



Interim Condensed Financial Statements of
Canadian Spirit Resources Inc.
(unaudited)

June 30, 2018

1. STATEMENTS OF FINANCIAL POSITION
2. STATEMENTS OF CHANGES IN SHAREHOLDERS' CAPITAL
3. STATEMENTS OF OPERATIONS
4. STATEMENTS OF CASH FLOWS
5. NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

NOTICE: The interim condensed financial statements and notes thereto for the three and six month periods ended June 30, 2018 have not been reviewed by the Corporation's external auditors.

Canadian Spirit Resources Inc.

STATEMENTS OF FINANCIAL POSITION

	As at June 30, 2018 <i>(unaudited)</i>	As at December 31, 2017 <i>(audited)</i>
Assets		
Non-current assets:		
Exploration and evaluation assets (note 5)	\$ 33,555,109	\$ 33,273,818
Property, plant and equipment (note 6)	5,173,779	5,360,675
Restricted deposits (note 7)	1,749,420	1,749,420
Royalty credits (note 3)	3,440,635	3,420,321
	<u>43,918,943</u>	<u>43,804,234</u>
Current assets:		
Cash and cash equivalents	1,246,441	2,058,742
Accounts receivable & other accrued receivables	45,750	39,303
Prepaid expenses and other deposits	99,798	108,972
Royalty credits (note 3)	12,420	11,730
	<u>1,404,409</u>	<u>2,218,747</u>
	<u>\$ 45,323,352</u>	<u>\$ 46,022,981</u>
Liabilities and Shareholders' Capital		
Non-current liabilities:		
Decommissioning liability (note 8)	\$ 2,199,386	\$ 2,213,342
Current liabilities:		
Accounts payable & other accrued liabilities	195,105	256,511
Shareholders' capital:		
Common shares (note 9)	116,737,374	116,737,374
Share purchase warrants (note 9)	-	-
Contributed surplus (note 11)	9,362,485	9,334,484
Deficit	<u>(83,170,998)</u>	<u>(82,518,730)</u>
	<u>42,928,861</u>	<u>43,553,128</u>
	<u>\$ 45,323,352</u>	<u>\$ 46,022,981</u>

Corporate information, basis of presentation and going concern (note 1)

Commitments (note 13)

ON BEHALF OF THE BOARD:

(signed) "Donald R. Gardner"
Director

(signed) "Alfred B. Sorensen"
Director

Canadian Spirit Resources Inc.

STATEMENTS OF CHANGES IN SHAREHOLDERS' CAPITAL (unaudited)

	Common Shares (note 9)	Share Purchase Warrants (note 9)	Contributed Surplus (note 11)	Deficit	Total
As at January 1, 2018	\$ 116,737,374	\$ -	\$ 9,334,484	\$ (82,518,730)	\$ 43,553,128
Net loss and comprehensive loss	-	-	-	(652,268)	(652,268)
Share-based compensation, gross (note 10)	-	-	28,001	-	28,001
As at June 30, 2018	<u>\$ 116,737,374</u>	<u>\$ -</u>	<u>\$ 9,362,485</u>	<u>\$ (83,170,998)</u>	<u>\$ 42,928,861</u>
As at January 1, 2017	\$ 114,276,295	\$ 256,464	\$ 8,975,339	\$ (80,530,260)	\$ 42,977,838
Equity issues:					
Exercise of share purchase warrants	270,000	-	-	-	270,000
Share issue costs	(9,783)	9,783	-	-	-
Transfers:					
Exercise of share purchase warrants	81,000	(81,000)	-	-	-
Share purchase warrants expired	-	(144,750)	144,750	-	-
Net loss and comprehensive loss	-	-	-	(648,269)	(648,269)
Share-based compensation, gross (note 10)	-	-	23,790	-	23,790
As at June 30, 2017	<u>\$ 114,617,512</u>	<u>\$ 40,497</u>	<u>\$ 9,143,879</u>	<u>\$ (81,178,529)</u>	<u>\$ 42,623,359</u>

Canadian Spirit Resources Inc.

