

**CANADIAN SPIRIT RESOURCES INC.**

**ANNUAL INFORMATION FORM**

**FOR THE YEAR ENDED DECEMBER 31, 2008**

**APRIL 23, 2009**

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## 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 the impact on Canadian Spirit Resources Inc. ("CSRI" or the "Company"), expected increase in royalty rates, and the timing of and impact of adoption of International Financial Reporting Standards and other accounting policies 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. These statements are subject to certain risks and uncertainties and may be based on assumptions that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements. The risks associated with these forward-looking statements include, but are not limited to, the following:

- Fluctuations in natural gas production levels
- CSRI's ability to raise funds in the current volatile and uncertain equity market conditions
- Volatility in market prices for natural gas
- Changes in foreign currency exchange and interest rates

The Company will endeavor to update all forward-looking statements for any material changes to the circumstances or information and estimates presented herein as feasible or as required by applicable securities laws.

## CORPORATE INFORMATION

Canadian Spirit Resources Inc. ("CSRI" or the "Company") was incorporated under the *Company Act* (British Columbia) on January 22, 1987 as Super Twin Resources Ltd. (amended on February 18, 1987 to Super Twins Resources Ltd.) and subsequently amended its articles on February 13, 1997 to change its name to Whitegold Resource Corp.; on June 30, 1995 to increase its authorized capital; on April 9, 2001 to change its name to Whitegold Natural Resource Corp., consolidate the outstanding share capital and increase the authorized capital; and on May 24, 2002 to change its name to Spirit Energy Corp. On March 29, 2004, the British Columbia legislature enacted the *Business Corporations Act* (British Columbia) (the "BC BCA") and repealed the *Company Act* (British Columbia) (the "former Act"). The Company filed its Notice of Articles on April 19, 2004 to transition under the BC BCA and on May 27, 2004 the shareholders of the Company approved the following amendments to its charter documents: changing its name from Spirit Energy Corp. to Canadian Spirit Resources Inc.; removing the pre-existing company provisions that were imposed by the BC BCA; increasing the maximum number of common shares that the Company is authorized to issue to an unlimited number of common shares without par value (the "Common Shares"); and adopting new articles. On June 15, 2004, a certificate of change of name was issued and the Notice of Articles was filed. CSRI was registered as an extra-provincial corporation in Alberta, Canada on June 15, 2004.

The Company's registered office is Suite 2300, 550 Burrard Street, P.O. Box 30, Vancouver, British Columbia, Canada V6C 2B5. The Company's principal office is located at Suite 1950, Ford Tower, 633 6<sup>th</sup> Avenue S.W., Calgary, Alberta, Canada T2P 2Y5.

The Company does not have any subsidiary companies and does not own any shares in other corporations.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

Since May 2002, the Company's focus has been to evaluate the resource potential of certain unconventional natural gas exploration properties and is considered to be in its development stage of operations. Although some preliminary evaluation work was performed on coalbed methane prospects prior to May 2002, the decision to change the strategic direction of the Company from the evaluation of the Isk Wollasonite Mineral Property to an evaluation of unconventional natural gas prospects occurred at this time. In the fall of 2003, CSRI drilled its first well and acquired a small land position in the Farrell Creek area of British Columbia. In the years following, the Company acquired a significant land position in this same area, drilled eight additional wells and was evaluating the productive capability of the Gething Formation through year-end 2007. In 2008, the Company entered into joint venture agreements with Shell Canada Energy ("Shell" or the "Operator") and Canbriam Energy Inc. ("Canbriam") to explore and further advance the development of its major resource property at Farrell Creek, British Columbia. The joint venture with Canbriam will result in the exploration and evaluation of petroleum and natural gas rights (primarily in the Montney Formation) below the base of the Cadomin/Nikanassin Formation ("Deep Rights") and the second joint venture with Shell will advance the development of rights (primarily the Gething Formation) from surface to the base of the Cadomin/Nikanassin Formation ("Shallow Rights"). For a description on how the Company's business has developed over the last two completed financial years, please see "Description of the Business" below.

To finance the Company's general and administrative costs, acquisitions of undeveloped land and the drilling and completion activities undertaken to date, CSRI has closed the following private placements during the past two fiscal years and up to the date of this report:

On July 16, 2008, the Company issued 2,493,319 Units at \$1.05 per Unit and 400,000 Flow-Through Shares at \$1.20 per share. Each Unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one share for eighteen months at an exercise price of \$1.40 per share. The fair value of the warrants was estimated at the date of closing, using the Black-Scholes pricing model, under which the Company assigned a value of \$0.49 per whole warrant or \$697,169 of the Unit proceeds to warrants, with the remaining \$1,920,816 of the Unit proceeds assigned to common shares. The Flow-Through Shares entitle the holder to certain income tax benefits in the form of Canadian Development Expense. The full proceeds of the Flow-Through Shares placement, or \$480,000, has been assigned to common shares and had been fully expended on eligible development costs by the end of fiscal 2008.

On February 19, 2008, the Company issued 11,220,000 units at \$0.50 per unit. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one share for two years at an exercise price of \$0.80 per share. Prior to expiry, if the common shares of the Company close at a price of \$1.20 per share or greater for twenty consecutive trading days, then the Company shall have the option upon thirty days written notice to require the exercise of the warrants by the end of such period at which time any unexercised warrants shall expire. The fair value of the warrants was estimated at the date of closing, using the Black-Scholes pricing model, under which the Company assigned a value of \$0.18 per whole warrant or \$1,311,618 of the unit proceeds to warrants, with the remaining \$4,298,382 of the unit proceeds assigned to common shares.

On December 28, 2007, the Company issued 250,000 flow-through shares at \$0.80 per share. The flow-through shares entitle the holder to certain income tax benefits in the form of Canadian Development Expense. The full proceeds of the placement of flow-through shares, or \$200,000, has been assigned to common shares and has been fully expended on eligible development costs as of December 31, 2007.

On July 18, 2007, the Company issued 3,053,000 units at \$1.00 per unit and 447,000 flow-through shares at \$1.10 per share. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one share for one year at an exercise price of \$1.10 per share. The fair value of the warrants was estimated at the date of closing using the Black-Scholes pricing model, under which the Company assigned a value of \$0.21 per whole warrant or \$534,275 of the unit proceeds to warrants, with the remaining \$2,518,725 of the unit proceeds assigned to common shares. The flow-through shares entitle the holder to certain income tax benefits in the form of Canadian Development Expense. The full proceeds of the placement of flow-through shares, or \$491,700, has been assigned to common shares and has been fully expended on eligible development costs as of the end of 2007.

## DESCRIPTION OF THE BUSINESS

CSRI is a natural resources exploration company currently focusing on the identification, assembly and development of unconventional natural gas opportunities in western Canada. All information in this section relates to assets owned or held by CSRI as at December 31, 2008, unless indicated otherwise.

