



## MANAGEMENT'S DISCUSSION AND ANALYSIS For the years ended June 30, 2025 and June 30, 2024

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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's discussion and analysis ("MD&A") of the financial conditions and results of operations of the Corporation for the years ended June 30, 2025 and 2024 should be read in conjunction with the audited Financial Statements for the years ended June 30, 2025 and 2024 and the accompanying notes, 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 October 27, 2025, the date of review and approval by the Corporation's Board of Directors.

### Forward-looking Statements

The 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.

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### 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

William C. McDonald, President & CEO, Director (Chairperson)  
Marc-André Liberatore, Director  
Roy Bonnell, Director  
Gaetan Liberatore, Director  
Roger Jewett, CFO

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### RESULTS FROM OPERATIONS

Year ended	June 30, 2025	June 30, 2024
Natural gas revenues (net of royalties)	\$ 109,884	\$ 277,710
Operating costs	(248,082)	(458,999)
Operating netback	\$ (138,198)	\$ (181,289)
Other income and gains	136,343	86,568
Other expenses	(2,061,803)	(1,634,323)
Impairment	(16,566,122)	(4,940,000)
Loss on disposition	-	(3,231,862)
Net comprehensive loss	\$ (18,629,770)	\$ (9,900,906)

### OPERATING NETBACK

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.

The Corporation's gas wells were shut in for approximately eight months during the year ended June 30, 2025 and for approximately seven months during the year ended June 30, 2024. Therefore, 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 approximately eight months for the year ended June 30, 2025 and approximately seven months during the year ended June 30, 2024.

During the year ended June 30, 2025, the Corporation's joint venture Montney wells produced 75,602 mcf (2024 - 134,166 mcf) (net to the Corporation) over a period of four months (2024 – five months).

Gas prices at Station 2 continue to be extremely low, but the Corporation continues to monitor prices. The natural gas processing facility and associated wells may be reactivated once natural gas prices return to a profitable situation.

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.

Throughout the year ended June 30, 2025, 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 continued through 2025.

### Montney E&E CGU

On June 30, 2025, the Corporation identified indicators of impairment with respect to certain assets within its Montney E&E CGU and the Gething Facilities CGU. The indicators were represented in response to continued declines in

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commodity prices and general market conditions. As a result, the Corporation recorded an impairment charge against the Montney E&E assets of \$16,465,863 and \$100,250 against the Gething Facilities.

On March 31, 2024, the Corporation identified an indicator of impairment with respect to certain assets within its Montney E&E CGU. The indicator was represented in response to continued declines in commodity prices and general market conditions. As a result, the Corporation recorded an impairment charge against the Montney E&E assets of \$4,940,000.

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.

### GOING CONCERN

As at June 30, 2025 the Corporation had a working capital balance of \$3,913,151 (June 30, 2024: \$5,213,913). For the year ended June 30, 2025 the Corporation incurred a net loss and comprehensive loss of \$18,629,770 (June 30, 2024: 9,900,906) and used cash flows in operating activities of \$1,461,424 (June 30, 2024: \$1,322,416). In addition to covering ongoing 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 2024 to January 2025 and again from June to September 2025. 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 June 30, 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 previously abandoned 12 shallow (non-Montney) idle wells, which represented 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 year ended June 30, 2025:

The Corporation's loss and comprehensive loss for the year ended June 30, 2025 was \$18,629,770 (June 30, 2024: \$9,900,906). Items that impacted the loss are noted in the following:

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### Revenues:

- Gross revenues were \$64,528 for the year ended June 30, 2025 (June 30, 2024: \$293,811). Wells were on production for four months during the year ended June 30, 2025 and five months during the year ended June 30, 2024. During the year ended June 30, 2025, the Corporation received crown royalty credits totalling \$45,356 (June 30, 2024: crown royalty costs - \$16,101) from the B.C. Ministry of Finance.