STATEMENTS OF OPERATIONS

(unaudited)

	For the three month periods ended June 30,		For the six month periods ended June 30,	
	2018	2017	2018	2017
Revenue				
Petroleum and natural gas sales	\$ 23,719	\$ 132,245	\$ 114,749	\$ 296,347
Royalties expense (note 3)	<u>(331)</u>	<u>(1,767)</u>	<u>(552)</u>	<u>(8,294)</u>
	23,388	130,478	114,197	288,053
Interest and other income	8,975	5,162	15,450	6,008
Expenses				
Operating costs	59,567	95,036	146,297	170,908
Depletion and depreciation (note 6)	89,460	137,570	214,124	288,022
Finance costs, accretion (note 8)	11,979	11,852	23,875	24,497
General and administrative, net	188,970	230,556	378,670	442,130
Share-based compensation, net (note 10)	<u>7,895</u>	<u>8,387</u>	<u>18,949</u>	<u>16,773</u>
	357,871	483,401	781,915	942,330
Net loss and comprehensive loss	<u>\$ (325,508)</u>	<u>\$ (347,761)</u>	<u>\$ (652,268)</u>	<u>\$ (648,269)</u>
Basic loss per share (note 12)	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Diluted loss per share (note 12)	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>

Corporate information, basis of presentation and going concern (note 1)

Commitments (note 13)

Canadian Spirit Resources Inc.

STATEMENTS OF CASH FLOWS

(unaudited)

	For the three month periods ended June 30,		For the six month periods ended June 30,	
	2018	2017	2018	2017
Cash Flows from (used in) Operating Activities:				
Net loss and comprehensive loss	\$ (325,508)	\$ (347,761)	\$ (652,268)	\$ (648,269)
Add (deduct) items not affecting cash:				
Royalty credits applied (note 3)	331	1,767	552	8,294
Depletion and depreciation (note 6)	89,460	137,570	214,124	288,022
Finance costs, accretion (note 8)	11,979	11,852	23,875	24,497
Share-based compensation, net (note 10)	7,895	8,387	18,949	16,773
Changes in non-cash working capital (note 14)	(1,807)	(8,266)	(98,069)	10,688
	<u>(217,650)</u>	<u>(196,451)</u>	<u>(492,837)</u>	<u>(299,995)</u>
Cash Flows from (used in) Financing Activities:				
Exercise of share purchase warrants	-	270,000	-	270,000
	<u>-</u>	<u>270,000</u>	<u>-</u>	<u>270,000</u>
Cash Flows from (used in) Investing Activities:				
Exploration and evaluation expenditures (note 5)	(140,330)	(281,622)	(281,291)	(329,326)
Net expenditures on property, plant and equipment (note 6)				
Development costs of petroleum and natural gas assets	1,574	(4,261)	2,913	(2,866)
Facilities and equipment	(16,350)	(8,063)	(51,697)	(6,521)
Net additions to capital assets	(155,106)	(293,946)	(330,075)	(338,713)
Add (deduct) items not affecting cash:				
Revisions to decommissioning liability (notes 5, 6, 8)	(20,648)	125,284	(37,831)	(48,532)
Capitalized share-based compensation (notes 5, 6, 10)	3,772	3,508	9,052	7,017
Gross additions to capital assets	(171,982)	(165,154)	(358,854)	(380,228)
Changes in non-cash working capital (note 14)	8,379	33,499	39,390	(157,769)
	<u>(163,603)</u>	<u>(131,655)</u>	<u>(319,464)</u>	<u>(537,997)</u>
Change in cash and cash equivalents	(381,253)	(58,106)	(812,301)	(567,992)
Cash and cash equivalents, beginning of period	1,627,694	837,403	2,058,742	1,347,289
Cash and cash equivalents, end of period	\$ 1,246,441	\$ 779,297	\$ 1,246,441	\$ 779,297
<i>Cash taxes paid</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Cash interest paid</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Canadian Spirit Resources Inc.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (*unaudited*)