### **Farrell Creek, Northeastern British Columbia**

The focus of the Company's activities is currently on the evaluation and development of its principal resource property in the Farrell Creek area of northeast British Columbia, located approximately 70 kilometers west of Fort St. John. In a report dated April 6, 2009, Sproule Unconventional Limited estimated total natural gas resources (both discovered and undiscovered) to be approximately 1.7 trillion cubic feet in the Gething, Moosebar and Gates Formations on the Company's lands at Farrell Creek. Through joint ventures with Canbriam and Shell, the Company is continuing to evaluate and develop the Deep Rights and the Shallow Rights on its Farrell Creek properties. With our joint venture partners currently bearing the exploration costs on these lands, the Company is able to look at new opportunities without immediate need to access our own capital or the equity markets.

### ***Farrell Creek: Montney***

On March 19, 2008, the Company announced a joint venture and farmout agreement for the Deep Rights with Canbriam, a private energy company based in Calgary, Alberta, that will evaluate certain of the Company's lands for Montney and other deep formation plays covering over 29,000 gross acres. Canbriam will earn a 65% working interest in the Deep Rights by drilling and evaluating two commitment wells to at least the Montney Formation, with the Company retaining a 35% working interest. The joint venture agreement with Canbriam also provides for CSRI to receive a credit for its share of future capital expenditures, which could result in CSRI having no capital obligations through the initial \$29 million of gross expenditures within the joint venture, including earning wells brought to production. Canbriam has an option to increase its working interest to 70% by increasing the Company's credit amount.

Pursuant to its agreement with the Company, Canbriam has drilled two wells targeting the Montney Formation on the eastern portion of the Farrell Creek lands. As a result of Canbriam drilling these wells, CSRI holds rights from surface to base of the Belloy Formation in seven sections, allowing the joint venture partners to undertake further work on these lands.

Geological and technical data obtained during the evaluation of the Upper Montney Formation in the two wells resulted in a decision not to proceed with a horizontal section at this time. Further evaluation of the Upper Montney Formation on this block of seven sections and the recently acquired thirteen adjoining sections may be undertaken in the future with the development of infrastructure, technological improvements or higher natural gas prices.

During the drilling of these two wells, other potentially economic gas zones were identified and are expected to be further evaluated. The timing of this evaluation will depend largely on the development of pipeline infrastructure in proximity to these lands. One of the wells has been granted “New Pool Discovery” status.

Canbriam has indicated that it plans to conduct further operations beginning with one horizontal well targeting the Montney Formation on the western portion of the Farrell Creek lands during the third quarter of 2009.

Land prices for Montney Formation rights in the Farrell Creek area remain strong and drilling by various operators continues to be active. On November 12, 2008, bids ranging from \$5,413 to \$14,878 per hectare for drilling licences in the Farrell Creek area resulted in a total bid of \$105.6 million. The parcels attracting the higher bids are in close proximity to the western portion of the Company’s Farrell Creek lands.

At the November 12, 2008 B.C. land sale and again at the March 25, 2009 sale, CSRI continued to add to its land position in this prospective area of northeastern British Columbia. On behalf of the joint venture, CSRI acquired various additional rights from surface to base Montney Formation in thirteen sections adjoining the eastern portion of the Farrell Creek lands.

In a December 10, 2008 presentation to the Hudson’s Hope Town Council, Talisman Energy Inc. (“Talisman”) generated further confidence in the future of the Farrell Creek area by outlining a potential for \$7.5 billion in capital projects across 60 sections over a ten year period if their current pilot project proves successful.

#### ***Farrell Creek: Gething***

On July 17, 2008 the Company announced that it had entered into a joint venture with Shell to advance the development of the identified unconventional natural gas resource in the Gething Formation on a combined total of approximately 145 contiguous sections or 92,800 acres (including CSRI 100% working interest position in over 50 sections) located in the Farrell Creek area. Following an initial expenditure of approximately \$50 million, Shell may elect to proceed into the development phase resulting in the pooling of each respective party’s Shallow Rights. The pooling of these Shallow Rights will result in the joint venture partner holding a 75% working interest in the Farrell Creek project and the Company retaining a 25% interest across approximately 145 sections. Proceeding to the development phase would commit Shell to additional capital spending or a payment to the Company. In effect, the Company would retain significant holdings across a larger project area with our joint venture partner leveraging our ability to evaluate and develop the Gething Formation.

The first phase of the expansion program began with Shell’s purchase of approximately 95 sections of Shallow Rights in the Farrell Creek area and is advancing with the drilling of 4 vertical Gething wells and one deep water disposal well, and the construction of facilities to connect the pilot project to the Spectra Energy pipeline. Shell became the Operator of these properties in September 2008.

During October two vertical Gething wells were drilled on the east side of the Farrell Creek property followed by two more vertical wells drilled into the Gething Formation in the pilot project area located on the western portion of the property. Since 2003, there have been fourteen wells drilled (including the five Shell wells drilled in 2008) to evaluate the unconventional reservoir characteristics and production potential of the Gething Formation.

Early in the second quarter of 2009, the joint venture expects to connect the pilot project into the Spectra Energy pipeline and commence gas sales. Construction and commissioning of the plant, gathering system and pipeline connecting the pilot project wells to the Spectra Energy pipeline will enable the Operator to continuously produce these and future Gething wells without the need to flare methane into the atmosphere. The objective of continuous production is to optimize the completion and production technologies that will be applied when the Farrell Creek Gething project moves to the development phase.

**General:**

CSRI expects to be one of the first companies to bring a major unconventional gas resource (natural gas from coal) into production in British Columbia. The Farrell Creek area of northeastern British Columbia is generating a significant level of activity from companies targeting unconventional gas prospects with substantial land prices being received by the Government of British Columbia. On November 12, 2008 Montney Formation lands in close proximity to the Company's Farrell Creek project attracted prices of over \$3.8 million per section or \$14,878 per hectare.

Talisman has also announced what we believe to be significant test results and spending plans for the Farrell Creek area. In December 2008, Talisman reported results from the c-85-I vertical well with an initial flow of 5 million cubic feet per day (mmcf/d) from the Montney Formation, approximately 2 miles from CSRI's Montney lands. As part of Talisman's potential \$7.5 billion in capital projects for the area, 2009 would include at least 7 horizontal wells and a sweet gas plant with initial capacity of up to 20 mmcf/d that could be on stream by November 1, 2009 with the potential for expansion.

In order to accelerate and expand the evaluation and development of the Farrell Creek properties, the Company has leveraged its financial resources through two joint venture arrangements with well capitalized partners while retaining a substantial interest in each project. Success in the Farrell Creek properties will ultimately result in additional investment from the Company and its partners.

