CANADIAN SPIRIT RESOURCES INC.

Interim Condensed Financial Statements of

Canadian Spirit Resources Inc.

(unaudited)

March 31, 2014

1. STATEMENTS OF FINANCIAL POSITION
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NOTICE: The interim condensed financial statements and notes thereto for the three months ended March 31, 2014 have not been reviewed by the Corporation's external auditors.

Canadian Spirit Resources Inc.

STATEMENTS OF FINANCIAL POSITION

	As at March 31, 2014 *(unaudited)*	As at December 31, 2013 *(audited)*
ASSETS		
Non-current assets:		
Exploration and evaluation assets (note 6)	$ 53,102,019	$ 48,534,213
Property, plant and equipment (note 5)	7,414,389	7,594,687
Restricted term deposit (note 8)	355,991	-
Unapplied royalty credits (note 4)	3,229,865	3,278,857
	64,102,264	59,407,757
Current assets:		
Cash and cash equivalents	5,736,482	6,822,933
Accounts receivable	391,286	238,256
Prepaid expenses and other deposits	86,394	46,895
Unapplied royalty credits (note 4)	342,500	350,500
	6,556,662	7,458,584
	$ 70,658,926	$ 66,866,341
LIABILITIES AND SHAREHOLDERS' CAPITAL		
Non-current liabilities:		
Decommissioning liability (note 7)	$ 1,945,902	$ 1,803,351
Current liabilities:		
Accounts payable and other accrued liabilities	4,143,561	254,144
Flow-through shares premium (note 9)	-	617,603
Convertible debenture (note 12)	-	3,000,000
	4,143,561	3,871,747
Shareholders' capital:		
Common shares (note 9)	102,078,642	97,701,070
Share purchase warrants (note 9)	1,320,000	255,000
Contributed surplus	8,077,112	7,985,119
Deficit	(46,906,291)	(44,749,946)
	64,569,463	61,191,243
	$ 70,658,926	$ 66,866,341

Corporate information, basis of presentation and going concern (note 1)
Financial instruments (note 3)
Line of credit (note 8)
Commitments (note 13)

ON BEHALF OF THE BOARD:

(signed) " Joseph Iannicelli "
Director

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

Canadian Spirit Resources Inc.

STATEMENTS OF CHANGES IN SHAREHOLDERS' CAPITAL
(unaudited)

	Common Shares	Share Purchase Warrants	Contributed Surplus	Deficit	Total
	(note 9)	(note 9)			
As at January 1, 2014	$ 97,701,070	$ 255,000	$ 7,985,119	$ (44,749,946)	$ 61,191,243
Equity issues:					
Conversion of debenture	4,400,000	1,065,000	-	-	5,465,000
Share issue costs	(22,428)	-	-	-	(22,428)
Net loss and comprehensive loss	-	-	-	(2,156,345)	(2,156,345)
Share-based compensation, gross	-	-	91,993	-	91,993
As at March 31, 2014	$ 102,078,642	$ 1,320,000	$ 8,077,112	$ (46,906,291)	$ 64,569,463
As at January 1, 2013	$ 95,617,135	$ 262,546	$ 7,454,417	$ (42,838,651)	$ 60,495,447
Equity issues:					
Private placements	-	-	-	-	-
Share issue costs	-	-	-	-	-
Net loss and comprehensive loss	-	-	-	(516,790)	(516,790)
Share-based compensation, gross	-	-	41,690	-	41,690
As at March 31, 2013	$ 95,617,135	$ 262,546	$ 7,496,107	$ (43,355,441)	$ 60,020,347

Canadian Spirit Resources Inc.

STATEMENTS OF OPERATIONS
(unaudited)

	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Revenue		
Petroleum and natural gas sales	$ 485,070	$ 378,014
Royalties expense (note 4)	(56,178)	(34,547)
	428,892	343,467
Interest and other income	14,980	3,973
Expenses		
Operating costs	98,434	180,256
Depletion and depreciation (note 5)	205,890	259,602
Finance costs, accretion (note 7)	13,653	14,725
General and administrative, net	361,830	384,043
Loss on conversion of debenture (note 9)	2,465,000	-
Share-based compensation, net (note 10)	73,013	25,604
Flow-through shares premium (note 9)	(617,603)	-
	2,600,217	864,230
Net loss and comprehensive loss	$ (2,156,345)	$ (516,790)
Basic loss per share (note 11)	*$ (0.02)*	*$ (0.01)*
Diluted loss per share (note 11)	*$ (0.02)*	*$ (0.01)*

Corporate information, basis of presentation and going concern (note 1)
Minimum lease payments (note 13)

Canadian Spirit Resources Inc.