For the three and six month periods ended June 30, 2018

1. CORPORATE INFORMATION, BASIS OF PRESENTATION AND GOING CONCERN

Corporate Information

Canadian Spirit Resources Inc. (“CSRI” or the “Corporation”) is a natural resources company whose shares are listed under the trading symbol ‘SPI’ on the TSX Venture Exchange. The Corporation’s principal activity is exploring for and developing the productive capability of the Montney Formation natural gas and natural gas liquids resource play in the Farrell Creek/Altares area of northeastern British Columbia. 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 and six month periods ended June 30, 2018. All amounts are presented in Canadian dollars. The Corporation has consistently applied the same accounting policies throughout the three and six month periods ended June 30, 2018 as those set out in the annual audited financial statements for the year ended December 31, 2017. Certain disclosures included in the notes to the December 31, 2017 annual audited financial statements have been condensed in the note disclosures hereto or have been disclosed only on an annual basis. Accordingly, these unaudited interim condensed financial statements should be read in conjunction with the annual audited financial statements for the year ended December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Statement of Compliance

The interim condensed financial statements have been prepared in accordance with 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 at August 29, 2018, the date of approval by the Corporation’s Board of Directors.

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 six months ended June 30, 2018 the Corporation has reported a net loss and comprehensive loss of \$0.7 million (2017: \$0.6 million) and an accumulated deficit of \$83.2 million as at that date (December 31, 2017: \$82.5 million). In addition to covering on-going net working capital requirements and recurring negative cash flows used in operating activities, the Corporation will need to secure additional funding for any future exploration and development programs. In conjunction with recent energy price fluctuations, the current natural gas market continues to experience low commodity prices due to excess supply and the lack of both local pipeline egress and additional international markets to sell into. 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 raised a total of \$2.2 million of equity in the fourth quarter 2017 via a rights offering and the exercise of share purchase warrants. Management has also undertaken steps to reduce production operating costs and general and

Canadian Spirit Resources Inc.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited)

For the three and six month periods ended June 30, 2018

administrative expenses, including but not limited to, field operational efficiencies, renegotiation of its office lease terms and reductions in staffing levels/remuneration. These undertakings, while significant, are not sufficient in and of themselves to enable the Corporation to fund all aspects of its forecasted operations and any future exploration and development, and 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 issue of new equity or debt instruments or entering into new joint venture or farm-in arrangements. Nevertheless, there is no assurance that such initiatives would be successful.

CSRI's ability to continue as a going concern is dependent upon its ability to fund any future exploration and development programs as well as generate positive cash flows from operating activities. These interim condensed financial statements do not reflect any adjustments to the carrying values and classifications of assets and liabilities, nor 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, 2017. In addition, as of January 1, 2018, the Corporation adopted those IFRS standards disclosed therein that became effective for annual periods commencing on or after January 1, 2018. The adoption of those standards had no material impact on the amounts recorded in the interim condensed financial statements for the three and six month periods ended June 30, 2018 or on the comparative prior periods. For the purposes of calculating deferred income taxes during interim periods, the Corporation utilizes estimated annualized statutory income tax rates.

3. **ROYALTY CREDITS**

During the three and six month periods ended June 30, 2018, the Corporation applied \$331 and \$552, respectively, (2017: \$1,767 and \$8,294, respectively) of royalty credits against crown royalties that would otherwise have been payable. A summary of the royalty credits applied by, as well as available to, the Corporation is as follows:

	For the six months ended June 30, 2018	For the year ended December 31, 2017
Balance, beginning of period	\$ 3,432,051	\$ 3,441,908
Royalty credits earned	21,556	-
Royalty credits applied	(552)	(9,857)
Balance, end of period	<u>\$ 3,453,055</u>	<u>\$ 3,432,051</u>
Non-current portion	<u>\$ 3,440,635</u>	<u>\$ 3,420,321</u>
Current portion	<u>\$ 12,420</u>	<u>\$ 11,730</u>

Canadian Spirit Resources Inc.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (*unaudited*)

For the three and six month periods ended June 30, 2018

4. FINANCIAL INSTRUMENTS

The fair values of cash and cash equivalents, accounts receivable & other accrued receivables, and accounts payable & other accrued liabilities approximate their carrying values due to the short-term maturity of those instruments. The fair value of the restricted deposits balance approximates its carrying value as the deposits are considered by management to be low risk since they are held by an agency of the British Columbia provincial government (see note 7).