**Bittern Lake, Alberta:**

In 2005 and 2006 the Company drilled four and completed two Horseshoe Canyon wells on these 50% joint venture lands. After initial positive indications formation water production increased and the wells were shut in. Effective May 1, 2008 the Company sold its interests in these four wells, including associated abandonment and reclamation liabilities, for a consideration of \$22,500 and a 5% overriding royalty. The Company has retained a 50% interest in the rights to the Mannville Formation on three sections, however CSRI's efforts in 2009 will be focused on the Farrell Creek, B.C. properties.

**Isk Wollastonite Mineral Property, British Columbia:**

No field work was conducted at the Isk Wollastonite mine site during 2008 and all of the mineral claims expiring in 2007, except one, were allowed to lapse. Annual extensions are available to the Company for the next seven years for the remaining mineral claim.

**NATURAL GAS LAND HOLDINGS**

The following table sets forth the Company's land holdings, in acres, as at December 31, 2008:

Property	Undeveloped Acreage <sup>(1)</sup>		Developed Acreage <sup>(2)</sup>		Total Acreage	
	Gross <sup>(3)</sup>	Net <sup>(4)</sup>	Gross <sup>(3)</sup>	Net <sup>(4)</sup>	Gross <sup>(3)</sup>	Net <sup>(4)</sup>
<b>British Columbia:</b>						
Gething Formation	38,172	37,850	-	-	38,172	37,850
Montney Formation	24,809	18,971	-	-	24,809	18,971
<b>Alberta:</b>						
Mannville Formation	1,920	960	-	-	1,920	960
<b>Total</b>	<b>64,901</b>	<b>57,781</b>	<b>-</b>	<b>-</b>	<b>64,901</b>	<b>57,781</b>

## Notes:

- (1) Undeveloped acreage refers to exploration lands on which wells have not been drilled or if drilled, not completed to a point that would permit production. No proved or probable reserves are reported for these lands.
- (2) Developed acreage refers to lands from which production is being obtained.
- (3) Gross acres refers to the total number of acres in which an interest is held. The Company uses a conversion factor of 2.471 to convert hectares to acres for British Columbia lands and a conversion factor of 2.50 to convert hectares to acres for Alberta lands.
- (4) Net acreage equals gross acres multiplied by the percentage working interest of the Company therein.

## OTHER NATURAL GAS ACTIVITY

The Company had no production or reserves as at December 31, 2008. The Company's statement of reserves data and other oil and gas information in Form 51-101F1 and the report of management and directors on the oil and gas disclosure in Form 51-101F3 are attached as Schedule A to this Annual Information Form.

As per the Sproule Unconventional Limited ("Sproule") report dated April 6, 2009, Sproule had estimated that the discovered resource of gas-in-place for the Gething coals in the range from 13.1 to 19.3 bcf per section. The Sproule reports also estimate the undiscovered resource of gas-in-place for the Gething shales and assign a range from 6.3 to 17.6 bcf per section.

In addition to the Gething coals and shales, the Sproule reports assign an undiscovered resource estimate of gas-in-place to the Gates and Moosebar Formation shales from 7.1 to 8.5 bcf per section, based on coring and desorption tests. While the shales in the Gates and Moosebar Formations are of long-term interest, the Company's current planning and activity is focused on the effective exploitation of the discovered and undiscovered resource in the Gething Formation. Sproule has indicated that no estimate of recovery rates and no proved or probable reserves can be assigned to the Company's lands due to the early stage of development at Farrell Creek.

## CAPITALIZED COSTS RELATED TO NATURAL GAS ACTIVITIES

As at December 31	2008	2007
Lease acquisitions and retentions	\$ 13,506,600	\$ 13,438,468
Geological and geophysical	255,725	205,306
Drilling and completion costs	18,992,399	22,685,400
Capitalized overhead	2,873,456	2,196,704
Asset retirement obligation	176,139	171,673
Total unproved properties	35,804,319	38,697,551
Total proved properties	-	-
	35,804,319	38,697,551
Less: Accumulated depletion & impairment	(1,172,908)	(1,172,908)
Net capitalized costs	\$ 34,631,411	\$ 37,524,643

## COSTS INCURRED IN NATURAL GAS ACTIVITIES

The Company's capital program for each of the last two years is detailed in the following table:

For the years ended December 31	2008	2007
Lease acquisitions and retentions	\$ 68,133	\$ 84,453
Geological and geophysical	\$ 50,418	\$ 20,146
Net (recovery of) drilling and completion costs	\$ (3,693,002)	\$ 4,014,467
Capitalized overhead	\$ 676,753	\$ 644,675
Total net natural gas (recoveries) expenditures	\$ (2,897,698)	\$ 4,763,741

For the year 2008, the Company had a base case capital budget of \$4.3 million including the Company's portion of the joint venture tie-in of the Farrell Creek pilot program to the Spectra Energy sales pipeline, and including an estimated \$560,000 for capitalized overhead. In addition, the Company provided for an allocation for drilling and field testing activities of \$1.9 million in 2008. The Company's budget is reviewed and approved by the Board of Directors on a quarterly basis. To December 31, 2008, net capital expenditures after recoveries totaled \$2.2 million (gross - \$5.8 million before recoveries for joint venture partners).

Offsetting the Company's 2008 capital expenditures was the additional reimbursement in the second half of 2008 of \$5.0 million of previously expended drilling and completion costs from a joint venture partner in relation to the Farrell Creek pilot program costs prior to 2008. The recovery of these expenditures has been recorded as a reduction of capitalized drilling and completion costs for the year ended December 31, 2008.

For the first quarter of 2009, the Company has a base case capital budget of \$1.2 million, including the Company's portion of the facilities and tie-in work per the Shallow Rights joint venture at the Company's Farrell Creek pilot program site, and including an estimated \$134,000 for capitalized overhead. The first quarter 2009 budget was approved by the Company's Board of Directors. After recoveries from the joint venture partners, the Company's net capital expenditures for the first quarter 2009 are projected to be approximately \$0.2 million.

### **COMPETITIVE CONDITIONS**

The oil and gas industry, including the exploration for and the development of both conventional and unconventional natural gas, is highly competitive in all aspects of the business. The competition includes bidding for petroleum and natural gas rights and sales of the various products, in each case price is the main determinant. In searching for shale and coal unconventional natural gas prospects, the Company competes with other major integrated oil and gas companies, numerous other independent oil and gas companies, individual producers and operators, many of which have significantly greater resources than CSRI. In addition, natural gas producers compete against others engaged in supplying alternative forms of energy to consumers.

The oil and gas industry in Canada is subject to extensive controls and regulations imposed by various levels of government. All current legislation is a matter of public record and the Company is unable to predict what additional legislation and amendments may be enacted.