STATEMENTS OF CASH FLOWS
(unaudited)

	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Operating Activities:		
Net loss and comprehensive loss	$ (2,156,345)	$ (516,790)
Add (deduct) items not affecting cash:		
Royalty credits applied (note 4)	56,178	34,547
Flow-through shares premium (note 9)	(617,603)	-
Depletion and depreciation (note 5)	205,890	259,602
Finance costs, accretion (note 7)	13,653	14,725
Loss on conversion of debenture (note 9)	2,465,000	-
Share-based compensation, net (note 10)	73,013	25,604
	39,786	(182,312)
Changes in non-cash working capital (note 14)	(260,550)	(491,172)
	(220,764)	(673,484)
Financing Activities:		
Common shares issued upon conversion of debenture (note 9)	-	-
Share issue costs (note 9)	(22,428)	-
	(22,428)	-
Investing Activities:		
Exploration and evaluation expenditures (note 6)	(4,567,806)	(887,086)
Net expenditures on property, plant and equipment (note 5)		
Development costs of petroleum and natural gas assets	(233,322)	52,507
Facilities and equipment	207,730	(2,197)
Fixtures and office equipment	-	-
	(4,593,398)	(836,776)
Add (deduct) items not affecting cash:		
Change in decommissioning liability (notes 5, 6, 7)	128,898	(35,384)
Capitalized share-based compensation (notes 5, 6)	18,980	16,086
	(4,445,520)	(856,074)
Changes in non-cash working capital (note 14)	3,958,252	368,044
Purchase of restricted term deposit (note 8)	(355,991)	-
	(843,259)	(488,030)
Change in cash and cash equivalents	(1,086,451)	(1,161,514)
Cash and cash equivalents, beginning of period	6,822,933	2,455,697
Cash and cash equivalents, end of period	$ 5,736,482	$ 1,294,183
Cash taxes paid	*$ -*	*$ -*
Cash interest paid on convertible debenture (note 12)	*$ 27,534*	*$ -*

1. CORPORATE INFORMATION, BASIS OF PRESENTATION AND GOING CONCERN

Corporate Information

Canadian Spirit Resources Inc. ("CSRI" or the "Corporation") is a natural resources company focusing on the identification and development of opportunities in the unconventional natural gas sector of the energy industry and is listed under the trading symbol 'SPI' on the TSX Venture Exchange (the "Exchange"). The Corporation is continued under the laws of the province of Alberta and its head office is located at Suite 1520, First Alberta Place, 777 8th Avenue S.W., Calgary, Alberta, Canada T2P 3R5.

Basis of Presentation

The unaudited interim condensed financial statements and the notes hereto have been prepared as at, and for the three months ended, March 31, 2014. All amounts are presented in Canadian dollars. The Corporation has consistently applied the same accounting policies throughout the three month period ended March 31, 2014 as those set out in the annual audited financial statements for the year ended December 31, 2013. Certain disclosures included in the notes to the annual audited financial statements have been condensed in the note disclosures hereto or have been disclosed on an annual basis only. Accordingly, these unaudited interim condensed financial statements should be read in conjunction with the annual audited financial statements for the year ended December 31, 2013, which have been prepared in accordance with IFRS.

Statement of Compliance

The interim condensed financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee, including IAS 34: *Interim Financial Reporting*.

The accounting policies applied in these unaudited interim condensed financial statements are based on IFRS issued and outstanding as of May 28, 2014, the date of Board of Directors approval.

Basis of Measurement

The interim condensed financial statements have been prepared on a going concern basis using the historical cost convention.

Going Concern

These interim condensed financial statements have been prepared using IFRS as they apply to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of operations as they come due. For the three months ended March 31, 2014 the Corporation has reported a net loss and comprehensive loss of $2.2 million and an accumulated deficit of $46.9 million as at that date. In addition to its on-going working capital requirements, the Corporation will need to secure additional funding for its exploration and development programs. Despite recent improvement, the western Canadian natural gas market is experiencing ongoing low commodity prices due to excess supply and lack of market options. These circumstances cause material uncertainties that may cast significant doubt upon the Corporation's ability to continue as a going concern, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

