

Canadian Spirit Resources Inc.

MANAGEMENT DISCUSSION AND ANALYSIS

For the three months ended March 31, 2008

This management discussion and analysis (“MD&A”) of the financial conditions and results of operations should be read in conjunction with the unaudited interim financial statements for the three month period ended March 31, 2008 and the audited financial statements and MD&A for the year ended December 31, 2007.

Date

This MD&A includes information up to May 27, 2008.

Quarterly Review

Neither the interim financial statements for the three month period ended March 31, 2008 nor this MD&A have been reviewed by the Company’s external auditors.

Reader’s Advisory

The corporate information contained in these pages may contain forward-looking forecast information. The reader is cautioned that assumptions used in the preparation of such information, although considered reasonable by Canadian Spirit Resources Inc. at the time of preparation, may prove to be incorrect. The actual results achieved during the forecast period will vary from the information provided herein and the variations may be material. Consequently, there is no representation by Canadian Spirit Resources Inc. that actual results achieved during the forecast period will be the same in whole or in part as those forecast.

Corporate Overview

Canadian Spirit Resources Inc. (“CSRI” or the “Company”) is a natural resources exploration company currently focusing on the identification and development of unconventional natural gas opportunities in western Canada.

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. The Company’s strategic advantages are the extensive knowledge and experience of its technical team in coal, shale and unconventional natural gas exploration and development, the proprietary data base of potential unconventional natural gas resources in western Canada developed during 2002 and early 2003 and the energy development experience of its management, employees and directors.

On February 14, 2008, the Company announced that Mr. Donald R. Gardner, Chief Financial Officer and Secretary was also appointed as Chief Executive Officer.

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Results of Operations

Farrell Creek, British Columbia:

The focus of the Company's activities is currently on the execution of a pilot production project in the Farrell Creek area of northeastern British Columbia, located approximately 70 kilometres west of Fort St. John. In September of 2006, Sproule Associates issued an in-depth report, subsequently confirmed in updated reports dated April 2007 and April 2008, with an evaluation of 1.8 trillion cubic feet of discovered natural gas resource in the Gething, Moosebar and Gates Formations on the Company's lands at Farrell Creek. See **Business Risks** on Page 7 of this MD&A.

The fracture stimulation of the d-093 well occurred in the fourth quarter of 2007 and is now under de-watering and production testing. All wells in the pilot program, except d-093, reached their regulatory flaring limit during 2007 and were shut in. Further production testing will therefore require facilities, including gas processing and compression, and a pipeline connection to the Spectra Energy sales pipeline. As such, in March and April of 2008, the Company commenced with the initial stages of its pilot program tie-in to the Spectra Energy pipeline. The planned gas production facility and gas gathering system for the six well project is expected to be completed by the end of summer 2008, at which time the Company plans to resume production testing with the further objective of maximizing production capability and deliverability.

In the first quarter of 2008, the Company drilled and cased the b-091 well location. This sixth well in the pilot program will be completed in the summer of 2008 in conjunction with the tie-in of the Farrell Creek pilot project.

On March 19, 2008, the Company announced the conclusion of a joint venture and farmout agreement with Canbriam Energy Inc., a private energy company based in Calgary, Alberta, that will evaluate certain of the Company's lands for Montney and other deep formation plays. Exploration and drilling activity will commence immediately following regulatory approval with two wells expected to reach target depth by the end of July. The unconventional Montney gas play is a large regional trend from west central Alberta into northeast British Columbia. Recent drilling success has occurred mostly in British Columbia and has been enhanced with the application of new horizontal technology. Land acquisition, land transactions and the drilling of Montney prospects has been moving in a northwesterly direction. One Montney well and two deeper prospects have been drilled in the immediate area of the Company's Farrell Creek lands and all three have been cased for evaluation. Additional deep test wells in the area are expected to be licensed.