5. EXPLORATION AND EVALUATION ASSETS

	Petroleum and Natural Gas Properties	Facilities and Equipment	Total
As at January 1, 2018	\$ 31,277,076	\$ 1,996,742	\$ 33,273,818
Gross additions	259,106	46,845	305,951
Change in decommissioning liability	(24,587)	(7,111)	(31,698)
Capitalized share-based compensation	<u>6,947</u>	<u>91</u>	<u>7,038</u>
Net additions	241,466	39,825	281,291
Exploration and evaluation expense	-	-	-
As at June 30, 2018	<u>\$ 31,518,542</u>	<u>\$ 2,036,567</u>	<u>\$ 33,555,109</u>
As at January 1, 2017	\$ 31,092,095	\$ 1,897,861	\$ 32,989,956
Gross additions	569,148	101,466	670,614
Change in decommissioning liability	(97,824)	(3,041)	(100,865)
Capitalized share-based compensation	<u>45,157</u>	<u>456</u>	<u>45,613</u>
Net additions	516,481	98,881	615,362
Exploration and evaluation expense	(331,500)	-	(331,500)
As at December 31, 2017	<u>\$ 31,277,076</u>	<u>\$ 1,996,742</u>	<u>\$ 33,273,818</u>

Exploration and Evaluation (“E&E”) assets comprise the Corporation’s Montney Formation and Gething Formation exploration and evaluation projects which are pending the determination of commercial viability and technical feasibility. Exploration and evaluation expense relates to the derecognition of the historical cost of land lease exploration rights that were let to expire during the period. If the Corporation determines that further exploration or development will be uneconomic on certain older Gething Formation land leases, thus eliminating any future economic benefits on those E&E assets, such land leases are allowed to expire and are therefore expensed in the statement of operations.

Canadian Spirit Resources Inc.
NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited)
For the three and six month periods ended June 30, 2018

6. PROPERTY, PLANT AND EQUIPMENT

	Petroleum and Natural Gas Properties	Facilities and Equipment	Office Equipment and Fixtures	Total
<i>Cost</i>				
As at January 1, 2018	\$ 17,224,112	\$ 8,854,591	\$ 226,860	\$ 26,305,563
Gross additions	1,223	51,680	-	52,903
Change in decommissioning liability	(2,913)	(3,220)	-	(6,133)
Capitalized share-based compensation	(1,223)	3,237	-	2,014
Net additions	(2,913)	51,697	-	48,784
Royalty credits earned	-	(21,556)	-	(21,556)
As at June 30, 2018	17,221,199	8,884,732	226,860	26,332,791
<i>Accumulated depletion, depreciation and impairment</i>				
As at January 1, 2018	16,295,517	4,423,324	226,047	20,944,888
Charge for the year				
Depletion and depreciation	59,629	153,682	813	214,124
As at June 30, 2018	16,355,146	4,577,006	226,860	21,159,012
Carrying amount as at June 30, 2018	<u>\$ 866,053</u>	<u>\$ 4,307,726</u>	<u>(0)</u>	<u>\$ 5,173,779</u>
<i>Cost</i>				
As at January 1, 2017	\$ 17,220,930	\$ 8,852,616	\$ 226,860	\$ 26,300,406
Gross additions	4,428	3,352	-	7,780
Change in decommissioning liability	(1,246)	(1,377)	-	(2,623)
Capitalized share-based compensation	-	-	-	-
Net additions	3,182	1,975	-	5,157
As at December 31, 2017	17,224,112	8,854,591	226,860	26,305,563
<i>Accumulated depletion, depreciation and impairment</i>				
As at January 1, 2017	15,966,415	4,095,644	223,617	20,285,676
Charge for the year				
Depletion and depreciation	329,102	327,680	2,430	659,212
As at December 31, 2017	16,295,517	4,423,324	226,047	20,944,888
Carrying amount as at December 31, 2017	<u>\$ 928,595</u>	<u>\$ 4,431,267</u>	<u>\$ 813</u>	<u>\$ 5,360,675</u>

During the three and six month periods ended June 30, 2018 the Corporation capitalized, within the gross additions category of both E&E assets (see note 5) and property, plant and equipment, a combined total of \$63,311 and \$130,303, respectively, (2017: \$69,338 and \$142,134, respectively) of general and administrative expenses directly related to the respective exploration and development activities. During the three and six month periods ended June 30, 2018, the Corporation also capitalized a combined total of \$3,772 and \$9,052, respectively, (2017: \$3,508 and \$7,017, respectively) 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 and six month periods ended June 30, 2018 of \$18,067 and \$71,010, respectively, (2017: \$65,850 and \$144,638, respectively) are future development costs of \$10.6 million (2017: \$10.7 million).