### Expenses:

- Operating costs were \$248,082 for the year ended June 30, 2025, compared to \$458,999 for the prior year, a decrease of \$210,917.
- General and administrative expenses were \$1,045,725 for the year ended June 30, 2025, compared to \$683,785 for the prior year, an increase of \$361,940. The increase is primarily due to the following:
  - Consulting fees of \$655,440 (June 30, 2024: \$313,459). The increase of \$341,981 is due to a contract settlement payment of \$200,000 and transition contract payments of \$150,000 paid to the former CEO during the year.
  - Professional fees of \$214,391 (June 30, 2024: \$215,715), a decrease of \$1,324.
  - Directors' fees and expenses of \$8,000 (June 30, 2024: \$16,000), a decrease of \$8,000. Director fee payments were terminated during the year ended June 30, 2025.
  - Investor relations and filing fees of \$33,590 (June 30, 2024: \$41,481), a decrease of \$7,891 due to decreased activity during the year.
  - Insurance costs of \$90,072 (June 30, 2024: \$55,448), an increase of \$34,624.
  - Office, software and other expenses of \$44,232 (June 30, 2024: \$41,682), an increase of \$2,550.
- Depletion and depreciation of \$339,481 (June 30, 2024: \$439,620), a decrease of \$100,139. The reduction is due to decreased production during the year.
- Finance costs, primarily representing accretion on the abandonment liability, of \$86,539 (June 30, 2024: \$103,607), a decrease of \$17,608.
- Share-based compensation of \$13,050 (June 30, 2024: \$322,770), a decrease of \$309,720 as fewer stock options vested in the year ended June 30, 2025.
- Impairment of E&E assets of \$16,566,112 (June 30, 2024: \$4,940,000), an increase of \$11,626,112. The Corporation recorded an impairment with respect to certain assets within its Montney E&E CGU and the Gething Facilities CGU during the year ended June 30, 2025.
- Loss on disposition of \$Nil (June 30, 2024: \$3,231,862) a decrease of \$3,231,862. On June 25, 2024, the Corporation disposed of 10,472 net acres of undeveloped Montney lands located in the Farrell Creek and Attachie areas of Northeastern British Columbia. No dispositions occurred during the year ended June 30, 2025.
- Change in Estimate on Decommissioning Liabilities relating to the Gething properties of \$577,008 (June 30, 2024: \$84,541) an increase of \$492,467 due to changes in estimates related to decommissioning liabilities.

### Other income and gains:

- Interest and other income of \$136,343 (June 30, 2024: \$86,568), an increase of \$49,775 due to interest earned on cash on hand.

### For the three months ended June 30, 2025:

The Corporation's loss and comprehensive loss for the three months ended June 30, 2025 was \$17,355,790 (three months ended June 30, 2024: \$3,761,450), an increased loss of \$13,594,340 for the three months ended June 30, 2025. The majority of the increased loss is due to the impairment charge of \$16.57 million incurred in Q4 2025. The significant variances from the prior three-month period are noted below:

### Revenues:

- Gross revenues were \$64,528 during the three months ended June 30, 2025 (three months ended June 30, 2024: \$14,915). During the three months ended June 30, 2025, the Corporation incurred crown royalty costs of \$Nil (three months ended June 30, 2024 - \$1,298) from the B.C. Ministry of Finance.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS For the years ended June 30, 2025 and June 30, 2024

### Expenses:

- Operating costs were \$114,156 for the three months ended June 30, 2025 (2024: \$105,345), an increase of \$8,811.
- General and administrative expenses of \$254,234 (2024: \$262,152) decreased by \$7,918 due to the following:
  - Consulting fees of \$135,177 (2024: \$94,350), an increase of \$40,827. The increase is due transition contract payments of \$75,000 paid to the former CEO during the quarter ended June 30, 2025, offset by reductions in other consulting fees.
  - Professional fees of \$83,635 (2024: \$163,143), a decrease of \$79,508. The decrease is due to additional professional fees incurred to evaluate strategic alternatives and legal fees incurred with respect to the sale of assets in Q4 of the prior year.
  - Directors' fees and expenses of \$Nil (2024: \$4,000), a decrease of \$4,000.
  - Investor relations and filing fees of \$2,136 (2024: negative \$2,375), an increase of \$4,511.
  - Insurance expense of \$24,933 (2024: \$15,273), an increase of \$9,660 as insurance premiums and coverage increased year over year;
  - Office, software and other expenses of \$8,353 (2024: negative \$12,239), an increase of \$20,592 due to an increase in business activity.
- Depletion and depreciation of \$121,886 (2024: \$145,049), a decrease of \$23,163, as a result of decreased production recorded during the quarter.
- Finance costs, representing accretion on the abandonment liability, of \$39,140 (2024: \$17,462), an increase of \$21,678.
- Share-based compensation of \$Nil (2024: \$23,657), a decrease of \$23,657 as no stock options vested during the three months ended June 30, 2025.
- Impairment of E&E assets of \$16,566,112 (2024: \$Nil), an increase of \$16,566,112. The Corporation recorded an impairment with respect to certain assets within its Montney E&E CGU and the Gething Facilities CGU during Q4 2025.
- Loss on disposition of \$Nil (2024: \$3,231,862) a decrease of \$3,231,862. On June 25, 2024, the Corporation disposed of 10,472 net acres of undeveloped Montney lands located in the Farrell Creek and Attachie areas of Northeastern British Columbia. No dispositions occurred during the fourth quarter of the year ended June 30, 2025.
- Change in Estimate on Decommissioning Liabilities related to the Gething properties of \$355,640 (2024: negative \$4,305) an increase of \$359,945 due to changes in estimates related to decommissioning liabilities recognized in Q4 2025.