In order to accelerate the drilling and evaluation of the Gething Formation on the Company's lands, the Company is pursuing a similar joint venture arrangement covering its shallow rights to the base of the Cadomin/Nikanassin Formation.

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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. The Company has had no activity in the Bittern Lake area in 2007 or in the first quarter of 2008. Due to the lack of availability of a sizable land base for development on reasonable terms, the Company plans to farm out or dispose of these lands.

Isk Wollastonite Mineral Property, British Columbia:

No field work has been conducted at the Isk Wollastonite mine site during 2007 or the first quarter of 2008. The Company will continue to pursue farming out the mineral claim to third parties.

Revenue

Revenues in the first quarter of 2008 of \$22,321 (2007: \$25,516) represent interest on cash deposits. The Company does not have any natural gas revenue at this time.

General and Administration Expenses

| For the three month periods ended March 31 | 2008 | 2007 |
|--|-------------------|-------------------|
| Consulting fees | \$ 59,226 | \$ 64,054 |
| Salaries and benefits | 227,391 | 223,620 |
| Other general and administrative | 136,163 | 143,547 |
| | <u>422,780</u> | <u>431,221</u> |
| Less: capitalized and other costs | <u>(156,908)</u> | <u>(124,088)</u> |
| | 265,872 | 307,133 |
| Stock-based compensation | 246,624 | (20,033) |
| | <u>\$ 512,496</u> | <u>\$ 287,100</u> |

In 2008, the Company continued consulting agreements with a director and senior officer of the Company, a financial advisor, a land consultant, and a computer network maintenance company.

Salaries and benefits have remained relatively constant in the first quarter of 2008 compared with 2007. The Company capitalizes salaries and benefits associated with staff directly related to exploration and development activities.

During the first three months of 2008, the Company capitalized a total of \$152,946 (2007: \$119,710) of general and administration expenses directly related to exploration and development activities, which are therefore included as part of the property, plant and equipment costs recorded by the Company. The other costs in the first quarter of 2008 of \$3,962 (2007: \$4,378) relate to consulting fees incurred in relation to equity instruments issue costs, and are therefore recorded by the Company as a reduction of shareholders' equity.

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Stock-based compensation resulted in a net expense in the first three months of 2008 compared with a net recovery in the same period for 2007. See **Summary of Quarterly Results** on Page 5 for further analysis of the effect on stock-based compensation on the overall results of the Company. The closing price of \$0.75 per share on the TSX Venture Exchange on March 31, 2008 represents a 47% increase from the closing price of \$0.51 per share at December 31, 2007.

Other General and Administration Costs

| For the three month periods ended March 31 | 2008 | 2007 |
|--|-------------------|-------------------|
| Professional fees | \$ 7,704 | \$ 17,239 |
| Investor relations & filing fees | 25,725 | 33,047 |
| Office premises & insurance | 80,382 | 53,188 |
| Office supplies | 15,858 | 16,056 |
| Staffing costs | 4,761 | 23,489 |
| Other | 1,733 | 528 |
| | <u>136,163</u> | <u>143,547</u> |
| Less: capitalized costs | <u>(3,817)</u> | <u>(7,074)</u> |
| | <u>\$ 132,346</u> | <u>\$ 136,473</u> |

Professional fees have declined by 55% in the first quarter of 2008 compared to 2007 due to a decrease in legal fees, related purely to the number of corporate matters requiring advice or assistance from the Company's legal counsel.

Investor relations fees have decreased by 22% in the first three months of 2008 compared with 2007 due to the termination of the Company's contract with an investor relations firm during the quarter. The Company is currently in the process of reviewing its investor relations plan.

Office premises costs were 51% higher in the first quarter of 2008 compared to 2007 due to higher net rents and increases in insurance and office operating costs. Office related expenses are anticipated to continue at increased levels over the next three years due to the tight office market rental conditions in Calgary and the terms of the Company's existing sublease agreement.

