CANADIAN SPIRIT RESOURCES INC.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2011

MARCH 29, 2012

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FORWARD-LOOKING STATEMENTS

Information provided herein contains estimates and assumptions which Management is required to make regarding future events and may constitute forward-looking statements within the meaning of applicable securities laws. Management's assessment of future plans and operations, capital expenditures, methods of financing capital expenditures and the ability to fund financial liabilities, expected commodity prices and the impact on Canadian Spirit Resources Inc. ("CSRI" or the "Corporation"), expected increase in royalty rates, and the timing of and impact of adoption of International Financial Reporting Standards and other accounting policies may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, risks associated with natural gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risk, competition from other producers, inability to retain drilling rigs and other services, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, the inability to fully realize the benefits of the acquisitions, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources.

Although Management believes the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will be realized. The use of any of the words "anticipate", "believe", "continue", "estimate", "expect", "forecast", "may", "intend", "likely", "will", "project", "plan", "should", "possible", "probable", "schedule", "position", "goal", "objective", and similar expressions are intended to identify forward-looking information. These statements are subject to certain risks and uncertainties and may be based on assumptions that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements. The risks associated with these forward-looking statements include, but are not limited to, the following:

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

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

CORPORATE INFORMATION

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

The Corporation's registered office is Suite 2300, Bentall 5, 550 Burrard Street, Vancouver, British Columbia, Canada V6C 2B5. The Corporation's principal office is located at Suite 1950, Ford Tower, 633 6th Avenue S.W., Calgary, Alberta, Canada T2P 2Y5.

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

GENERAL DEVELOPMENT OF THE BUSINESS

Since May 2002, the Corporation's focus has been to evaluate the resource potential of certain unconventional natural gas exploration properties. Although some preliminary evaluation work was performed on coalbed methane prospects prior to May 2002, the decision to change the strategic direction of the Corporation from the evaluation of the Isk Wollasonite Mineral Property to an evaluation of unconventional natural gas prospects occurred at this time. In the fall of 2003, CSRI drilled its first well and acquired a small land position in the Farrell Creek area of British Columbia. In the years following, the Corporation acquired a significant land position in this same area, drilled a number of additional wells and was evaluating the productive capability of the Gething Formation through year-end 2007. In 2008, the Corporation entered into joint venture agreements with Shell Canada Energy ("Shell") and Canbriam Energy BC Partnership ("Canbriam") to explore and further advance the development of its major resource property at Farrell Creek, British Columbia. For a description on how the Corporation's business has developed over the last two completed financial years, please see "Description of the Business" below.

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

On June 29, 2010 the Corporation issued 3,000,000 Flow-Through Shares at a price of $1.40 per share. The Flow-Through Shares entitle the holder to certain income tax benefits in the form of Canadian Development Expense. The full proceeds of the Flow-Through Shares placement, or $4,200,000, has been allocated to Common Shares and was fully expended on eligible development costs by the end of fiscal 2010. Incurred in relation to this issuance were $224,716 of share issue costs, $56,179 of which were recorded as an offset against the future tax recovery of the Flow-Through Shares.

On December 14, 2010 the Corporation closed a public offering of Common Shares of the Corporation by way of a short form prospectus. The offering included 16,670,000 Common Shares issued on a bought deal basis at $1.50 per share for gross proceeds of $25,005,000. The underwriters of the offering also exercised their over-allotment option to purchase an additional 780,500 Common Shares of the Corporation for gross proceeds of $1,170,750, thereby bringing the aggregate total to 17,450,500 Common Shares for total gross proceeds of $26,175,750. The Corporation paid a fee equal to 6% of the total gross proceeds, or $1,570,545, to the underwriters of the offering resulting in total net proceeds to the Corporation of $24,605,205. The Corporation also incurred additional share issue costs of $232,907 in relation to this public offering.

Between the dates of December 12, 2011 and December 23, 2011, the Corporation closed a non-brokered private placement of 2,455,300 units (the "Units") at a price of $0.75 per Unit. Each Unit consists of one common share of the Corporation and one half of one share purchase warrant (the "Warrants"). Each whole Warrant entitles the holder to purchase an additional common share of the Corporation for a period of two years at an exercise price of $1.10 per common share. The fair value of the Warrants was estimated at the dates of closing using the Black-Scholes pricing model under which the Corporation assigned a total value of $262,546 of the Unit proceeds to the Warrants, with the remaining $1,578,929 of the Unit proceeds assigned to common shares. Share issue costs of $59,826 were incurred in relation to the issuance of the Units.

Subsequent to the year-end, the Corporation established a revolving demand bank credit facility for $3.5 million. The credit facility is fully revolving with no set date of maturity, bears interest at prime rate plus an applicable margin, and is secured by a General Security Agreement conveying a first floating charge over all the Corporation's real property and fixed assets as well as a first fixed charge on all the Corporation's property interests. The credit facility is subject to standard quarterly and annual reporting requirements as well as usual and customary covenants. To date, no draws have been made from the credit facility.

DESCRIPTION OF THE BUSINESS

CSRI is a natural resources exploration company currently focusing on the identification, assembly, development and production of unconventional natural gas opportunities in western Canada. All information in this section relates to assets owned or held by CSRI as at December 31, 2011, unless indicated otherwise.