### **ENVIRONMENTAL CONSIDERATIONS**

Federal, provincial and local governments have enacted laws concerning the discharge of materials into the environment and otherwise relating to environmental protection. The Company believes that all of its operations comply, in all material respects, with all applicable regulations.

The Company makes provisions in its accounts for future asset retirement costs. The Company records the present value of legal obligations associated with the retirement of long-lived tangible assets, such as producing and non-producing well sites and natural gas processing plants, in the period in which they are incurred with a corresponding increase in the carrying amount of the related long-lived asset. The liability accretes until the Company settles the retirement obligation. The carrying amounts of the long-lived assets are depleted using the unit of production method. Actual costs to retire tangible assets are deducted from the accumulated liability as incurred. At December 31, 2008, the Company has accrued a long term liability of \$211,848 for asset retirement obligations. Other than normal abandonment and restoration costs, the Company is not aware of any material expenditures that will be required in 2009 to meet applicable federal, provincial and local government regulations.

## **SOCIAL RESPONSIBILITIES**

CSRI has a formal code of business conduct and ethics ("Ethics Policy") that each employee and consulting contractor must review and acknowledge as a condition of employment and/or appointment. The Ethics Policy is to affirm and expand upon the policies of the Company and is a guideline to: assure compliance with laws and regulations that govern the Company's business activities; maintain a corporate climate in which the integrity and dignity of each individual is valued; foster a standard of conduct that reflects positively on the Company; and protect the Company from unnecessary exposure to financial loss.

The Chairman of the Audit Committee is to receive, track and resolve all complaints or violations that deal with accounting, financial reporting and auditing matters and is to prepare periodic reports for the Audit Committee. All other complaints or violations are to be received, tracked and resolved by the Chief Executive Officer, who is to prepare periodic reports to the Board of Directors.

## **RISK FACTORS**

### **Development Stage Corporation**

An investment in the Common Shares should be considered speculative due the nature of the Company's business and operations, including in particular its involvement in the acquisition of undeveloped land, exploration testing, and the present stage of development. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon the continued support of its joint venture partners and shareholders, obtaining additional financing and generating revenues sufficient to cover operating costs. There are no assurances that additional financing will be available or, if available, will be available at acceptable terms.

Subject to the approval of the TSX Venture Exchange (the "Exchange"), CSRI may issue an unlimited number of additional Common Shares in the future to finance its activities without the approval of shareholders. The Board of Directors of CSRI has the discretion to set the price and terms of the issuance of any such additional Common Shares. Any issuance of additional Common Shares may have a dilutive effect on the holders of Common Shares.

The Company's future success also depends largely on its ability to find, develop or acquire natural gas resources that are economically recoverable. Exploration and development drilling may not result in contingent or commercially recoverable resources nor reserves. In addition natural gas prices are influenced by a variety of market forces and are subject to fluctuation which can impact economics of drilling and development of its properties.

The Company follows the full cost method of accounting for exploration and development expenditures whereby all costs relating to the acquisition of, exploration for and development of natural gas reserves are capitalized. Natural gas assets are evaluated in each reporting period to determine that the costs are recoverable and do not exceed the fair value of the properties. As the Company had no production or discovered contingent or recoverable resources nor reserves at December 31, 2008, there was no depletion charge for the 2008 fiscal year. Other than the impairment of the Bluesky completion costs incurred in prior years, there has been no impairment of undeveloped properties and all remaining costs attributed to natural gas properties are considered to be on unproven properties.

### **Reliance on Key Personnel**

Investors in Common Shares must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Company. The success of the Company is dependent upon the performance of key personnel. The unexpected loss of any of its key executive officers, employees or consultants could be detrimental to the future operations of the Company. The success of the Company's business will depend, in part, upon the ability to attract and retain qualified personnel as they are needed. There can be no assurance that the Company will be able to engage the services of such personnel or retain its current personnel. The Company does not have any key man insurance policies and, therefore, there is a risk that the death or departure of any key personnel could have a material adverse effect on the Company.

The Company, through a joint venture, has begun to explore the resource potential of the geological formations below the base of the Cadomin/Nikanassin zone with an initial focus on the Montney Formation. Only a small number of wells have been drilled into these deeper formations in the vicinity of the Company's lands and public information is available on just a small number of these wells. Exploration risk includes both determining the existence of commercial qualities of hydrocarbons and the ability to recover any discovered resource economically. In order to understand the technical expertise, operating capability and financial resources needed to explore these deeper formations, the Company has farmed out the initial exploration of its deep rights at Farrell Creek, British Columbia to a capable partner with the experience and financial ability to accept the exploration risk inherent in the deeper formations.

### **Operating Risks**

The Company's operations are subject to risks normally incidental to the operation and development of natural gas properties and the drilling of natural gas wells, including encountering unexpected formations or pressures, blow-outs and fires, all of which could result in personal injuries, loss of life and damage to property of the Company or others. Although the Company maintains liability insurance in an amount which it considers adequate and consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event the Company could incur significant costs that could have a material adverse affect on the Company's financial condition.

### **Government Regulation**

The oil and natural gas industry is subject to regulation and intervention by governments in such matters as the awarding of petroleum and natural gas rights, the imposition of specific drilling obligations, environmental protection controls, controls over the development and abandonment of fields (including restrictions on production) and possibly expropriation or cancellation of contract rights. As well, governments may regulate or intervene with respect to prices, taxes, royalties and the exportation of natural gas. Such regulation may change from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for oil and natural gas, increase our costs and could have an adverse impact on the Company.

### **Environmental Risks**

All phases of the oil and natural gas industry present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and Canadian federal, provincial and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with our current and future operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs.

### **EMPLOYEES**

As at January 1, 2009 the Company employed nine full time employees.

## DESCRIPTION OF CAPITAL STRUCTURE

The Company's authorized share capital consists of an unlimited number of common shares (the "Common Shares") without nominal or par value. Holders of Common Shares are entitled to receive notice of and to attend all annual and special meetings of shareholders. Each Common Share carries with it the right to one vote, to receive dividends should the Company declare dividends, and to receive the remaining property and assets of the Company upon dissolution or winding up of the Company.

## MARKET FOR THE SECURITIES OF THE COMPANY

The Common Shares of CSRI are listed on the Exchange under the trading symbol "SPI".

## TRADING PRICES AND VOLUME

The following table sets forth the high and low trading prices and the volume of Common Shares as reported by the Exchange for the periods indicated.