Staffing costs incurred in the first quarter of 2007 arose principally due to severance-related costs associated with a former employee.

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Summary of Quarterly Results

Net results prior to income taxes from the beginning of 2006 were:

| <u>Earnings (loss) by quarter</u> | <u>2008</u> | | <u>2007</u> | | <u>2006</u> | |
|-----------------------------------|---------------------|--|---------------------|--|-----------------------|--|
| | <u>Amount</u> | <u>Per Share (basic & diluted)</u> | <u>Amount</u> | <u>Per Share (basic & diluted)</u> | <u>Amount</u> | <u>Per Share (basic & diluted)</u> |
| First Quarter | \$ (498,821) | \$ (0.01) | \$ (279,955) | \$ (0.01) | \$ (975,817) | \$ (0.04) |
| Second Quarter | - | - | (150,227) | - | 31,536 | - |
| Third Quarter | - | - | (42,936) | - | 174,092 | 0.01 |
| Fourth Quarter | - | - | (402,446) | (0.02) | (305,026) | (0.01) |
| Loss before income taxes | <u>\$ (498,821)</u> | <u>\$ (0.01)</u> | <u>\$ (875,564)</u> | <u>\$ (0.03)</u> | <u>\$ (1,075,215)</u> | <u>\$ (0.04)</u> |

For each period up to and including March 31, 2008, the existence of stock options and warrants affected the calculation of diluted shares outstanding. As the effect of this dilution is to reduce the reported loss per share, diluted loss per share information has not been shown.

In 2007, the Company financed a portion of its development activities through the issue of Flow-Through Shares. Under the terms of these share issues, the related resource expenditure deductions for income tax purposes were renounced to investors in the year of issue. When the expenditures are renounced, share capital is reduced and future income tax recoveries are increased by the estimated value of the renounced tax deductions. The Flow-Through Share issues that occurred in 2007 resulted in a recovery of future income taxes of \$172,925. This recovery was booked in the first quarter of 2008 as that is when the actual renouncement documents were filed with the government authorities. The Company did not issue any Flow-Through Shares in the first quarter of 2008.

As discussed previously, stock-based compensation expense for stock option grants and SARs contributed significantly to the variability of the Company's income and losses since the beginning of 2006. The SARs issued to two officers and a senior employee in August 2003 are now fully vested and changes in the value of the Company's shares have an immediate impact on the quarterly provision for this conditional liability. Excluding the effects of stock-based compensation, the Company's pre-tax losses by quarter would have been:

Loss by quarter prior to stock-based compensation expense

| | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|--------------------------|---------------------|-----------------------|-----------------------|
| First Quarter | \$ (252,197) | \$ (299,988) | \$ (216,771) |
| Second Quarter | - | (235,382) | (277,597) |
| Third Quarter | - | (236,982) | (257,468) |
| Fourth Quarter | - | (300,502) | (318,597) |
| Loss before income taxes | <u>\$ (252,197)</u> | <u>\$ (1,072,854)</u> | <u>\$ (1,070,433)</u> |

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Liquidity and Capital Resources

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

| For the three month periods ended March 31 | 2008 | 2007 |
|--|--------------|------------|
| Lease acquisitions and retentions | \$ 11,071 | \$ 17,690 |
| Geological and geophysical | 47,572 | 8,301 |
| Drilling and completion | 1,189,728 | 708,407 |
| Capitalized overhead | 152,945 | 119,710 |
| Total petroleum and natural gas | 1,401,316 | 854,108 |
| Office equipment and furnishings | 9,698 | - |
| Total capital expenditures | \$ 1,411,014 | \$ 854,108 |

For the first half of 2008, the Company has a base case capital budget of \$3.9 million including a portion of the \$4.0 million AFE for the tie-in of the Company's pilot program to the Spectra Energy sales pipeline, and an estimated \$280,000 for capitalized overhead. The Company's budget is reviewed and approved by the Board of Directors on a quarterly basis. The budget for field testing activities for the first half of 2008 is \$0.6 million.

