadian Spirit Resources Inc.**

## **MANAGEMENT DISCUSSION AND ANALYSIS For the three months ended September 30, 2024**

---

### **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 result 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)

Marc-André Liberatore, Director

David Monroe, Director

Sarah Hawco, Director

Greg Florence, CFO

# Canadian Spirit Resources Inc.

## MANAGEMENT DISCUSSION AND ANALYSIS For the three months ended September 30, 2024

### RESULTS FROM OPERATIONS

	Three months ended September 30,	
	2024	2023
Natural gas revenues (net of royalties)	\$ 45,356	\$ -
Operating costs	18,404	(40,932)
Operating netback	\$ 63,760	\$ (40,932)
Other income and gains	18,884	3,187
Other expenses	(560,444)	(385,219)
Net comprehensive loss for the period	\$ (477,800)	\$ (422,964)

### OPERATING NETBACK (\$ per MCF)

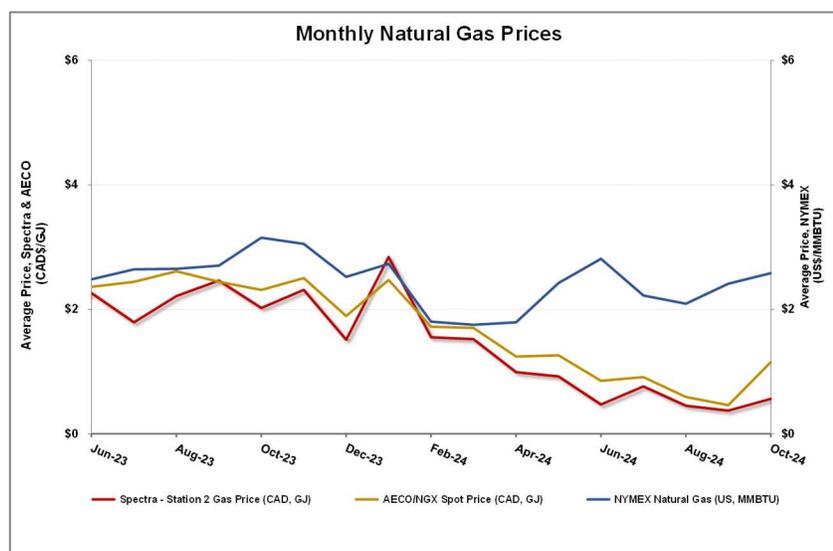
Operating costs, which have fixed and variable rate components, relate to the Corporation's share of plant maintenance, supervision and other production expenses in conjunction with the five producing Montney Formation wells at Farrell Creek/Altares. Operating costs also include transportation costs to transfer the natural gas from the pipeline system at Farrell Creek/Altares to the sales point at Enbridge Westcoast Energy Station 2 and the British Columbia provincial carbon taxes.

Since the Corporation's gas wells were shut in for both the three months ended September 30, 2024 and 2023, the operating costs are primarily fixed costs, and as such, unit operating cost measurements are not meaningful.

### Overview

As a result of the continued deterioration of Station 2 natural gas prices accompanied by the further discounted price experienced by producers in northeastern British Columbia producing into the Spectra main pipeline, the Corporation's natural gas production at Farrell Creek/Altares was shut-in for the three months ended September 30, 2024 and 2023.

Gas prices at Station 2 continue to be extremely low as shown below, but the Corporation continues to monitor prices and remains cautiously optimistic that prices will improve once LNG export facilities in British Columbia become operational in 2025. The natural gas processing facility and associated wells will be reactivated once natural gas prices return to a profitable situation.



# Canadian Spirit Resources Inc.

## MANAGEMENT DISCUSSION AND ANALYSIS For the three months ended September 30, 2024

---

The board of directors of the Corporation determined that it is in the best interest of shareholders to seek strategic alternatives and engaged Sayer Energy Advisors to assist in developing opportunities to maximize the value of its Montney assets while maintaining and extending the life of its mineral leases on prospective Montney lands.

As part of the strategic process, the Corporation disposed of 10,472 net acres of undeveloped Montney lands located in the Farrell Creek and Attachie areas of Northeastern British Columbia on June 25, 2024 for gross proceeds to the Corporation of \$5,000,000, subject to closing adjustments. The Corporation continues to work with Sayer Energy Advisors to review strategic alternatives and maximize the value of the remaining assets in northeastern British Columbia and other corporate assets.