### Other income and gains:

- Interest and other income of \$30,850 (2024: \$6,155), an increase of \$24,695 due to interest earned on cash on hand.

## GENERAL AND ADMINISTRATIVE EXPENSES

Year Ended	June 30, 2025	June 30, 2024
Consulting fees	\$ 655,440	\$ 313,459
Professional fees	214,391	215,715
Director's and officer's fees and expenses	8,000	16,000
Investor relations and filing fees	33,590	41,481
Insurance	90,072	55,448
Office, software and other expenses	44,232	41,682
	\$ 1,045,725	\$ 683,785

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

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## MANAGEMENT'S DISCUSSION AND ANALYSIS For the years ended June 30, 2025 and June 30, 2024

### DEPLETION AND DEPRECIATION

Year Ended	June 30, 2025	June 30, 2024
Depreciation of property, plant and equipment	308,371	338,884
Depreciation of Right-of-use assets	5,377	5,376
Depletion	25,734	95,360
	\$ 339,482	\$ 439,620

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

### IMPAIRMENT

#### Montney E&E CGU

On June 30, 2025, the Corporation identified indicators of impairment with respect to certain assets within its Montney E&E CGU and the Gething Facilities CGU. The indicators were represented in response to continued declines in commodity prices and general market conditions. As a result, the Corporation recorded an impairment charge against the Montney E&E assets of \$16,465,863 and \$100,250 against the Gething Facilities.

On March 31, 2024, the Corporation identified an indicator of impairment with respect to certain assets within its Montney E&E CGU. The indicator was represented in response to continued declines in commodity prices and general market conditions. As a result, the Corporation recorded an impairment charge against the Montney E&E assets of \$4,940,000.

### ROYALTY CREDITS

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

As at June 30, 2025, the credits totalled \$325,080 (June 30, 2024 - \$319,586). The 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 year ended June 30, 2025, the Corporation recognized an increase in credits of \$5,494 as a result of adjustments made by the B.C. Ministry of Finance related to periods from February 2023 to April 2024.

The Corporation is not carrying any value for its Deep Well Credit Bank since none of the wells to which these credits apply are producing. Consequently, no credits were received by the Corporation during the year.

	Summer Drilling Credit	Infrastructure Royalty Credit	Total Drilling Credits
<b>Balance at June 30, 2023</b>	\$ 134,957	\$ 136,384	\$ 271,341
Increase in royalty credits	-	55,434	55,434
Credits used	(7,189)	-	(7,189)
<b>Balance at June 30, 2024</b>	\$ 127,768	\$ 191,818	\$ 319,586
Increase in royalty credits	5,494	-	5,494
Credits used	-	-	-
<b>Balance at June 30, 2025</b>	\$ 133,262	\$ 191,818	\$ 325,080

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## MANAGEMENT'S DISCUSSION AND ANALYSIS For the years ended June 30, 2025 and June 30, 2024

### SHARE-BASED COMPENSATION

	June 30, 2025	June 30, 2024
<b>Share-based compensation</b>	<b>\$ 13,050</b>	<b>\$ 322,770</b>

Share-based compensation for the year ended June 30, 2025 relates to vesting of options issued in prior years. No options were issued during the year ended June 30, 2025.

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 June 30, 2025 was 27,267,758 (June 30, 2024: 12,267,758).