Cash administration expenses (G&A excluding stock based compensation) for 2008 are expected to be approximately \$1.8 million before capitalization of exploration and development related overhead, approximately the same as 2007. Revenue from interest on cash balances is budgeted at \$121,000 for the year. The Company has not budgeted for any cash flow from operations during the first half of 2008.

At March 31, 2008, the Company had working capital of \$4.1 million, consisting of cash in the amount of \$5.0 million, accounts receivable and prepaid expenses of \$0.2 million, net of accounts payable and accrued trade liabilities of \$1.1 million. The accounts payable and accrued trade liabilities relate to field work at Farrell Creek, British Columbia that occurred during the first quarter of 2008. The Company has no bank indebtedness and has no credit agreements to borrow money in place at this time.

On February 19, 2008, the Company issued 11,220,000 Units at \$0.50 per Unit for proceeds of \$5.3 million net of fees. 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. If exercised, the proceeds from these warrants will provide the Company with an enhanced ability to fund any further capital programs in 2008.

At May 27, 2008 there were 1,526,500 warrants outstanding with an exercise price of \$1.10 per share that will expire July 18, 2008 and 5,610,000 warrants outstanding with an exercise price of \$0.80 per share (see above) that will expire February 19, 2010.

The Company's working capital of \$4.1 million at March 31, 2008 is considered to be sufficient to cover administrative costs of \$0.4 million and the \$2.5 million base case capital budget remaining for the first half of 2008. Additional equity capital will be required to complete the tie-in of the Company's Farrell Creek pilot program to the Spectra Energy gas pipeline and to complete any further planned capital

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programs for the remainder of 2008, such as additional drilling activity and the resultant tie-ins. A portion of future capital requirements may be funded from the exercise of existing share purchase warrants (see above) or possibly through a farmout involving the Company's shallow rights, which is currently being pursued.

Business Risks

Productivity

A material risk facing the Company is the productive capability of the discovered coal and shale resource in the Gething Formation on the Company's existing land base and the Company's ability to extract this discovered natural gas resource economically. The Company has made significant progress in developing an economic well completion and production system and will continue to utilize the knowledge, experience and technology available in the service sector to improve the productivity of the Gething Formation in this emerging gas basin in northeast British Columbia.

With rising natural gas prices and the application of new technology, many new unconventional reservoirs are now producing large volumes of natural gas economically. To accelerate the development of the optimal completion and production methods for the Gething Formation, the Company is pursuing a joint venture on its shallow rights at Farrell Creek.

Exploration

The Company 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. Recognizing 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.

Financial Resources and Liquidity

The Company'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 continued support of its shareholders, favourable capital market conditions and commodity prices, obtaining additional equity financing, converting discovered resources into economically recoverable reserves, and ultimately, generating revenues sufficient to cover operating costs and capital requirements.

To minimize financial risk, the Company pre-funds all capital commitments in the equity markets and does not utilize debt at this early stage of development. Included in commitments is the minimum administrative and operating cost to see the Company through anticipated equity market or commodity price cycles.

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Commodity Prices

The Company's exploration and development efforts are targeted principally on natural gas. There exists an efficient and sophisticated market for natural gas in North America which is sensitive to factors affecting the supply of and demand for this commodity. Similar factors outside North America are having a greater influence on natural gas prices in North America through the growth of liquefied natural gas trade internationally. Currently, natural gas prices influence the Company's investment decisions and once natural gas production is established, it will impact the Company's revenue. The Company considers publically available price forecasts for natural gas in its evaluation of investment economics and returns.