Throughout the three months ended September 30, 2024, the Corporation maintained its disciplined approach to streamline its operations and reduce expenses while meeting and exceeding regulatory requirements to minimize its environmental footprint. The Corporation's 13 operated wells have all been abandoned and require only surface remediation which commenced in 2024 and will continue through the 2025 fiscal year.

### GOING CONCERN

As at September 30, 2024 the Corporation had a working capital balance of \$4,976,031 (June 30, 2024: \$5,213,913), incurred a net loss and comprehensive loss of \$477,800 for the three months ended September 30, 2024 (2023: \$442,964) and used cash flows in operating activities of \$175,795 for the three months ended September 30, 2024 (2023: \$397,517). 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 from July to October 2023 and again from May to September 2024. 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. 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.

The Corporation continues its disciplined approach of streamlined operations and minimal administrative expenses while meeting and exceeding regulatory requirements to minimize its environmental footprint. The Corporation had previously abandoned 12 shallow (non-Montney) idle wells, which represented approximately 70% of the Corporation's operated idle wells. These wells are scheduled for surface remediation work to be completed during the year ended June 30, 2025.

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.

# Canadian Spirit Resources Inc.

## MANAGEMENT DISCUSSION AND ANALYSIS For the three months ended September 30, 2024

---

### NET COMPREHENSIVE LOSS

#### For the three months ended September 30, 2024:

The Corporation's loss and comprehensive loss for the three months ended September 30, 2024 was \$477,800 (2023 - \$422,964) resulting in an increased loss of \$54,836 for the three months. Items that caused the net increase in loss are noted in the following:

#### Revenues:

- Gross revenues were \$Nil (2023 - \$Nil) as wells were not on production for the three months ended September 30, 2024 or 2023. During the three months ended September 30, 2024, the Corporation received crown royalty credits totaling \$45,356 from the B.C. Ministry of Finance for the periods August 2022 to June 2023 and November 2023 to April 2024.

#### Expenses:

- Operating costs were (\$18,404) for the three months ended September 30, 2024 due to an accrual adjustment based on actuals (three months ended September 30, 2023: \$40,932).
- General and administrative expenses of \$174,048 (2023 - \$135,763) increased by \$38,285 due to the following:
  - Consulting fees of \$92,327 (2023: \$74,365) increased by \$17,962, primarily as a result of land continuation, asset sale, and Emergency Response Plan exercises.
  - Professional fees of \$43,766 (2023: \$15,811) increased by \$26,067 largely due to audit fees charged in 2023 that were recorded in 2024;
  - Investor relations and filing fees of \$7,971 (2023: \$21,299) decreased by \$13,328 mostly as a result of the costs related to the Annual General Meeting held in September 2023 including the related filing fees for the June 2023 year end;
  - Insurance expense of \$15,272 (2023: \$9,630) increased by \$5,642 as insurance premiums and coverage increased year over year;
  - Office, software and other expenses of \$10,711 (2023: \$10,658) remained consistent.
- Depletion and depreciation of \$72,532 (2023: \$72,532) was consistent to the comparative period. No depletion was recorded in either period.
- Finance costs of \$29,581 (2023: \$29,582) remained consistent to the comparative period.
- Share-based compensation of \$6,741 (2023: \$188,021) decreased as no new stock options were granted in the three months ended September 30, 2024.

#### Other income and gains:

- Interest and other income of \$18,884 (2022: \$3,187) increased as a result of an increase in interest earned on higher cash balances in 2024 (\$58,787) versus 2023 (\$3,187) offset in Q1 2025 by a reduction in deep well royalty credits (\$39,903) that had been applied by the B.C. Ministry of Finance against crown royalties for the periods August 2022 to June 2023 and November 2023 to April 2024.

## Canadian Spirit Resources Inc.

### MANAGEMENT DISCUSSION AND ANALYSIS For the three months ended September 30, 2024

#### GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended September 30,	
	2024	2023
Consulting fees	\$ 92,327	\$ 74,365
Professional fees	43,766	15,811
Director's and officer's fees and expenses	4,000	4,000
Investor relations and filing fees	7,971	21,299
Insurance	15,273	9,630
Office, software and other expenses	10,711	10,658
	\$ 174,048	\$ 135,763

Management utilizes consultants to complete accounting, finance and engineering work required.