At June 30, 2025, the Corporation had 1,550,000 (June 30, 2024 - 16,550,000) common share purchase options outstanding with a weighted average exercise price of \$0.08.

### INCOME TAXES

The Corporation has not recorded a deferred tax asset arising from excess income tax basis over carrying value due to the uncertainty related to the realization of such assets. The Corporation has tax pools of approximately \$105,480,566 including \$91,706,185 of non-capital losses, available for deduction against future revenue. The non-capital losses expire between 2026 and 2045.

	Balances as at	
	June 30, 2025	June 30, 2024
Non-capital losses	\$ 91,706,185	\$ 89,098,666
Cumulative Canadian Exploration Expense	8,379,290	8,379,290
Cumulative Canadian Development Expense	1,935,174	2,764,534
Cumulative Canadian Oil & Gas Property Expense	3,333,887	3,704,320
Undepreciated capital costs	35,843	40,304
Other	90,187	90,187
	<b>\$ 105,480,566</b>	<b>\$ 104,077,301</b>

### CAPITAL EXPENDITURES

The following table summarize the Corporation's capital expenditures:

Year ended	June 30, 2025	June 30, 2024
Exploration & evaluation	\$ 43,411	\$ 37,772
Disposition of exploration & evaluation	-	(8,297,078)
Property, plant & equipment	4,709	(630)
	<b>\$ 48,120</b>	<b>\$ (8,259,936)</b>

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### LIQUIDITY AND CAPITAL RESOURCES

The Corporation had working capital at June 30, 2025 of \$3,913,151 (June 30, 2024: \$5,213,913). The Corporation's shareholders' equity was \$9,034,568 as at June 30, 2025 (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

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 uncertainty facing the global economy and increased costs associated with additional government regulations, 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.

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 years 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 audited financial statements for the year ended June 30, 2025 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 June 30, 2025 audited financial statements.

### CRITICAL ACCOUNTING ESTIMATES

The Corporation's material accounting policies are disclosed in Note 2 to the June 30, 2025 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

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- timing of expenditures;
- estimated future recoverable value of E&E, PP&E and Royalty Credits and associated impairment charges or recoveries;
- judgments related to the use of deferred tax assets;
- 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, 2025 audited financial statements.

### NEW ACCOUNTING POLICIES AND AMENDMENTS TO BE ADOPTED

#### *IFRS 18 Presentation and disclosure in the financial statements (replacement of IAS 1)*

This new standard maintains many of the current requirements for the presentation of financial statements and adds new requirements concerning the statement of profit or loss, management-defined performance measures, and the principles of aggregation and disaggregation of information. The new requirements concerning the statement of profit or loss include requiring entities to classify income and expenses included in the statement of profit or loss in one of five categories (operating, investing, financing, income taxes, discontinued operations), and prescribing that subtotals for operating profit or loss and profit or loss before financing and income taxes are presented. The new requirements concerning management-defined performance measures involve explanation of the purpose, calculation of and reconciliation to the most closely related performance measure prescribed in an IFRS accounting standard performance measures used in public communications by entities outside of the financial statements that are not a measure specifically required to be presented or disclosed by an IFRS accounting standard. IFRS 18 is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Corporation is currently working to identify the impact the proposed accounting standard will have on the financial statements and notes to the financial statements.

### SHARE CAPITAL

#### Common Shares

The Corporation has authorized share capital of an unlimited number of common shares with no par value. As at June 30, 2025, the Corporation had 288,177,583 common shares outstanding (June 30, 2024: 288,177,583).

#### Share Purchase Warrants

As at June 30, 2025, there were no share purchase warrants outstanding.

#### Stock Options

At June 30, 2025, the Corporation had 1,550,000 (June 30, 2024 - 16,550,000) common share purchase options outstanding with a weighted average exercise price of \$0.08. The number of vested stock options at June 30, 2025 was 1,550,000 with an average exercise price of \$0.08 (June 30, 2024: 13,362,500 with an average exercise price of \$0.08).

### OFF-BALANCE SHEET TRANSACTIONS

The Corporation had no off-balance sheet transactions during the year ended June 30, 2025.