Operating Capability

The Company is pursuing large unconventional natural gas projects that if successful will require operating staff and experience to fully develop. The Company has a technically strong team suitable for its current operations but does not currently possess the skills and staff needed to conduct an efficient large scale development operation. To mitigate the risk inherent in assembling the necessary operating team, the Company has entered into a joint venture covering the Company's deep rights pursuant to which a party with the necessary experience and skills will assume operatorship. A similar joint venture is planned covering the Company's shallow rights.

Land Acquisition and Tenure

Rights to explore for and extract hydrocarbons, are generally acquired from the Crown or private parties and requires certain work to be performed within a specific time period to retain such mineral rights. Mineral rights acquired from the Crown are usually obtained through a closed bid process. In order to expand its exploration activity, the Company must have the financial resources needed to bid on Crown mineral rights and if successful, must have the additional funds to make the required exploration expenditures. The Company acquired its existing mineral rights primarily from the Province of British Columbia during the last five years and must make drilling expenditures on these lands during 2008 and 2009 in order to retain a substantial portion of these mineral rights. To reduce the risk of losing its current mineral rights, the Company has farmed out the majority of its deep rights in return for drilling expenditures on its lands. A similar farmout of shallow rights is being pursued. This would allow the Company to allocate its financial resources to additional land acquisition rather than drilling and development.

Environment and Public Policy

The exploration, development and production activities of the Company are highly regulated and the trend of public policy is to provide additional incentives and regulations to reduce the impact of industry activity on the environment. The principal components expected to be produced during production operations that would impact the environment are relatively small amounts of saline water and carbon dioxide. The saline water is currently re-injected into deep geologic formations at a commercial facility and in future, will be re-injected using Company owned facilities. Methods to capture and store or use carbon dioxide in commercial applications are being undertaken by the industry and the Company is monitoring these and regulatory developments in order to plan a mitigating strategy.

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Disclosure Controls and Procedures and Internal Controls

Disclosure Control Risk

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Operating Officer have concluded, based on their evaluation of the effectiveness of the Company's disclosure controls and procedures as of March 31, 2008, that disclosure controls and procedures provide reasonable assurance that material information is made known to them by others within the Company subject to the reportable weakness identified below regarding segregation of duties. However, a control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Internal Control Risks

Management is responsible for certifying the design of the Company's internal control over financial reporting ("ICFR") as required by Multilateral Instrument 52-109 – "Certification of Disclosure in Issuers Annual and Interim Filings". Our ICFR is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principals (GAAP). ICFR includes those policies and procedures that establish the following:

- maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of our assets;
- reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP;
- receipts and expenditures only being made in accordance with authorizations of management and the Board of Directors; and
- reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, ICFR may not prevent or detect misstatements. Also, the effectiveness of ICFR is subject to the risk that controls may become inadequate because of changes in condition, or that the degree of compliance with the policies or procedures may deteriorate. Management, including the Chief Executive Officer and Chief Operating Officer, carried out the design of the Company's internal controls over financial reporting and concluded, subject to the inherent limitations noted above, the Company has sufficient controls to meet the requirements as stated above and that one reportable weakness existed, at March 31, 2008, as detailed below.

Segregation of Duties

Segregation of duties is a basic, key internal control and one of the most difficult to achieve in a small company. It is used to ensure that errors or irregularities are prevented or detected on a timely basis by employees in the normal course of business. Due to limited resources, a complete segregation of duties within the Company's operating and accounting groups can not be fully achieved. The result is that the Company is highly reliant on the qualifications, experience and integrity of its staff and on the performance of mitigating procedures during its financial close processes in order to ensure the financial

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statements are presented fairly in all material respects. No significant change in the current control process occurred in the first three months of 2008 nor is any change planned until the Company achieves production and cash flow from operations. Management will continue to review existing mitigating controls and, if appropriate, implement changes to its internal control processes whereby more effective mitigating controls will be adopted.

Critical Accounting Policies

Reference should be made to the Company's significant accounting policies contained in note 2 to the Company's unaudited interim financial statements for the three months ended March 31, 2008 and the audited financial statements for the year ended December 31, 2007. These accounting policies can have a significant impact on the financial performance and financial position of the Company.