#### DEPLETION AND DEPRECIATION

	Three months ended September 30,	
	2024	2023
Depreciation of property, plant and equipment ("PP&E")	\$ 71,188	\$ 71,188
Depreciation of Right-of-use assets	1,344	1,344
	\$ 72,532	\$ 72,532

The Corporation did not record depletion expense in either of the periods as the wells were shut in for both periods.

Depreciation of PP&E is primarily comprised of straight-line depreciation on the Corporation's 25% interest in the Williston Reservoir water pipeline.

#### EXPLORATION EXPENSE & IMPAIRMENT

At September 30, 2024, the Corporation recognized an expense of 277,542 (2023: recovery of \$40,679) related to changes in the timing and discount rates used in the calculation of its decommissioning liability at its Farrell Creek Gething CGU.

#### Montney D&P and Montney E&E CGUs

The Corporation identified an indicator of impairment at September 30, 2024 with respect to the Montney D&P CGU as the wells were shut-in in early May 2024 and remained shut-in during Q1 2025. 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.

As at September 30, 2024, the Corporation determined that there were no indicators of impairment for its 25% interest in the Williston water pipeline.

## Canadian Spirit Resources Inc.

### MANAGEMENT DISCUSSION AND ANALYSIS For the three months ended September 30, 2024

#### ROYALTY CREDITS

The British Columbia Ministry of Energy and Mines provides certain oil and gas drilling incentives including royalty credits. As at September 30, 2024, the credits were \$325,081 (June 30, 2024: \$319,586). The royalty credits are drawn down as production and revenue are recognized for the wells qualifying for the royalty credits. As costs are incurred, certain credits are also earned. During the three months ended September 30, 2024, the Corporation recognized an increase of \$5,495 in summer drilling credits from the royalty credits issued by B.C. Ministry of Finance. No royalty credits were applied against crown royalties payable during Q1 2025.

In addition, credits in the Corporation's Deep Well Credit Bank totaling (\$39,903) were credited against prior crown royalties paid in prior years. As the Corporation is not carrying any value for its Deep Well Credit Bank, the amount was recorded as a credit against royalties in the three-month period ended September 30, 2024 was offset against other income.

	Summer Drilling Credit	Infrastructure Royalty Credit	Total Drilling Credits
<b>Balance at June 30, 2024</b>	\$ 127,768	\$ 191,818	\$ 319,586
Increase in royalty credits	5,495	-	5,495
<b>Balance at September 30, 2024</b>	\$ 133,263	\$ 191,818	\$ 325,081

#### SHARE-BASED COMPENSATION

	Three months ended September 30,	
	2024	2023
<b>Share-based compensation</b>	\$ 6,741	\$ 188,021

On July 12, 2023, the Company granted 5,250,000 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. The stock options vest by January 2025. The fair value of the options was calculated as \$0.0393 using the Black-Scholes valuation model using the following inputs: share price - \$0.06; exercise price \$0.07; term - 5 years, volatility rate - 89.5%; and interest rate of 3.81%.

At September 30, 2024, the Corporation had options to purchase 16,550,000 (2023: 16,550,000) common shares outstanding with a weighted average exercise price of \$0.08.

#### CAPITAL EXPENDITURES

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

	Three months ended September 30,	
	2024	2023
Exploration & evaluation	\$ 8,768	\$ 5,288
Property, plant & equipment	-	(630)
	\$ 8,768	\$ 4,658

# Canadian Spirit Resources Inc.

## MANAGEMENT DISCUSSION AND ANALYSIS For the three months ended September 30, 2024

---

During the three months ended September 30, 2024, the Corporation incurred mineral and surface lease rentals of \$8,768 (2023: \$5,288) on leases held as E&E Assets.