### RELATED PARTY TRANSACTIONS

Transactions with related parties are recorded at exchange amounts for services provided. During the years ended June 30, 2025 and June 30, 2024, the transactions the Corporation had with its directors, related persons or controlled entities in the normal course of business are as follows:

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## MANAGEMENT'S DISCUSSION AND ANALYSIS For the years ended June 30, 2025 and June 30, 2024

### Executive Compensation

Executive compensation consists of consulting fees paid to or earned by executive officers, which include the CEO and CFO, directors' fees paid and/or accrued to non-executive directors, and non-cash share-based compensation as follows:

Year Ended	June 30, 2025	June 30, 2024
Included in general and administrative expenses		
Consulting fees (executive)	\$ 434,547	\$ 116,040
Directors' fees	8,000	16,000
Share-based compensation	13,050	322,770
	<b>\$ 455,597</b>	<b>\$ 454,810</b>

### Contract settlement

On January 16, 2025, Ms. Louisa DeCarlo, resigned from the position of President & CEO of the Corporation. In connection with the resignation, the Corporation entered into a contract settlement agreement whereby the former President & CEO was paid a \$200,000 lump sum payment and an additional \$25,000 per month for a period of six months for the provision of transition services.

### COMMITMENTS

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.

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

# Canadian Spirit Resources Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS For the years ended June 30, 2025 and June 30, 2024

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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 June 30, 2025 if significant pipeline outages, surplus natural gas available for delivery to Station 2 and continuing volatility of Station 2 natural gas prices continue through 2025 and 2026.

### 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.

### SELECTED ANNUAL INFORMATION

Year ended	June 30, 2025	June 30, 2024	June 30, 2023
Petroleum and natural gas sales (net of royalties)	\$ 109,884	\$ 277,710	\$ 348,310*
Net loss and comprehensive loss	18,629,770	9,900,906	1,112,140*
- per share basic and diluted	(0.06)	(0.04)	(0.00)*
Working capital	3,913,151	5,213,913	123,980
Total assets	11,689,165	29,922,341	39,267,518
Long term lease liability	9,906	16,904	23,107
Decommissioning liabilities	2,412,871	1,937,248	2,260,800
Shareholders' equity	9,034,568	27,651,288	36,429,424
Common shares outstanding	288,177,583	288,177,583	278,177,583

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\*Amounts listed relate to the six-months ended June 30, 2023.

# Canadian Spirit Resources Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS For the years ended June 30, 2025 and June 30, 2024

### 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):

	June 30, 2025	March 31, 2025	December 31, 2024	September 30, 2024
Petroleum and natural gas sales (net of royalties)	\$ 64,528	\$ -	\$ -	\$ 45
Operating netback	\$ (50)	\$ (88)	\$ (64)	\$ 64
Cashflow used in operating activities	\$ (612)	\$ (33)	\$ (640)	\$ (176)
Net loss and comprehensive loss	\$ (17,356)	\$ (772)	\$ (324)	\$ (178)
- per share basic and diluted	\$ (0.06)	\$ 0.00	\$ 0.00	\$ 0.00
Working capital	\$ 3,913	\$ 4,219	\$ 4,600	\$ 4,976
Total assets	\$ 11,689	\$ 28,887	\$ 29,181	\$ 29,883
Shareholders' equity	\$ 9,035	\$ 26,390	\$ 26,862	\$ 27,180
Common shares outstanding	288,178	288,178	288,178	288,178

	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023
Petroleum and natural gas sales (net of royalties)	\$ 22	\$ 153	\$ 119	\$ -
Operating netback	\$ (91)	\$ (62)	\$ 13	\$ (41)
Cashflow used in operating activities	\$ (380)	\$ (222)	\$ (322)	\$ (246)
Net loss and comprehensive loss	\$ (3,762)	\$ (5,257)	\$ (459)	\$ (398)
- per share basic and diluted	\$ (0.01)	\$ (0.02)	\$ 0.00	\$ 0.00
Working capital (deficit)	\$ 5,214	\$ 161	\$ (445)	\$ (63)
Total assets	\$ 29,922	\$ 34,119	\$ 38,649	\$ 38,759
Shareholders' equity	\$ 27,651	\$ 31,389	\$ 37,006	\$ 36,194
Common shares outstanding	288,178	288,178	278,178	278,178

Notes:

(1) 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.ca](http://www.sedarplus.ca) or the Corporation's website at [www.csri.ca](http://www.csri.ca).