Year	Month	Price Range \$/share		Volume
		High	Low	
2008	January	0.64	0.50	909,607
	February	0.78	0.50	674,152
	March	0.89	0.71	585,211
	April	1.20	0.74	1,890,714
	May	1.20	0.85	1,841,842
	June	1.45	1.01	1,819,818
	July	1.60	1.00	2,353,863
	August	1.39	1.07	1,347,709
	September	1.09	0.74	1,199,956
	October	0.88	0.50	951,931
	November	0.87	0.35	1,348,554
	December	0.63	0.45	1,478,269
2009	January	0.77	0.60	1,514,593
	February	0.91	0.65	1,170,038
	March	0.85	0.57	1,241,200
	April (1-23)	1.06	0.72	1,072,368

## PRIOR SALES

For details on the warrants issued in the most recently completed financial year, refer to "General Development of the Business" above. At December 31, 2008 there were warrants outstanding to purchase 6,816,660 Common Shares.

## DIVIDENDS

CSRI has not paid dividends on its outstanding Common Shares. The Board of Directors of CSRI will determine the actual timing, payment and amount of dividends, if any, that may be paid by the Company. The payment of dividends will be based upon, among other things, the cash flow, results of operations and financial condition of CSRI, the need for funds to finance ongoing operations and other business considerations as the Board of Directors considers relevant. The Company does not anticipate declaring and paying out dividends on Common Shares in the foreseeable future.

## DIRECTORS AND EXECUTIVE OFFICERS

The following information is provided with respect to each of the current directors and executive officers of the Company. Unless re-elected, the term of office of each of the directors expires at the end of the next annual meeting of shareholders unless such office is vacated earlier or a successor appointed in accordance with the Company's Notice of Articles and articles.

### DIRECTORS AND EXECUTIVE OFFICERS

Name and Municipality of Residence	Director or Executive Officer Since	Principal Occupation During the Last Five Years
RUDOLF CECH <sup>(1)</sup> Alberta, Canada Director	November 2007	President, Adur Energy Ltd. a private consulting company since July 2006. Senior Vice President of Sproule Associates Limited, International Division from 1992 until June 2006.
J.R. RICHARD COUILLARD <sup>(1)</sup> Alberta, Canada Director	May 2003	President and Chief Executive Officer of Rockwell Petroleum Inc. since March 2009. Consultant from June 2008 until February 2009. Chief Executive Officer of Escavar Energy Inc. from September 2003 to June 2008. President and Chief Executive Officer of Pan Asian Energy Inc. from August 2002 to September 2003.
DONALD R. GARDNER Alberta, Canada Executive Officer and Director	January 2003	Chief Executive Officer of the Company since February 2008. Chief Financial Officer of the Company from January 2003 to December 2008.
PHILLIP D.C. GEIGER Alberta, Canada Executive Officer and Director	January 2003	President and Chief Operating Officer of the Company since January 2003. Chief Operating Officer of the Company from May 2002 to January 2003.
PHILIP H. GRUBBE <sup>(1)</sup> Alberta, Canada Director	May 2004	Consultant since May 2008. Vice President, Finance & CFO of AltaCanada Energy Corp. from April 2006 to April 2008. Chairman of the Audit Committee of High Plains Energy Inc. from April 2003 to March 2005. Executive Vice President of High Plains Energy Inc. from May 2004 to March 2005. Vice-President, Finance and Chief Financial Officer of Upton Resources Inc. from 1997 until January 2004.
GEORGE W. WATSON Alberta, Canada Director and Chairman of the Board	July 2002	Executive Chairman of CriticalControl Solutions Corp. since November 2007. Chief Executive Officer of CriticalControl Solutions Corp. from July 2002 to November 2007.
ROBERT P. WINNITOY <sup>(1)</sup> Alberta, Canada Director	August 2004	Consultant since January 2003. Vice President, Project Development of Duke Energy Gas Transmission from September 2001 to January 2003.
DEAN. G. HILL Alberta, Canada Executive Officer	December 2006	Chief Financial Officer of the Company since December 2008. Vice President, Finance of the Company since December 2006. Vice President, Finance of Joe Johnson Equipment Inc. from April 2003 to November 2006.

Note:

- (1) Messrs. Cech, Couillard, Grubbe and Winnitoy are currently members of the Audit Committee. The Company does not have an executive committee or formal compensation committee.

## **SHAREHOLDINGS OF DIRECTORS AND OFFICERS**

As of April 23, 2009, the directors and officers of the Company and their associates, as a group, directly or indirectly, own or exercise control or direction over 1,478,704 Common Shares of the Company, representing 3.0% of the currently issued and outstanding Common Shares of the Company. See ADDITIONAL INFORMATION on Page 14 of this Annual Information Form.

## **ORDERS**

To the knowledge of management of the Company, no director or executive officer as at the date hereof, or was within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Company), that (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer. For the purposes hereof, "order" means (a) a cease trade order, (b) an order similar to a cease trade order, or (c) an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

## **BANKRUPTCIES**

To the knowledge of management of the Company, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control thereof, (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

## **PENALTIES AND SANCTIONS**

To the knowledge of management of the Company, no director or executive officer or shareholder holding a sufficient number of Common Shares to affect materially the control of the Company, has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

## **CONFLICTS OF INTEREST**

The directors of CSRI may be engaged and may continue to be engaged in the search for oil and natural gas interests on their own behalf and on behalf of other companies. Situations may arise where the directors themselves or the companies in which the directors are involved may participate in ventures in which CSRI may participate and, in such cases, the directors of CSRI may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of CSRI's directors, a director who has such a conflict will abstain from voting for or against the approval of such a participation or such terms. In accordance with the laws of the province of British Columbia, the directors of CSRI are required to act honestly, in good faith and in CSRI's best interests.

The directors and executive officers of CSRI are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosures by the directors of conflicts of interest and CSRI will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors and officers. All such conflicts will be disclosed by such directors or officers and directors and officers shall govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law. The directors and officers of CSRI are not aware of any such conflicts of interests.

The Company's Ethics Policy also requires that no director, officer, employee or consultant should enter into any transaction or engage in any practice directly or indirectly which would tend to influence him or her to act in any manner other than in the best interests of the Company. It is improper for a director, officer or employee to take any action or make any decision on behalf of CSRI if he or she, or any member of his or her immediate family, has any direct or indirect interest which is or may be in actual, potential or apparent conflict with the interests of the Company.

### **AUDIT COMMITTEE INFORMATION**

Information concerning the Audit Committee of the Company, as required under National Instrument 52-110 *Audit Committees*, is provided in Schedule B to this Annual Information Form.

### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

The Company is not aware of any legal proceedings to which it is or was a party to or that any of its property is or was the subject of during the most recently completed financial year or which are contemplated and it is not pursuing any legal claims against third parties. No penalties or sanctions have been imposed against the Company by a court relating to securities legislation or by a securities regulatory authority, no penalties or sanctions have been imposed by any other court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision and no settlement agreements have been entered into by the Company with a court relating to securities legislation or with a securities regulatory authority during the most recently completed financial year.