Farrell Creek, Northeastern British Columbia
The focus of the Corporation's activities is currently on the evaluation and development of its principal resource property in the Farrell Creek area of northeastern British Columbia, located approximately 70 kilometers west of Fort St. John. In 2003, CSRI acquired a small land position and drilled its first resource evaluation well in the Farrell Creek area of northeastern British Columbia. In the years following, the Corporation significantly increased its land position in this same area, drilled a number of additional wells and by year-end 2007 was evaluating the productive capability of the Gething Formation with a five well Pilot Project. In 2008, the Corporation entered into joint venture agreements with Shell and Canbriam to explore and further advance the development of its major resource property at Farrell Creek. The joint venture with Shell was intended to advance the development of rights (initially the Gething Formation) from surface to the base of the Cadomin/Nikanassin Formation ("Shallow Rights"). In June 2010, Shell elected not to continue to the development stage of the Gething joint venture. The joint venture with Canbriam has resulted in the exploration and evaluation of petroleum and natural gas rights (primarily in the Montney Formation) below the base of the Cadomin/Nikanassin Formation ("Deep Rights"). The Corporation commenced its first commercial natural gas production from the Montney Formation on January 28, 2011. Please refer to the Corporation's Form 51-101F1 Statement of Reserves Data and Other Oil and Gas Information filing available on SEDAR at www.sedar.com or the Corporation's website at www.csri.ca for more information.

Farrell Creek: Montney
On March 19, 2008, the Corporation announced a joint venture and farmout agreement for the Deep Rights with Canbriam, to evaluate certain of the Corporation's lands for Montney and other deep formation plays covering approximately 34,000 gross acres. Through the joint venture, Canbriam committed to an initial expenditure of up to $28.6 million for exploration of the Deep Rights including the drilling of at least two vertical wells into the Montney Formation in exchange for a 65% working interest. Canbriam also had the option to increase its working interest in the Deep Rights from 65% to 70% in return for increasing its gross capital commitment to $50.0 million. Canbriam fulfilled their $28.6 million initial funding commitment in July 2010 and in October 2010, advised that they would not exercise the option to increase their working interest. Since July 2010, CSRI has been responsible for funding its 35% working interest of the Montney program.

Since conducting evaluation tests on two vertical Montney wells on the eastern block of Farrell Creek in late 2008, Canbriam focused its operations on the western portion of the Farrell Creek lands in close proximity to the Spectra Energy pipeline. Following a successful vertical well test into the lower portion of the Montney Formation at the b-17-I/94-B-1 location, the joint venture re-entered this well and drilled a horizontal lateral into the lower Montney. This was the first known horizontal well targeting the lower Montney in the Farrell Creek area and the results met CSRI's expectations. The results of this well are significant as it may be an indicator that the lower Montney Formation has the potential to increase ultimate resource estimates and to increase the total productivity of the play. The joint venture then proceeded to drill a horizontal well at c-A48-I/94-B-1. The c-A48-I well was subsequently stimulated in 8 stages of the lower portion of the Montney Formation with initial production flow-tested at a rate of approximately 1 MMcf/d per stage.

During 2010, the joint venture drilled and cased three middle Montney horizontal wells on the western block of the Montney lands at c-18-I/94-B-1, c-A18-I/94-B-1, c-45-I/94-B-1 and re-entered the b-17-I well to drill a short horizontal leg in the lower Montney. At the end of October 2010, Canbriam carried out a production test on the c-18-I well with initial flow rates of up to 4.7 MMcf/d with 8 stages being stimulated. The b-17-I re-entry horizontal well was fracture stimulated in 5 stages in the lower Montney in December 2010 with initial production in excess of 3.5 MMcf/d.

The c-45-I well was fracture stimulated in July 2011 and was brought online in mid-September 2011 at a rate of 1.5 MMcf/d. The joint venture also drilled and cased a horizontal well in the middle Montney at the c-B18-I/94-B-1 location. This is the fifth horizontal well in the middle Montney Formation and the sixth well drilled in the west block of lands. The c-B18-I well fracture stimulation was completed in September 2011 and the well was placed on production in early October 2011 at a rate of 5 MMcf/d. In addition, the joint venture has a well location at 12-7-83-24W6 on its eastern lands. This vertical well has now been drilled and cased, with stimulation being scheduled for the third quarter of 2012. The well is designed to evaluate the quantity of natural gas liquids within the eastern lands of Farrell Creek and will be fracture stimulated in several Montney intervals (upper, middle and lower).

Construction of the joint venture's gas processing facility with an initial capacity of 10 MMcf/d gross (3.5 MMcf/d net), and tie-in to the Spectra Energy sales pipeline, was completed in January 2011. Commissioning of the facility occurred in late January 2011 with the Corporation's first natural gas sales commencing on January 28th. The initial wells tied-in to the facility were the b-17-I, c-A48-I and c-18-I wells. With the addition of the c-45-I and c-B18-I wells (making a total of five wells tied-in as at November 28, 2011), the Farrell Creek gas facility was near its capacity. Since that time, the wells have experienced typical Montney production declines and are currently producing 6 MMcf/d gross (2 MMcf/d net).