Off Balance Sheet Arrangements

The Company has not entered into any off balance sheet arrangements.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses. It is management's opinion that the Company is not exposed to significant credit, market or liquidity risk arising from its financial instruments and that, due to their short term nature, their fair values approximate their carrying values at March 31, 2008.

Effective January 1, 2008, the Company adopted the following new Canadian Institute of Chartered Accountants ("CICA") accounting pronouncements: Section 1535, *Capital Disclosures*; Section 3862, *Financial Instruments – Disclosures*; and Section 3863 *Financial Instruments – Presentation*. The adoption of these new standards results in no significant changes to the unaudited interim financial statements of the Company except for additional note disclosure. See note 2 to the audited financial statements for the year ended December 31, 2007 for a description of the significant accounting policies followed by the Company. See notes 8 and 9 to the unaudited interim financial statements for the three months ended March 31, 2008.

Future Changes in Accounting Policies

The following is an overview of accounting standard changes that the Company will be required to adopt in the near future:

CICA Handbook: Section 3064, *Goodwill and Intangible Assets*. This section provides additional guidance on when expenditures qualify for recognition as intangible assets and requires that costs be deferred only when relating to an item meeting the CICA definition of an asset.

This new standard is effective for interim or annual fiscal periods beginning on or after October 31, 2008 and therefore the Company will evaluate the impact of adopting the new standard in conjunction with its next fiscal year beginning on January 1, 2009.

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Related Party Transactions

During the first three months of 2008 and 2007, the Company had transactions with directors of the Company, persons related to them or companies controlled by them in the normal course of business as follows:

| For the three month periods ended March 31 | 2008 | 2007 |
|--|-----------|-----------|
| Consulting fees | \$ 30,300 | \$ 25,050 |

Consulting fees for the first quarter of 2008 included \$30,300 (2007: \$25,050) paid or payable to a director and senior officer of the Company. Accounts payable at March 31, 2008 includes \$4,171 (2007: \$9,116) due to a director and senior officer for consulting fees earned and related costs.

Transactions with related parties are recorded at cost, which represent exchange amounts for services provided. In addition during the first three months of 2008, certain directors, relatives of directors, or companies controlled by directors subscribed for Nil (2007: Nil) shares or units in private placement offerings of the Company under the same terms as other investors.

Since March 31, 2008 to the date of this report, the Company has continued to contract with a director to provide management services as a consultant.

Share Capital

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

On February 19, 2008 the Company issued 11,220,000 Units at \$0.50 per Unit. 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 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.

Since December 31, 2007 to the date of this report, the Company has issued 225,000 common shares for the exercise of stock options. During this same period, the Company has granted 50,000 options to purchase common shares to a land consultant; 147,000 options to non-executive employees of the Company, 115,000 options to executive employees of the Company, 550,000 options to independent directors and officers who are also directors of the Company and 25,000 options to a contract consultant. The options granted to directors and senior officers as well as to the Land Consultant are subject to shareholder approval which is being sought at the Annual General and Special Meeting of Shareholders scheduled for June 19, 2008. The issued share capital as at May 27, 2008 consists of 44,268,082 common shares. In addition, the Company has 7,136,500 warrants and 3,097,000 stock options outstanding as at May 27, 2008, of which 625,000 are subject to shareholder approval.

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Commitments

The Company has entered into an office sub-lease agreement which expires on May 30, 2011. Under the terms of the sub-lease agreement, the Company is obligated to pay base annual rent of \$28.00 per square foot on 6,793 square feet as well as its share of the operating costs. The Company has an option, upon six months notice, at December 31, 2008 to terminate the sub-lease agreement without penalty.

Corporate Information

Additional information regarding the Company is available on SEDAR at www.sedar.com or the Company's website at www.csri.ca.