### **INTEREST OF MANAGEMENT & OTHERS IN MATERIAL TRANSACTIONS**

No director, executive officer, person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares or any known associate or affiliate of such persons, has a material interest, direct or indirect, in any transaction within the two most recently completed financial years or during the current financial year that has materially affected or will materially affect CSRI save and except for transactions referred to under the headings of "Executive Compensation" and "Matters to be Acted Upon at the Meeting – Election of Directors" in its Information Circular.

### **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the Common Shares is Computershare Investor Services Inc., Suite 600, Watermark Tower, 530 8<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 3S8.

### **MATERIAL CONTRACTS**

There are no material contracts, other than contracts in the ordinary course of business, that are material to CSRI that were entered into within the most recently completed financial year, or before the most recently completed financial year that are still in effect.

## **INTERESTS OF EXPERTS**

Sproule has prepared an independent report to assess the Company's gas-in-place resources.

As at the date hereof, neither Sproule nor any of its partners and associates own any securities or other property of the Company.

## **ADDITIONAL INFORMATION**

Additional information, including directors and executive officers remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans if applicable, is contained in the Information Circular of the Company dated April 23, 2009. Additional financial information is provided in the audited financial statements of the Company for the year ended December 31, 2008 and related management discussion and analysis. Such documents are available through the Internet on the Canadian *System for Electronic Document Analysis and Retrieval* (SEDAR) which can be accessed at [www.sedar.com](http://www.sedar.com).

**SCHEDULE "A" TO THE ANNUAL INFORMATION FORM  
FORMS REQUIRED PURSUANT TO NATIONAL INSTRUMENT 51-101**

**FORM 51-101F1  
STATEMENT OF RESERVES DATA AND  
OTHER OIL AND GAS INFORMATION**

<b>PART 1</b>	<b>DATE OF STATEMENT</b>
Item 1.1.2.	The effective date of the information being provided is December 31, 2008.
Item 1.1.3.	The preparation date of the information being provided is April 23, 2009.
<b>PART 2</b>	<b>DISCLOSURE OF RESERVES DATA</b>
	Canadian Spirit Resources Inc. ("CSRI" or the "Company") has no proved or probable reserves.
<b>PART 3</b>	<b>PRICING ASSUMPTIONS</b>
	The Company has made no estimates of future net revenues as it has no reserves.
<b>PART 4</b>	<b>RECONCILIATIONS OF CHANGES IN RESERVES AND FUTURE NET REVENUE</b>
	The Company has no proved or probable reserves and no change has occurred since the prior financial year.
<b>PART 5</b>	<b>ADDITIONAL INFORMATION RELATING TO RESERVES DATA</b>
	The Company has no proved or probable undeveloped reserves.
<b>PART 6</b>	<b>OTHER OIL AND GAS INFORMATION</b>
Item 6.1.1	The Company's unproved properties are located in central Alberta and northeastern British Columbia, Canada.
Item 6.1.2	<p>The Company has no producing or non-producing wells that are presently capable of production. At Farrell Creek in northeastern British Columbia, the Company is constructing a pilot project as part of the joint venture with Shell. This pilot project will allow four wells to be tied-in immediately with another three wells to be tied-in over the balance of the year. It is anticipated that this project will be on-stream in the second quarter of 2009 and is designed to test the productive capability of the Gething Formation.</p> <p>Under its joint venture with Canbriam, two wells were drilled into the Montney Formation for testing and land retention purposes. Canbriam is expecting to conduct further operations on the western portion of the Farrell Creek lands in 2009.</p>
Item 6.2.1	The Company's unproved properties are comprised of 25,488 gross (22,995 net) hectares of Gething and Montney Formation rights located in British Columbia, Canada and 768 gross (384 net) hectares located in Alberta, Canada, none of which have any work commitments.
Item 6.2.2	The Company has 9,799 hectares (9,799 net) of unproved properties in western Canada which primary term expires within one year. The Company intends to extend 9,020 hectares (9,020 net) of these properties, through a combination of drilling wells or making payment of an additional rental fee of \$500.00 plus \$7.00 per hectare.
Item 6.3	The Company has no forward contracts, transportation agreements or other future obligations with respect to its unproved properties.

Item 6.4	At December 31, 2008, the Company had 16 cased (14.7 net) wells on its unproved properties for which the future abandonment and reclamation costs are estimated to be \$1,053,587 and the present value using a discount rate of nine percent is \$211,848. The estimate was made by the Company's staff based on their experience in similar circumstances. None of these costs are expected to be incurred during the next three financial years. The Company has no proved or probable reserves, and therefore, no estimate of future net revenue incorporating the above abandonment and reclamation costs has been made.
Item 6.5	The Company has no reserves and no revenue and therefore it is not possible to estimate at this time when it may be taxable.
Item 6.6	During 2008, the Company incurred \$68,133 of acquisition costs for unproved properties and recovered \$2,965,830 (net) of exploration and development costs in western Canada.
Item 6.7.1	<p>During 2008, the Company drilled and cased one well into the Gething Formation. In addition, Shell drilled and cased four wells into the Gething Formation plus one well drilled and cased into a deeper formation to test for water disposal suitability.</p> <p>Canbriam, as part of its joint venture with the Company, drilled and cased two wells into the Montney Formation.</p>
Item 6.7.2	<p>For the year 2008, the Company had a base case capital budget of \$4.3 million including the Company's portion of the joint venture tie-in of the Farrell Creek pilot program to the Spectra Energy sales pipeline, and including an estimated \$560,000 for capitalized overhead. In addition, the Company provided for an allocation for drilling and field testing activities of \$1.9 million in 2008. The Company's budget is reviewed and approved by the Board of Directors on a quarterly basis. To December 31, 2008, net capital expenditures after recoveries totaled \$2.2 million (gross - \$5.8 million before recoveries for joint venture partners).</p> <p>For the first quarter of 2009, the Company has a base case capital budget of \$1.2 million, including the Company's portion of the facilities and tie-in work per the Shallow Rights joint venture at the Company's Farrell Creek pilot program site, and including an estimated \$134,000 for capitalized overhead. The first quarter 2009 budget was approved by the Company's Board of Directors. After recoveries from the joint venture partners, the Company's net capital expenditures for the first quarter 2009 are projected to be approximately \$0.2 million.</p> <p>Cash administration expenses (G&amp;A excluding stock based compensation) for 2009 are expected to total approximately \$1.8 million before capitalization of exploration and development related overhead, approximately the same as the 2008 budgeted amount. Revenue from interest on cash balances is budgeted at \$204,000 for the 2009 year. The Company has budgeted for minimal cash flows from operations during 2009 resulting from the expected tie-in of the Farrell Creek pilot program commencing the second quarter of 2009.</p>
Item 6.8	The Company has no proved or probable reserves and therefore has made no production estimates for 2009.
Item 6.9	The Company has no production history.