The Williston Reservoir Water Pipeline (included within the facilities and equipment category) licence term expires on December 31, 2031. The Corporation has recorded depreciation, on a

Canadian Spirit Resources Inc.
NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited)
For the three and six month periods ended June 30, 2018

straight-line basis, for the three and six month periods ended June 30, 2018 of \$71,188 and \$142,301, respectively, (2017: \$71,113 and \$142,169, respectively).

7. RESTRICTED DEPOSITS

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. Up to June 30, 2018, CSRI has been assessed by the BCOGC additional cash deposit LMR amounts totaling \$513,591, bringing the total LMR amount to \$1,749,420. The total assessed LMR amount of \$1,749,420 as at June 30, 2018 is secured by cash deposits. Since these cash deposits are held against future abandonment and reclamation liabilities, the balance is considered by management to be restricted in its use and is classified as a non-current asset.

8. DECOMMISSIONING LIABILITY

	For the six months ended June 30, 2018	For the year ended December 31, 2017
Balance, beginning of period	\$ 2,213,342	\$ 2,268,193
Liabilities incurred	-	-
Revisions to estimated future obligation	(37,831)	(103,488)
Accretion	23,875	48,637
Balance, end of period	<u>\$ 2,199,386</u>	<u>\$ 2,213,342</u>

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. As at June 30, 2018 the estimated total undiscounted future liability of \$3,207,702 (December 31, 2017: \$3,235,417) had a net present value of \$2,199,386 (December 31, 2017: \$2,213,342) assuming expected decommissioning payments are to be made over the next 3.5 to 23.5 years, using an estimated risk-free nominal interest rate of 2.20% (December 31, 2017: 2.15%) and an inflation rate of 1.75% (December 31, 2017: 1.75%). The total balance of the decommissioning liability is determined to be non-current.

The decommissioning liability is comprised of both the Corporation’s proportionate interest in its jointly controlled operations as well as its own 100% operations. The restricted deposits held toward future abandonment and reclamation costs (see note 7) as at June 30, 2018 of \$1,749,420 (December 31, 2017: \$1,749,420) are secured against the Corporation’s 100% operations, where the Corporation is the primary permit holder.

The revisions to the estimated future obligation are due to the increases or decreases in the estimated risk-free nominal interest rate and changes in the abandonment and reclamation assumptions by well. Liabilities incurred relate to new wells drilled or fracture stimulated during the respective periods, and liabilities settled refer to well-bores abandoned or well-sites reclaimed during the respective periods. Financing costs for the three and six month periods ended June 30, 2018 of \$11,979 and \$23,875, respectively, (2017: \$11,852 and \$24,497, respectively) relate to the accretion of the decommissioning liability.

Canadian Spirit Resources Inc.
NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited)
For the three and six month periods ended June 30, 2018

9. SHAREHOLDERS' CAPITAL

Common Shares

The Corporation has authorized share capital of an unlimited number of common shares with no par value. As at June 30, 2018 there were 177,494,004 common shares outstanding (at a carrying amount of \$116,737,374), unchanged from December 31, 2017.

Share Purchase Warrants

In conjunction with previous unit equity financings, the Corporation had issued share purchase warrants with a term of one year to acquire common shares at specific exercise prices. As at June 30, 2018 there were Nil share purchase warrants outstanding, unchanged from December 31, 2017.

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 Board of Directors of the Corporation and expire to a maximum of five years. The number of common shares available for grant of additional options under the plan as at June 30, 2018 was 10,701,400 (December 31, 2017: 10,701,400).