In recognition of these circumstances, the Corporation has i) secured a revolving demand bank credit facility (see note 8) in the amount of $1.7 million, ii) raised $3.1 million of equity via two concurrent non-brokered private placements in December 2013, and iii) issued a convertible debenture in December 2013 that was converted to equity on February 25, 2014 (see notes 9, 12) for an additional $3.0 million. These undertakings, while significant, are not sufficient in and of themselves to enable the Corporation to fund all aspects of its forecasted operations and its exploration and development program; accordingly, management will need to pursue other financing alternatives to fund the Corporation so that it may continue as a going concern. The necessary financing may be secured through either the exercise of existing share purchase warrants for the purchase of common shares, the issue of new equity or debt instruments, or entering into new joint venture arrangements; nevertheless, there is no assurance that such initiatives would be successful.

CSRI's ability to continue as a going concern is dependent upon its ability to fund its exploration and development programs as well as generate positive cash flows from operating activities. These interim condensed financial statements do not reflect any adjustments to the carrying values and classifications of assets and liabilities, or to the reported revenues and expenses that would be necessary if the Corporation were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations; such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

The interim condensed financial statements have been prepared following the same accounting policies as disclosed in the Corporation’s annual audited financial statements for the year ended December 31, 2013; as of January 1, 2014, the Corporation adopted those IFRS standards disclosed therein that became effective for annual periods beginning on or after January 1, 2014. The adoption of those standards had no impact on the amounts recorded in the interim condensed financial statements for the three months ended March 31, 2014 or on the comparative prior period. For the purposes of calculating deferred income taxes during interim periods, the Corporation utilizes estimated annualized statutory income tax rates.

3. FINANCIAL INSTRUMENTS

The fair values of cash and cash equivalents, accounts receivable and accounts payable and other accrued liabilities approximate their carrying values due to the short-term maturity of those instruments.

4. ROYALTY CREDITS

During the three months ended March 31, 2014, the Corporation applied $56,178 (2013: $34,547) of royalty credits against crown royalties that would otherwise have been payable.

A summary of the royalty credits earned and applied by, as well as available to, the Corporation is as follows:

	For the three months ended March 31, 2014	For the year ended December 31, 2013
Balance, beginning of period	$ 3,629,357	$ 3,365,394
Royalty credits earned	-	429,602
Royalty credits applied	(56,178)	(166,288)
Interest earned	(814)	649
Balance, end of period	$ 3,572,365	$ 3,629,357
Current portion	$ 342,500	$ 350,500

5. PROPERTY, PLANT AND EQUIPMENT

	Petroleum and Natural Gas Assets	Facilities and Equipment	Fixtures and Office Equipment	Total
Cost				
As at January 1, 2014	$ 16,949,863	$ 8,853,295	$ 212,474	$ 26,015,632
Additions (recovery of development costs)	218,193	(215,286)	-	2,907
Change in decommissioning liability	15,123	7,556	-	22,679
Capitalized share-based compensation	6	-	-	6
Royalty credits earned	-	-	-	-
As at March 31, 2014	17,183,185	8,645,565	212,474	26,041,224
Accumulated depletion, depreciation and impairment				
As at January 1, 2014	15,109,939	3,104,974	206,032	18,420,945
Dispositions	-	-	-	-
Charge for the year				
Depletion and depreciation	114,058	90,558	1,274	205,890
As at March 31, 2014	15,223,997	3,195,532	207,306	18,626,835
Carrying amount as at March 31, 2014	$ 1,959,188	$ 5,450,033	$ 5,168	$ 7,414,389
Cost				
As at January 1, 2013	$ 17,336,167	$ 8,891,681	$ 212,474	$ 26,440,322
Recovery of development costs	(85,051)	(8,803)	-	(93,854)
Change in decommissioning liability	69,023	10,563	-	79,586
Capitalized share-based compensation	18,345	835	-	19,180
Royalty credits earned	(388,621)	(40,981)	-	(429,602)
As at December 31, 2013	16,949,863	8,853,295	212,474	26,015,632
Accumulated depletion, depreciation and impairment				
As at January 1, 2013	14,539,968	2,722,070	200,866	17,462,904
Dispositions	-	-	-	-
Charge for the year				
Depletion and depreciation	569,971	382,904	5,166	958,041
As at December 31, 2013	15,109,939	3,104,974	206,032	18,420,945
Carrying amount as at December 31, 2013	$ 1,839,924	$ 5,748,321	$ 6,442	$ 7,594,687

During the three months ended March 31, 2014, the Corporation capitalized $68,559 (2013: $97,650) of general and administrative costs within both Exploration and Evaluation ("E&E") assets and property, plant and equipment directly related to the respective exploration and development activities. During the three months ended March 31, 2014, the Corporation also capitalized $18,980 (2013: $16,086) of share-based compensation for those employees of the Corporation directly involved in exploration and development activities. Included in the calculation of depletion for the three months ended March 31, 2014 are future development costs of $14.0 million (2013: $14.0 million).

