

**Financial Statements of
Spirit Energy Corp.**

**For the Three Months Ended March 31, 2004
(unaudited)**

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Spirit Energy Corp.

STATEMENTS OF OPERATIONS AND DEFICIT

For the Three months ended March 31

(unaudited)

	2004	2003
REVENUE		
Interest income	\$ 13,509	\$ -
EXPENSES		
Consulting fees	47,086	53,632
Salaries and benefits	41,804	28,580
Management fees	-	12,000
Other general administration	47,285	42,484
Stock-based compensation (note 4)	139,448	28,660
Accretion	165	-
Depreciation	1,784	641
	277,572	165,997
Net Loss	(264,063)	(165,997)
Deficit, beginning of period	(8,920,093)	(8,526,030)
Deficit, end of period	\$(9,184,156)	\$(8,692,027)
Loss per share (basic & diluted)	\$ (0.02)	\$ (0.04)

See accompanying notes to financial statements

Spirit Energy Corp.

BALANCE SHEETS

	March 31 2004 (unaudited)	December 31 2003 (audited)
ASSETS		
Current assets:		
Cash	\$ 1,316,346	\$ 2,629,565
Accounts receivable	40,515	40,212
Prepaid expenses and other	27,125	11,503
	<hr/> 1,383,986	<hr/> 2,681,280
Office furniture and equipment (note 2)	15,588	18,124
Natural gas and mineral properties (note 2)	3,377,101	1,543,264
	<hr/> \$ 4,776,675	<hr/> \$ 4,242,668
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 682,718	\$ 246,124
Asset retirement obligation (note 3)	17,852	8,761
Shareholders' equity		
Share capital (note 4)	13,018,305	12,808,180
Contributed surplus	241,957	99,696
Deficit	(9,184,158)	(8,920,093)
	<hr/> 4,076,105	<hr/> 3,987,783
	<hr/> \$ 4,776,675	<hr/> \$ 4,242,668

Subsequent Event (note 6)

See accompanying notes to financial statements

Spirit Energy Corp.

STATEMENTS OF CASH FLOWS

For the Three Months Ended March 31
(unaudited)

	2004	2003
OPERATING ACTIVITIES:		
Net loss	\$ (264,063)	\$ (165,997)
Add items not affecting cash		
Depreciation	1,784	641
Stock-based compensation	139,448	28,660
Accretion	165	-
	141,397	29,301
Changes in non-cash working capital items	(48,473)	(3,166)
	(171,139)	(139,862)
FINANCING ACTIVITIES:		
Shares issued for cash	210,125	93,000
	210,125	93,000
INVESTING ACTIVITIES:		
Exploration expenditures	(621,911)	(10,200)
Acquisition of P&NG rights	(1,203,000)	-
	(1,824,911)	(10,200)
Changes in non-cash working capital items	472,706	-
	(1,353,205)	(10,200)
Change in cash	(1,313,219)	(57,062)
Cash position, beginning of period	2,629,565	323,503
Cash position, end of period	1,316,346	266,441
Cash taxes paid	\$ Nil	\$ Nil
Interest paid (received)	\$ (13,509)	\$ Nil

Spirit Energy Corp.

NOTES TO FINANCIAL STATEMENTS

Three Months ended March 31, 2004

The interim unaudited financial statements of Spirit Energy Corp. (the “Company”) have been prepared by management in accordance with accounting policies generally accepted in Canada. The interim unaudited financial statements have been prepared following the same accounting policies and methods of computation as the financial statements for the fiscal year ended December 31, 2003. The disclosures included below are incremental to those included with the annual financial statements. The interim financial statements should be read in conjunction with the audited financial statements and the notes thereto for the year ended December 31, 2003.

1. CHANGES IN ACCOUNTING POLICIES

During the fourth quarter of 2003, the Company adopted new accounting policies for stock-based compensation and asset retirement obligations. The 2003 audited annual financial statements describe the impact of these changes. The financial statements for the quarter ended March 31, 2003 have been restated, resulting in an increase in net earnings of \$18,460 in the net less for the period.

During the fourth quarter of 2003, the Company also adopted the revised guideline for full cost oil and gas accounting. This change had no impact on the financial results of the Company.

Certain comparative amounts have been reclassified to conform with current year’s presentation.

2. CAPITAL ASSETS

	March 31, 2004	Dec. 31, 2003
Oil and Gas Properties	\$3,377,100	\$1,543,263
Mineral Property	1	1
Other Capital Assets	22,716	22,716
Less accumulated depreciation and amortization	7,128	4,592
Total Capital Assets	\$3,392,689	\$1,561,388

As the Company had no proved reserves at March 31, 2004, there was no depletion charge for the period. At March 31, 2004, oil and gas properties included \$2,186,484 (2003: \$Nil) relating to unproved properties that would have been excluded from the depletion calculation.

During the three months ended March 31, 2004, the Company capitalized \$35,700 (2003: \$10,200) of overhead directly related to exploration activities.

3. ASSET RETIREMENT OBLIGATION

For the Three Months ended March 31	2004	2003
Balance, beginning of year	\$8,761	\$ -
Liabilities incurred	8,926	-
Accretion expense	165	-
Liabilities settled	-	-
Balance, end of period	\$17,852	\$ -

Spirit Energy Corp.

NOTES TO FINANCIAL STATEMENTS

Three Months ended March 31, 2004

The total future asset retirement obligation including costs to reclaim and abandon wells and facilities as well as the year in which such costs are expected to be incurred is estimated by management.

At March 31, 2004 the estimated total future liability of \$120,000 has a present value of \$17,852 assuming the liability is settled in 2029 and using an estimated credit-adjusted risk-free interest rate of 8 percent. At March 31, 2003, the Company had no future asset retirement liabilities.