**FORM 51-101F3**  
**REPORT OF MANAGEMENT AND DIRECTORS**  
**ON OIL AND GAS DISCLOSURE**

Management of Canadian Spirit Resources Inc. (the "Company") are responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. At December 31, 2008, the Company had no proved or probable reserves. The Company did not engage the services of an independent reserves evaluator or auditor to evaluate reserves data because it has no reserves. Therefore a Form 51-101F2 - Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor will not be filed.

The Board of Directors of the Company has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management.

The Board of Directors has approved the content and filing of this report.

*(signed) "Donald R. Gardner"*  
Donald R. Gardner,  
Chief Executive Officer

*(signed) "Phillip D.C. Geiger"*  
Phillip D.C. Geiger,  
President & Chief Operating Officer

*(signed) "George W. Watson"*  
George W. Watson,  
Chairman of the Board

*(signed) "J.R. Richard Couillard"*  
J.R. Richard Couillard,  
Director

Dated April 23, 2009

## **SCHEDULE "B" TO THE ANNUAL INFORMATION FORM**

### **The Audit Committee Charter**

The charter of the audit committee commences on page 2 of this Schedule B.

### **Composition of the Audit Committee**

The Audit Committee consists of Rudolf Cech, J. R. Richard Couillard, Philip H. Grubbe (Chairman), and Robert P. Winnitoy. The Board of Directors has determined that all members of the Audit Committee are "independent" and "financially literate" as defined in National Instrument 52-110.

### **Relevant Education and Experience**

The members of the CSRI's Audit Committee have education and experience relevant to the performance of their responsibilities as Audit Committee members, which includes the following:

Rudolf Cech has been President of Adur Energy Ltd., a private consulting company, since July 2006. Mr. Cech was the Senior Vice President of Sproule Associates Limited, International Division from 1992 until June 2006, a role in which he was required to make numerous presentations to audit committees and thereby obtained significant experience regarding financial operations and oversight.

J.R. Richard Couillard is currently the President and Chief Executive Officer of RockWell Petroleum. Mr. Couillard also consults to various companies regarding financial stewardship issues. Previously, Mr. Couillard was the Chief Executive Officer of Escavar Energy, Inc., a Canadian private junior exploration and production company. In these capacities Mr. Couillard is/was directly responsible for the financial oversight of the company(s). Mr. Couillard currently sits on the Audit Committee of Badger Income Fund and served as Chairman of the Audit Committee of Kensington Energy Ltd. Prior to founding Escavar Energy Inc., Mr. Couillard served in senior positions in both private and public companies where he was directly responsible for operational and financial reporting performance and reporting. Mr. Couillard has a Bachelor of Science (Honours) degree from Carleton University.

Philip H. Grubbe, Chairman of the Audit Committee, has over thirty years experience as a financial executive with various public companies in the oil and gas industry. Mr. Grubbe is currently a consultant but previously was Vice President, Finance & CFO of AltaCanada Energy Corp. Mr. Grubbe also served as Audit Committee Chairman of High Plains Energy Inc. from April 2003 until March 2005. Mr. Grubbe was Vice President, Finance and Chief Financial Officer with Upton Resources Inc. from 1997 to 2004. Mr. Grubbe has a Bachelor of Commerce degree from Queen's University and is a Chartered Accountant.

Robert P. Winnitoy has over 30 years experience in the oil and gas industry, primarily in the natural gas gathering and processing sector. For seven years Mr. Winnitoy was the President and Chief Executive Officer of a natural gas gathering and processing company that also had oil and gas production. Mr. Winnitoy was also a senior executive for a large corporation with responsibility for Western Canadian business and facilities development. As part of his role in these positions, Mr. Winnitoy was required to have extensive knowledge of financial operations of the companies for which he worked. Mr. Winnitoy also has experience with reserves reporting, income tax issues, project economics and project financing. Mr. Winnitoy has attended the corporate training program for Sarbanes Oxley compliance with a previous employer and has attended formal financial training programs at the University of Calgary. Mr. Winnitoy has a Bachelor of Applied Science degree from the University of Toronto and is currently a registered professional engineer.

## **Audit Committee Oversight**

All recommendations of the audit committee to nominate or compensate an external auditor for the most recently completed financial year were adopted by the Board of Directors.

## **Pre-Approval Policies and Procedures**

In accordance with the Audit Committee Charter, the Audit Committee reviews, in advance, any engagement for significant non-audit services to be provided by the external auditors' firm or its affiliates, together with estimated fees, and considers the potential impact of such services on the independence of the external auditors. The Audit Committee has concluded that the provision of audit-related and tax services is compatible with maintaining PricewaterhouseCoopers LLP's independence.

## **External Auditor Service Fees (By Category)**

The following table presents fees for the audits of the Company's annual consolidated financial statements for 2008 and 2007 and for other services provided by PricewaterhouseCoopers LLP:

	<b>2008</b>	<b>2007</b>
Audit fees	\$ 37,000	\$ 35,000
Tax fees	\$ Nil	\$ 3,720
All other fees	\$ Nil	\$ 4,500

Tax fees are primarily for tax compliance services.

## **Exemption**

Since the Company is listed on the TSX Venture Exchange, it is hereby relying upon the exemption in Section 6.1 of National Instrument 52-110 Audit Committees regarding the requirements of Part 5 – Reporting Obligations.

## **CHARTER OF THE AUDIT COMMITTEE**

### **POLICY STATEMENT**

It is the policy of Canadian Spirit Resources Inc. (the "Corporation") to establish and maintain an Audit Committee (the "Committee"), composed of independent directors, to assist the Board of Directors (the "Board") in carrying out their oversight responsibility for the Corporation's external audit, internal controls, disclosure, financial reporting and risk management.

The Committee's function is one of oversight only and shall not relieve management of its responsibilities.

### **COMPOSITION OF THE COMMITTEE**

1. The Committee shall consist of four (4) directors.
2. Each director appointed to the Committee by the Board shall be independent as such term is defined in Section 1.4 of National Instrument 52-110.
3. Each member of the Committee shall be financially literate as such term is defined in Section 1.6 of National Instrument 52-110 and at least one (1) member shall have accounting or related financial management expertise.

4. The Board shall appoint the members of the Committee and shall appoint one (1) member of the Committee to be the Chair of the Committee.
5. A director appointed by the Board to the Committee shall be a member of the Committee until replaced by the Board or until his or her resignation. A member shall cease to be a member of the Committee upon ceasing to be a director of the Corporation.
6. The Secretary of the Corporation shall be the Secretary of the Committee.