6. EXPLORATION AND EVALUATION ASSETS

	Petroleum and Natural Gas Properties	Facilities and Equipment	Total
As at January 1, 2014	$ 46,868,557	$ 1,665,656	$ 48,534,213
Additions	4,387,331	55,282	4,442,613
Change in decommissioning liability	84,712	21,507	106,219
Capitalized share-based compensation	18,784	190	18,974
As at March 31, 2014	51,359,384	$ 1,742,635	$ 53,102,019
As at January 1, 2013	$ 45,444,688	$ 1,749,774	$ 47,194,462
Additions	1,356,217	-	1,356,217
Dispositions	-	(5,500)	(5,500)
Change in decommissioning liability	36,003	(78,618)	(42,615)
Capitalized share-based compensation	31,649	-	31,649
As at December 31, 2013	$ 46,868,557	$ 1,665,656	$ 48,534,213

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

7. DECOMMISSIONING LIABILITY

	For the three months ended March 31, 2014	For the year ended December 31, 2013
Balance, beginning of period	$ 1,803,351	$ 1,661,457
Liabilities incurred	33,841	7,943
Revisions to estimated future obligation	95,057	29,028
Accretion	13,653	104,923
Balance, end of period	$ 1,945,902	$ 1,803,351

The total future decommissioning liability, including costs to reclaim and abandon wells and facilities plus the years in which such costs are expected to be incurred, is estimated by management. At March 31, 2014 the estimated total future liability of $3,242,054 (December 31, 2013: $3,203,425) had a net present value of $1,945,902 (December 31, 2013: $1,803,351) assuming the liability is settled in approximately 17.5 years (December 31, 2013: 17.75 years), using an estimated risk-free nominal interest rate of 2.96% (December 31, 2013: 3.29%), and an inflation rate of 2.25% (December 31, 2013: 2.25%). The total balance of the decommissioning liability is determined to be non-current.

The revisions to the estimated future obligation are due to the increases or decreases in the estimated risk-free nominal interest rate. Financing costs for the three months ended March 31, 2014 of $13,653 (2013: $14,725) relate to the accretion of the decommissioning liability.

8. RECLAMATION AND ABANDONMENT MANAGEMENT

For operations in British Columbia, the Corporation is required to provide deposits towards future abandonment and reclamation costs based on the number of wells and facilities for which the Corporation is the primary permit holder. Based on a Liability Management Rating ("LMR") review performed by the British Columbia Oil and Gas Commission ("BCOGC") in 2011, the Corporation was assessed an initial LMR amount of $1,235,829. Effective February 28, 2014, CSRI was assessed an additional LMR amount of $355,991 by the BCOGC.

Letters of Credit

In order to meet the deposit requirements of the LMR program, the Corporation has renewed a standby Letter of Credit on February 28, 2014 for the initial LMR amount of $1,235,829 with the BCOGC as beneficiary. This primary standby Letter of Credit is irrevocable, bears commission at a rate of 1.5% per annum, expires on February 28, 2015, and renews on an annual basis thereafter. The primary standby Letter of Credit is secured under the Corporation's line of credit (see below).

As a result of the additional LMR assessment of $355,991, the Corporation issued a secondary standby Letter of Credit on February 28, 2014 with the BCOGC as beneficiary. This secondary standby Letter of Credit is irrevocable, bears commission at a rate of 1.5% per annum, expires on February 28, 2015, and renews on an annual basis thereafter. The secondary standby Letter of Credit is secured by an assignment of cash (see restricted term deposit below).

Line of Credit

Partially in order to cover the letters of credit required from the BCOGC to support the LMR assessment amounts, the Corporation has established a demand bank credit facility for $1.7 million. The credit facility is fully revolving with no set date of maturity, bears interest at prime rate plus 1.5% per annum and is secured by a General Security Agreement conveying a first floating charge over all the Corporation's real property and fixed assets, a first fixed charge on all the Corporation's property interests, and is subject to a financial covenant of a working capital ratio of not less than 1:1. The credit facility is subject to standard quarterly and annual reporting requirements as well as usual and customary non-financial covenants. As at March 31, 2014, the Corporation was in compliance with all non-financial and financial covenants, including maintaining a working capital ratio of 1.58:1.