### LIQUIDITY AND CAPITAL RESOURCES

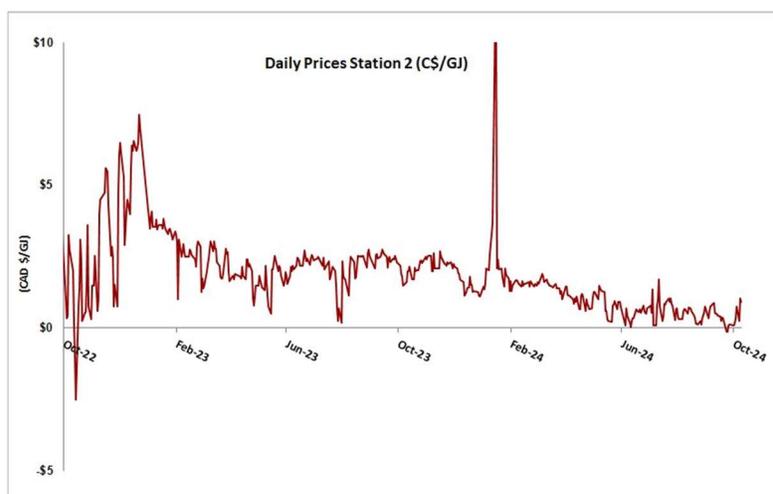
The Corporation had working capital at September 30, 2024 of \$4,976,031 (June 30, 2024: \$5,213,913). The Corporation's shareholders equity is \$27,180,299 as at September 30, 2024 (June 30, 2024: \$27,651,288).

The Corporation will continue to pursue financing alternatives to maintain the Corporation as a going concern as it seeks and evaluates strategic alternatives. During the year ended June 30, 2024, 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.

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.

### Volatile Market Conditions

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, often below the \$2.50 per mcf benchmark the Corporation needs to show positive operating cash flow.



In addition, the lack of capital investment for Micro-oil and gas companies over the last five contributed to the difficulty in developing the Corporation's Montney natural gas resource play.

The ability to produce the Corporation's wells is dependent on Station 2 prices.

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 three months ended September 30, 2024 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, 2024 financial statements.

# Canadian Spirit Resources Inc.

## MANAGEMENT DISCUSSION AND ANALYSIS For the three months ended September 30, 2024

---

### CRITICAL ACCOUNTING ESTIMATES

The Corporation's significant accounting policies are disclosed in Note 2 to the June 30, 2024 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 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 June 30, 2024 audited financial statements.

### NEW ACCOUNTING POLICIES AND AMENDMENTS TO BE ADOPTED

#### *Amendments to IAS 12 – "Income Taxes"*

Amendments to IAS 12 require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

#### *Amendments to IAS 1 – "Presentation of Financial Statements"*

Amendments to IAS 1 require that a company disclose its material accounting policies rather than its significant accounting policies and explain how a company can identify material accounting policies.

### 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, 2024, the Corporation had 288,177,583 common shares outstanding (June 30, 2024: 288,177,583).

#### Share Purchase Warrants

As at September 30, 2024, there were no share purchase warrants outstanding.

#### Stock Options

As at September 30, 2024 the Corporation had outstanding options to purchase 16,550,000 common shares at a weighted average exercise price of \$0.08 per common share (September 30, 2023: 16,550,000). The number of vested stock options at September 30, 2024 is 15,050,000 with an average exercise price of \$0.08 (September 30, 2023: 10,525,000 with an average exercise price of \$0.08).

### OFF-BALANCE SHEET TRANSACTIONS

The Corporation had no off-balance sheet transactions during the period ended September 30, 2024.

# Canadian Spirit Resources Inc.

## MANAGEMENT DISCUSSION AND ANALYSIS For the three months ended September 30, 2024

---

### RELATED PARTY TRANSACTIONS

Transactions with related parties are recorded at exchange amounts for services provided. During the three months periods ended September 30, 2024 and 2023, 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.

	Three months ended September 30,	
	2024	2023
Included in general and administrative expenses		
Consulting fees (executive)	\$ 29,010	\$ 29,010
Directors' fees	4,000	4,000
Share-based compensation	6,741	188,021
	<b>\$ 39,751</b>	<b>\$ 221,031</b>

---

#### Termination and Change of Control Benefits

In the case of a change of control or the termination of employment resulting from a change in control, the Corporation's chief executive officer would be entitled to receive a payment of \$350,000 plus, if applicable, an additional payment based on the total consideration paid in the transaction resulting in a change of control of the Corporation. In the event of a change of control for which an additional payment is payable pursuant to the Executive Agreement, the additional payment would be equal to: (i) seven (7%) percent of the lesser of (A) the total consideration value under the change of control transaction, or (B) \$5,000,000; plus (ii) five (5%) percent of the lesser of (A) the amount, if any, that the total consideration value under the change of control transaction exceeds \$5,000,000, or (B) \$5,000,000; plus (iii) three (3%) percent of the amount, if any, that the total consideration value under the change of control transaction exceeds \$10,000,000.