#### **MEETINGS OF THE COMMITTEE**

1. The Committee shall convene a minimum of four (4) times each year at such time and places as may be designated by the Chair of the Committee and whenever a meeting is requested by the Board, a member of the Committee, the external auditors, or a senior officer of the Corporation.
2. Notice of each meeting of the Committee shall be given to each member and to the external auditors, who shall be entitled to attend each meeting of the Committee and shall attend whenever requested to do so by a member of the Committee or the Secretary of the Committee.
3. Notice of a meeting of the Committee shall:
  - a) Be in writing.
  - b) State the nature of the business to be transacted at the meeting in reasonable detail.
  - c) To the extent practicable, be accompanied by copies of documentation to be considered at the meeting.
  - d) Be given at least forty-eight (48) hours notice preceding the time stipulated for the meeting or such shorter period as the members of the Committee may permit.
4. A quorum for the transaction of business at a meeting of the Committee shall consist of two (2) members of the Committee.
5. A member of the Committee may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities, provided it permits all persons participating in the meeting to communicate adequately with each other. A member participating in such a meeting by any such means is deemed to be present at the meeting.
6. In the absence of the Chair of the Committee, the members of the Committee shall choose one of the members present to be Chair of the meeting and, in the absence of the Secretary of the Committee, the members shall choose one of the persons present to be the Secretary of the meeting.
7. The Committee may invite the Chairman of the Board, other directors, senior management of the Corporation and other parties to attend meetings of the Committee; however, the Committee may meet separately with the external auditors or with invited management.
8. At each regular meeting of the Committee, the agenda shall include an opportunity for the members of the Committee to meet in-camera.
9. Minutes shall be kept of all meetings of the Committee and shall be signed by the Chair and the Secretary of the meeting.
10. Minutes of the meetings of the Committee shall be retained by the Secretary of the Corporation and shall be available on request to any member of the Board.

## **DUTIES AND RESPONSIBILITIES OF THE COMMITTEE**

1. The Committee's primary duties and responsibilities are to:
  - a) Select and recommend the nomination and compensation of the external auditors.
  - b) Oversee the independence, work and performance of the Corporation's external auditors.
  - c) Review the principal risks that could impact the financial reporting of the Corporation and monitor how management is dealing with such risks.
  - d) Monitor the integrity of the Corporation's disclosure and financial reporting process and its system of internal controls regarding financial reporting and accounting compliance.
  - e) Provide an avenue of communication and dispute resolution among the external auditors, management, the internal auditing department, if any, and the Board of Directors.
2. The Committee shall annually select and recommend to the Board the nomination of an external auditor, recommend the replacement of the current external auditor when circumstances warrant and monitor the independence, work and performance of the external auditors. This may include:
  - a) Considering the views of management in respect of the nomination of the external auditors.
  - b) Reviewing and recommending for approval by the Board, the terms of the external auditors' engagement, including the reasonableness of the proposed audit fees.
  - c) Reviewing in advance, any engagement for non-audit services to be provided by the external auditors' firm or its affiliates, together with estimated fees, and considering the potential impact of such services on the independence of the external auditors.
  - d) When there is to be a change of external auditors, reviewing all issues and providing documentation related to the change, including the information to be included in the Notice of Change of Auditors and documentation called for under National Instrument 51-102 as defined in Section 4.11 and the planned steps for an orderly transition.
  - e) Reviewing all reportable events, including disagreements, unresolved issues and consultations with external auditors, as defined by applicable securities policies, on a routine basis, whether or not there is to be a change of external auditors.
3. In carrying out its primary duties and responsibilities, the Committee shall:
  - a) Review the annual audit plan with the external auditors and with management.
  - b) Discuss with management and the external auditors any proposed changes in major accounting policies or principles, the potential impact of significant risks and uncertainties on future operations, and key estimates and judgments of management that may be material to financial reporting.
  - c) Review with management and with the external auditors significant financial reporting issues arising during the most recent fiscal period and the resolution or proposed resolution of such issues.
  - d) Review any problems experienced or concerns expressed by the external auditors in performing an audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management.
  - e) Review periodically with management the Corporation's disclosure controls and procedures as such term is defined in Multilateral Instrument 52-109 and monitor the certification process set out therein.

- f) Review audited annual financial statements and related documents in conjunction with the report of the external auditors and obtain an explanation from management of all significant variances between comparative reporting periods.
  - g) Consider and review with management, the internal control memorandum or management letter containing the recommendations of the external auditors and management's response, if any, including an evaluation of the adequacy and effectiveness of the internal financial controls of the Corporation and subsequent follow-up to any identified weaknesses.
  - h) Review with management and the external auditors the quarterly unaudited financial statements before release to the public.
  - i) Before release, review and if appropriate, recommend for approval by the Board, all public disclosure documents containing audited or unaudited financial information including any annual report, annual information form, management discussion and analysis of operations, prospectus (and all documents which may be incorporated by reference into such prospectus) and all other securities offering documents of the Corporation.
  - j) Review periodically with management the internal procedures implemented to review any other public disclosure of financial information extracted or derived from the Company's financial statements.
4. In addition, the Committee shall:
- a) Oversee the receipt, review and follow-up of questions, concerns or complaints pursuant to the Corporation's Code of Business Conduct and Ethics and the procedures set out in Appendix "A" thereto.
  - b) Review with management at least annually, the financing strategy and funding plans of the Corporation.
  - c) Review the amount and terms of any insurance to be obtained or maintained by the Corporation with respect to risks inherent in its operations and potential liabilities incurred by the directors or officers in the discharge of their duties and responsibilities.
  - d) Monitor financial and accounting personnel succession planning within the Corporation and review the appointments of the Chief Financial Officer and any key financial managers who are involved in the financial reporting process.
  - e) Inquire into and determine the appropriate resolution of any conflict of interest in respect of audit or financial matters.
  - f) Periodically review with management the need for an internal audit function.
  - g) Quarterly, review any legal matter that could have a significant impact on the Corporation's financial statements, and any enquiries received from regulators, or government agencies.
  - h) Report to the Board at the earliest opportunity after each meeting, the results of its activities and any reviews undertaken and make recommendations to the Board as deemed appropriate.
  - i) Bi-annually assess the performance of the Committee.

## **Resources and Authority**

1. The Committee will be provided with resources commensurate with the duties and responsibilities assigned to it by the Board including administrative support. If deemed necessary by the Committee, it will have the discretion to institute investigations of improprieties or suspected improprieties, including the standing authority to retain independent counsel or advisors and to set their compensation.
2. The Committee shall have the authority to:
  - a) Inspect any and all of the books and records of the Corporation, its subsidiaries and affiliates.
  - b) Discuss with any officer of the Corporation, its subsidiaries and affiliates, the Chief Financial Officer and senior staff of the Corporation, any affected party and the external auditors, such accounts, records and other matters as any member of the Committee considers necessary and appropriate.