Restricted Term Deposit

On February 28, 2014 the Corporation entered into a term deposit agreement for the additional LMR assessment amount of $355,991, being the amount required to offset the secondary standby Letter of Credit. The restricted term deposit renews annually to match the secondary standby Letter of Credit and earns interest at 1.05% per annum. Given that the secondary standby Letter of Credit renews on an annual basis, the matching term deposit is as such restricted in its use to CSRI, and is therefore classified as a non-current asset.

9. SHAREHOLDERS' CAPITAL

Common Shares

The Corporation has authorized share capital of an unlimited number of common shares with no par value. As at March 31, 2014 there were 110,124,691 common shares outstanding as follows:

	For the three months ended March 31, 2014		For the year ended December 31, 2013	
	Number of Shares	Amount of Shares	Number of Shares	Amount of Shares
Balance, beginning of period	100,124,691	$ 97,701,070	90,548,661	$ 95,617,135
Common shares issued:				
Via private placements	-	-	9,576,030	2,247,247
Upon conversion of debenture	10,000,000	4,400,000	-	-
Share issue costs	-	(22,428)	-	(163,312)
Balance, end of period	110,124,691	$ 102,078,642	100,124,691	$ 97,701,070

As a result of a December 2013 private placement, the Corporation issued 6,176,030 Flow-through shares at a price of $0.34 per share. The Flow-through shares entitled the holder to certain income tax benefits in the form of Canadian Exploration Expense. The $2,099,850 of proceeds from the Flow-through shares private placement were allocated between common shares of $1,482,247 (at the market price on the Exchange of $0.24 on the date of announcement of the private placement) and a Flow-through shares premium liability of $617,603. The Flow-through shares proceeds were fully expended on eligible exploration costs in the first quarter 2014. Therefore, the liability was reversed and offset by the recording of a $617,603 Flow-through share premium income amount in the first quarter 2014.

As a result of a shareholder vote held on February 19, 2014, the Corporation's convertible debenture (see note 12) was converted on February 25, 2014 into 10,000,000 Units, being 10,000,000 common shares of the Corporation and 5,000,000 share purchase warrants (the "Warrants"). The market price of the Corporation's common shares on the Exchange as at February 25, 2014 was $0.44 per common share resulting in a valuation of $4,400,000. The Warrants were valued using the Black-Scholes pricing model, resulting in a valuation of $1,065,000. Therefore, the Corporation recognized the difference between the combined common share and Warrant values and the carrying amount of the convertible debenture of $3,000,000 as a non-cash loss on conversion of $2,465,000 in the first quarter 2014. Share issue costs of $22,428 were incurred in relation to the conversion of the debenture into units.

Share Purchase Warrants

In conjunction with previous financings, the Corporation issued share purchase warrants with terms between one to two years to acquire common shares at specific prices as summarized below:

	For the three months ended March 31, 2014			For the year ended December 31, 2013		
	Number of Warrants		Amount of Warrants	Number of Warrants		Amount of Warrants
Balance, beginning of period	1,700,000	$	255,000	1,227,650	$	262,546
Issued via private placements	-		-	1,700,000		255,000
Issued upon conversion of debenture	5,000,000		1,065,000	-		-
Expired unexercised	-		-	(1,227,650)		(262,546)
Balance, end of period	6,700,000	$	1,320,000	1,700,000	$	255,000

Issue Date	Weighted Average Exercise Price	Number of Warrants Outstanding as at March 31, 2014	Weighted Average Fair Value	Weighted Average Fair Value as at March 31, 2014	Expiry Date
Dec. 20, 2013	$0.30	1,700,000	$0.30	$255,000	Dec. 20, 2014
Feb. 25, 2014	$0.30	5,000,000	$0.30	$1,065,000	Dec. 20, 2014
	$0.30	6,700,000	$0.30	$1,320,000	

10. SHARE-BASED COMPENSATION PLANS

The Corporation has a 10% rolling stock option plan for directors, executive officers, employees and consultants which provides for the granting of options to acquire common shares. Under the terms of the plan, options vest over periods as determined by the Corporation and expire after a maximum of five years. The number of options available for grant under the plan as at March 31, 2014 was 5,150,469 (December 31, 2013: 3,670,469).