### COMMITMENTS

The Corporation expects to pay approximately \$56,228 in decommissioning liabilities during the period July 1, 2024 to June 30, 2025 to be in compliance with the British Columbia Oil & Gas Commission requirements (see Note 12 of the September 30, 2024 interim financial statements).

On November 9, 2023, the Corporation engaged Sayer Energy Advisors ("Sayer") to review strategic alternatives and provide financial advice. In the event of a successful sale transaction of either the Corporation's shares or its assets, Sayer would be entitled to receive a success fee based on the transaction value upon closing of the transaction. As well, following the term of the engagement agreement, for a period mutually agreed upon, Sayer may also be entitled to a success fee as a result of a successful transaction.

### 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.

## **Canadian Spirit Resources Inc.**

### **MANAGEMENT DISCUSSION AND ANALYSIS For the three months ended September 30, 2024**

---

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 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.

Impairment indicators for the Corporation's oil and gas assets could exist subsequent to September 30, 2024 if significant pipeline outages, surplus natural gas available for delivery to Station 2 and continuing volatility of Station 2 natural gas prices through the balance of 2024 and into 2025.

#### **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.

# Canadian Spirit Resources Inc.

## MANAGEMENT DISCUSSION AND ANALYSIS For the three months ended September 30, 2024

### SELECTED ANNUAL INFORMATION

	June 30, 2024	June 30, 2023	December 31, 2022
Petroleum and natural gas sales (net of royalties)	\$ 277,710	\$ 348,310	\$ 273,462
Net loss and comprehensive loss	9,900,906	1,112,140	1,852,952
- per share basic and diluted	(0.04)	0.00	(0.01)
Working capital	5,213,913	123,980	259,569
Total assets	29,922,341	39,267,518	39,274,443
Long term lease liability	16,904	23,107	29,119
Shareholders' equity	27,651,288	36,429,424	36,512,423
Common shares outstanding	288,177,583	278,177,583	268,177,583

### 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, 2024	June 30, 2024	March 31, 2024	December 31, 2023
Petroleum and natural gas sales (net of royalties)	\$ 45	\$ 22	\$ 153	\$ 119
Operating netback	\$ 64	\$ (91)	\$ (62)	\$ 13
Cashflow used in operating activities	\$ (176)	\$ (380)	\$ (222)	\$ (322)
Net loss and comprehensive loss	\$ (178)	\$ (3,762)	\$ (5,257)	\$ (459)
- per share basic and diluted	\$ 0.00	\$ (0.01)	\$ (0.02)	\$ 0.00
Working capital (deficit)	\$ 4,976	\$ 5,214	\$ 161	\$ (445)
Total assets	\$ 29,883	\$ 29,922	\$ 34,119	\$ 38,649
Shareholders' equity	\$ 27,180	\$ 27,651	\$ 31,389	\$ 37,006
Common shares outstanding	288,178	288,178	288,178	278,178

	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
Petroleum and natural gas sales (net of royalties)	\$ -	\$ 31	\$ 317	\$ 248
Operating netback	\$ (41)	\$ (224)	\$ 128	\$ 7
Cashflow used in operating activities	\$ (246)	\$ (406)	\$ 102	\$ (675)
Net loss and comprehensive loss	\$ (398)	\$ (737)	\$ (375)	\$ (671)
- per share basic and diluted	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Working capital	\$ (63)	\$ 124	\$ (202)	\$ 260
Total assets	\$ 38,759	\$ 39,268	\$ 39,223	\$ 39,274
Shareholders' equity	\$ 36,194	\$ 36,429	\$ 36,269	\$ 36,512
Common shares outstanding	278,178	278,178	268,178	268,178

Notes: Quarterly amounts may not total or calculate to year-to-date amounts due to rounding.

### CORPORATE INFORMATION

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