4. **SHARE CAPITAL**

The Company has authorized share capital of 100,000,000 common shares of no par value. The issued share capital is as follows:

	2004		2003	
	Number	Amount	Number	Amount
Balance – beginning of year	11,734,908	\$12,808,180	3,835,473	\$8,403,157
Shares issued for Cash -				
Private placements	-	-	1,200,000	480,000
Options exercised	50,000	24,000	-	-
Warrants exercised	372,250	186,125	-	-
Finders' fees – private placements	-	-	112,000	44,800
Share issue costs	-	-	-	(44,800)
Balance – end of period	12,157,658	\$13,018,305	5,147,473	\$8,883,157

Stock Options

Exercise Price	Out-standing at Dec. 31, 2003	Granted or (Cancelled)	Exercised or Expired	Out-standing at March 31, 2004	Vested at March 31, 2004	Expiry Date
Options						
\$0.48	200,000	-	50,000	150,000	150,000	June 7, 2004
\$0.40	380,000	-	-	380,000	285,000	Jan. 23, 2008
\$0.41	315,000	-	-	315,000	157,500	June 18, 2008
\$1.55	-	10,000	-	10,000	2,500	Jan. 6, 2009
\$1.50	-	450,000	-	450,000	112,500	Jan. 21, 2009
Total	895,000	460,000	50,000	1,305,000	707,500	

Options granted after January 1, 2003 are accounted for using the fair value method. The compensation cost charged against earnings for stock options granted in the first quarter of 2004 was \$142,261 (2003 - \$28,660). The fair value of each options grant in 2004 was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Spirit Energy Corp.

NOTES TO FINANCIAL STATEMENTS

Three Months ended March 31, 2004

Risk free interest rate	3.6%
Expected dividend yield	0%
Expected stock price volatility	90%
Expected life of options	3 years

Share Purchase Warrants

Exercise Price	Outstanding at December 31, 2003	Granted or (Cancelled)	Exercised or Expired	Outstanding at March 31, 2004	Expiry Date
Warrants					
\$0.50	372,250	-	372,250	-	February 7, 2004
\$0.60	533,333	-	-	533,333	May 24, 2004
\$0.50/\$0.75	691,400	-	-	691,400	July 4, 2004/2005
\$0.75	1,968,370	-	-	1,968,370	October 3, 2004
Total	3,565,353	-	372,250	3,193,103	

Share Appreciation Rights

Exercise Price	Out-standing at Dec. 31, 2003	Granted or (Cancelled)	Exercised or Expired	Out-standing at March 31, 2004	Vested at March 31, 2004	Expiry Date
\$0.48	600,000	-	-	600,000	-	Aug. 28, 2008

Total compensation expense for share appreciation rights for the three months ended March 31, 2004 was \$(2,813) (2003: \$Nil) based on a closing price of \$1.60 per share on the TSX Venture Exchange on March 31, 2004.

Per Share Amounts

The weighted average number of shares outstanding during the three month period ended March 31, 2004 was Basic 11,962,946 (2003: 4,593,517) and Diluted 14,185,600 (2003: 4,629,470). For the three months ended March 31, 2004, the existence of stock options and 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 information has not been shown.

5. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2004 and 2003, the Company had transactions with directors of the Company, persons related to them or companies controlled by them as follows:

Spirit Energy Corp.

NOTES TO FINANCIAL STATEMENTS

Three Months ended March 31, 2004

	2004	2003
Consulting Fees	\$21,000	\$15,000
Salaries and Benefits	21,000	36,000
Management Fees	-	12,000
Accounting Fees	1,760	320

Consulting fees of \$21,000 (2003: \$15,000) were paid or accrued to a director for services as an officer of the Company. Salaries and benefits of \$21,000 (2003: \$18,000) is the compensation paid to a director and senior officer of the Company. Management fees of \$Nil (2003: \$12,000) were paid to a director and former officer of the Company for management and administrative services. Accounting fees of \$1,760 (2003: \$320) were paid to a company controlled by the spouse of a director and senior officer for accounting services.

Accounts payable at March 31, 2004 includes \$42,236 (2003: \$18,000) due to a director and officer for consulting fees and accrued expenses.

6. Private Placement

On April 30, 2004, the Company issued 1,250,000 common shares at \$1.60 per share pursuant to a non-brokered private placement.

Spirit Energy Corp.

CORPORATE INFORMATION

OFFICERS

George W. Watson
Chairman of the Board

Phillip D.C. Geiger
President & Chief Operating Officer

Donald R. Gardner
Chief Financial Officer & Secretary

Kenneth G. Sinclair
Vice President, Business Development

BOARD OF DIRECTORS

J.R. Richard Couillard ⁽¹⁾
Chief Executive Officer
Escavar Energy Inc.
Calgary, Alberta

Donald R. Gardner
Chief Financial Officer & Secretary
Spirit Energy Corp.
Calgary, Alberta

Phillip D.C. Geiger ⁽¹⁾
President & Chief Operating Officer
Spirit Energy Corp.
Calgary, Alberta

Philip H. Grubbe ⁽¹⁾
Consultant
Calgary, Alberta

George W. Watson
Chief Executive Officer
CriticalControl Solutions Inc.
Calgary, Alberta

⁽¹⁾ Member of Audit Committee

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Calgary, Alberta

SOLICITOR

Gowling Lafleur Henderson LLP
Calgary, Alberta

BANKER

Bank of Nova Scotia
Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

Pacific Corporate Trust Company
Vancouver, British Columbia

STOCK EXCHANGE LISTING

TSX Venture Exchange
Trading Symbol: SPI

INVESTOR RELATIONS CONTACTS

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