As at March 31, 2014, options to acquire 5,862,000 (December 31, 2013: 6,342,000) common shares were outstanding of which 3,912,000 (December 31, 2013: 4,379,500) had vested and 1,950,000 (December 31, 2013: 1,962,500) remained unvested, as follows:

	For the three months ended March 31, 2014			For the year ended December 31, 2013		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Outstanding, beginning of period	6,342,000	$	0.58	4,846,500	$	0.76
Granted	-		-	2,500,000		0.30
Forfeited or expired	(480,000)		0.68	(1,004,500)		0.73
Outstanding, end of period	5,862,000	$	0.58	6,342,000	$	0.58
Options vested, end of period	3,912,000	$	0.72	4,379,500	$	0.71

The following table summarizes selected information about the stock options outstanding and vested as at March 31, 2014:

	Options Outstanding				Options Exercisable			
Range of Exercise Price	Number of Options Outstanding	Remaining Contractual Life (in Yrs)	Weighted Average Exercise Price		Number of Vested Options	Remaining Vested Contractual Life (in Yrs)	Weighted Average Exercise Price	
\$0.25 - \$0.79	4,955,000	4.02	$	0.37	3,005,000	3.69	$	0.43
\$0.80 - \$1.72	422,000	2.00		1.54	422,000	2.00		1.54
\$1.73 - \$3.65	485,000	0.79		1.80	485,000	0.79		1.80
	5,862,000	3.60	$	0.58	3,912,000	3.15	$	0.72

Options granted are accounted for using the fair value method. During the three months ended March 31, 2014 there were Nil (2013: Nil) options granted. Prior to capitalization of \$18,980 (2013: \$16,086), the total compensation cost for share-based compensation during the three months ended March 31, 2014 was \$91,993 (2013: \$41,690).

11. PER SHARE AMOUNTS

The basic and diluted weighted average number of common shares outstanding used in the per share calculations are reconciled as follows:

	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Weighted average number of common shares - basic	103,902,469	90,548,661
Dilutive effect of share-based compensation plans	4,382,134	2,838,708
Weighted average number of common shares - diluted	108,284,603	93,387,369

For the three months ended March 31, 2014 and 2013, the existence of stock options and share purchase warrants affects the calculation of loss per share on a diluted basis. As the effect of this dilution is to reduce the reported loss per share, diluted loss per share equals basic loss per share.

12. CONVERTIBLE DEBENTURE

In December 2013 the Corporation issued a convertible debenture to a shareholder of the Corporation in the amount of \$3,000,000. The convertible debenture was secured by way of a fixed and floating charge to and in favour of the holder of all the Corporation's real property, fixed assets and property interests, but was subordinated to the Corporation's bank line of credit (see note 8). The convertible debenture had a maturity date of February 28, 2014 and bore interest at 5.0% per annum. Upon receiving approval from the majority of the shareholders of the Corporation, the debenture converted into 10,000,000 Units of the Corporation on February 25, 2014 (see note 9). Total interest paid over the term of the convertible debenture was \$27,534.

13. COMMITMENTS

Office Lease Arrangements

The Corporation's current office sub-lease agreement commenced on June 1, 2013 for a term of three years. The sub-lease requires the Corporation to pay base annual rent of $19.00 per square foot plus operating costs on 3,420 square feet. The sub-lease can be terminated by either party with three months notice at any point after one year.

Operating lease payments represent monthly rent payables for the Corporation's head office location. The table below shows the expense recorded:

	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Minimum lease payments	$ 29,189	$ 45,678

Future Minimum Lease Payments

The following is a summary of the estimated costs required to fulfill the Corporation's remaining operating lease contractual commitments:

	As at March 31, 2014	As at December 31, 2013
Payable within 12 months	$ 112,347	$ 112,347
Payable from 1 to 4 years subsequent	$ 131,072	$ 159,158
Thereafter	$ -	$ -

14. CHANGES IN NON-CASH WORKING CAPITAL

	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Cash provided by (used for) operating activities:		
Accounts receivable	$ (153,030)	$ (402,108)
Prepaid expenses and other deposits	(39,499)	(50,523)
Accounts payable and other accrued liabilities	(68,021)	(38,541)
	(260,550)	(491,172)
Cash provided by (used for) investing activities:		
Accounts payable and other accrued liabilities	3,957,438	368,044
Interest earned on unapplied royalty credits	814	-
	3,958,252	368,044
	$ 3,697,702	$ (123,128)