As at June 30, 2018, options to acquire 7,048,000 (December 31, 2017: 7,048,000) common shares were outstanding of which 6,323,000 (December 31, 2017: 5,960,500) had vested and 725,000 (December 31, 2017: 1,087,500) remained unvested, as follows:

	For the six months ended June 30, 2018		For the year ended December 31, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	7,048,000	\$ 0.23	7,763,000	\$ 0.34
Granted	-	-	2,075,000	0.12
Expired	-	-	(2,790,000)	0.47
Outstanding, end of period	7,048,000	\$ 0.23	7,048,000	\$ 0.23
Options vested, end of period	6,323,000	\$ 0.24	5,960,500	\$ 0.24

Canadian Spirit Resources Inc.
NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited)
For the three and six month periods ended June 30, 2018

The following table summarizes the information about stock options outstanding and vested as at June 30, 2018:

Range of Exercise Price	Options Outstanding			Options Exercisable		
	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
\$0.00 - \$0.19	2,075,000	4.15	\$ 0.12	1,350,000	4.15	\$ 0.12
\$0.20 - \$0.39	4,628,000	1.44	0.25	4,628,000	1.44	0.25
\$0.40 - \$0.59	345,000	1.11	0.50	345,000	1.11	0.50
	<u>7,048,000</u>	<u>2.22</u>	<u>\$ 0.23</u>	<u>6,323,000</u>	<u>2.00</u>	<u>\$ 0.24</u>

Options granted are accounted for using the fair value method. During the three and six month periods ended June 30, 2018 there were options granted to purchase Nil and Nil, respectively, common shares (2017: Nil and Nil, respectively). Prior to capitalization of \$3,772 and \$9,052, respectively, (2017: \$3,508 and \$7,017, respectively), the total compensation cost for share-based compensation during the three and six month periods ended June 30, 2018 was \$11,667 and \$28,001, respectively, (2017: \$11,895 and \$23,790, respectively).

11. CONTRIBUTED SURPLUS

	For the six months ended June 30, 2018	For the year ended December 31, 2017
Balance, beginning of period	\$ 9,334,484	\$ 8,975,339
Share-based compensation, gross	28,001	197,729
Share purchase warrants expired unexercised	-	161,416
Balance, end of period	<u>\$ 9,362,485</u>	<u>\$ 9,334,484</u>

12. 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 six months ended June 30, 2018	For the six months ended June 30, 2017
Weighted average number of common shares - basic	177,494,004	157,063,280
Dilutive effect of share-based compensation / share purchase warrants	91,424	908,680
Weighted average number of common shares - diluted	<u>177,585,428</u>	<u>157,971,960</u>

For the three and six month periods ended June 30, 2018 and 2017, 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.

Canadian Spirit Resources Inc.
NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited)
For the three and six month periods ended June 30, 2018

13. COMMITMENTS

Capital Commitments

The Corporation had no capital commitments as at June 30, 2018 nor at December 31, 2017.

Office Lease Arrangements

The Corporation's office sub-lease agreement was amended during a prior period to extend to September 30, 2017. The amended sub-lease required the Corporation to pay base annual rent of \$11.00 per square foot (formerly \$19.00 per square foot) plus operating costs on 3,420 square feet. In June 2017, the sub-lease agreement was amended a second time on a month-to-month term basis beyond September 30, 2017 at a base annual rent of \$Nil per square foot plus operating costs.

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

	For the six months ended June 30, 2018	For the six months ended June 30, 2017
Minimum lease payments	\$ 27,743	\$ 48,411

Future Minimum Lease Payments

As at June 30, 2018, the Corporation had no operating lease contractual commitments, unchanged from December 31, 2017.

14. CHANGES IN NON-CASH WORKING CAPITAL

	For the six months ended June 30, 2018	For the six months ended June 30, 2017
Cash provided by (used for) operating activities:		
Accounts receivable and other accrued receivables	\$ (6,447)	\$ 27,913
Prepaid expenses and other deposits	9,174	3,599
Accounts payable and other accrued liabilities	(100,796)	(20,824)
	(98,069)	10,688
Cash provided by (used for) investing activities:		
Accounts payable and other accrued liabilities	39,390	(157,769)
	\$ (58,679)	\$ (147,081)