During the past year, other operators' drilling and development activity has significantly de-risked the Montney Formation adjacent to the western portion of the Corporation's Farrell Creek lands. Talisman Energy Inc. ("Talisman") moved its adjacent Montney shale play into commercial production. Talisman has formed a strategic partnership with Sasol Limited ("Sasol") which is expected to accelerate the projected multi-billion dollar development of their Farrell Creek play. Total consideration from the two Sasol transactions was \$2.1 billion for a 50% working interest in both of Talisman's Farrell Creek and Cypress A plays. These transactions are comprised of an initial 25% cash payment plus a 75% capital carry on Talisman's share of future expenditures. The partnership will also be examining alternative gas marketing options including the economic feasibility of constructing a gas-to-liquids ("GTL") project in western Canada using Sasol's GTL technology.

Williston Reservoir Water Pipeline Project

On August 31, 2011 the Corporation announced its participation in a water pipeline project that would result in significant cost reductions during the development of the Corporation's Farrell Creek Montney play. The water pipeline project is a joint venture between the Corporation and Canbriam with CSRI holding a 25% working interest and Canbriam retaining a 75% working interest.

The project, to be operated by Canbriam, has approval to deliver up to 10,000 cubic meters of water per day from the Williston Reservoir to the Farrell Creek/Altares area in northeastern British Columbia on a year-round basis for the next twenty years. Once in operation, the project will materially reduce the cost of delivering a secure supply of water used in the stimulation of horizontal wells and will lessen the impact on local communities and infrastructure by reducing the need to transport water overland to drilling sites. Construction of this project was recently completed with commissioning expected in early summer of 2012.

Isk Wollastonite Mineral Property, British Columbia:
No field work has been conducted at the Isk Wollastonite mine site since 2002. This asset is available for farm-out or sale.

NATURAL GAS LAND HOLDINGS

The following table sets forth the Corporation's land holdings, in acres, as at December 31, 2011:

	Undeveloped Acreage (1)		Developed Acreage (2)		Total Acreage	
Property	Gross (3)	Net (4)	Gross (3)	Net (4)	Gross (3)	Net (4)
British Columbia:						
Gething Formation	38,131	37,808	-	-	38,131	37,808
Montney Formation	46,409	24,969	3,200	1,120	49,609	26,089
Total	84,540	62,777	3,200	1,120	87,740	63,897

Notes:
(1) Undeveloped acreage refers to exploration lands on which wells have not been drilled or if drilled, not completed to a point that would permit production or if producing not have proved or probable reserves assigned to it.
(2) Developed acreage refers to lands from which production is being obtained with proved or probable reserves.
(3) Gross acres refers to the total number of acres in which an interest is held. The Corporation uses a conversion factor of 2.471 to convert hectares to acres for British Columbia lands.
(4) Net acreage equals gross acres multiplied by the percentage working interest of the Corporation therein.

RESERVES DATA AND OTHER OIL AND GAS INFORMATION

The Corporation had production volumes and reserves as at December 31, 2011. For more information, the Corporation's Form 51-101F1 Statement of Reserves Data and Other Oil and Gas Information and related documents have been filed on SEDAR at www.sedar.com and on the Corporation's website at www.csri.ca.

CAPITALIZED COSTS RELATED TO NATURAL GAS ACTIVITIES

	Unproved (E&E) Properties		Proved (D&P) Properties	
As at December 31	2011	2010	2011	2010
Lease acquisitions and retentions	**$ 19,086,931**	$ 17,865,456	**$ 392,184**	$ -
Geological and geophysical	**328,973**	389,391	**66,519**	-
Drilling, completions and facilities	**22,529,469**	33,650,434	**19,316,230**	-
Net revenue during development stage	**(13,309)**	(13,309)	**-**	-
Capitalized overhead	**4,038,366**	3,988,566	**571,736**	-
Asset retirement obligation	**916,800**	676,104	**233,347**	-
Total natural gas properties	**46,887,230**	56,556,642	**20,580,016**	-
Accumulated depletion	**-**	-	**(1,469,068)**	-
Accumulated impairment	**(1,172,908)**	(1,172,908)	**(14,480,225)**	-
Net capitalized costs	**$ 45,714,322**	$ 55,383,734	**$ 4,630,723**	$ -

COSTS INCURRED IN NATURAL GAS ACTIVITIES

The Corporation’s natural gas capital program for each of the last two years is detailed in the following table:

For the years ended December 31	2011	2010
Lease acquisitions and retentions	**$ 1,613,659**	$ 4,269,875
Geological and geophysical	**11,030**	4,929
Net expenditure on drilling, completion and facilities costs	**17,134,251**	14,557,804
Capitalized overhead	**621,536**	679,222
Total natural gas expenditures	**$ 19,380,476**	$ 19,511,830

For the year ended December 31, 2011, gross capital expenditures, including land acquisitions but before British Columbia government incentive Summer Drilling and Deep Royalty Credits earned of $3.7 million, totaled $19.4 million (2010: $19.5 million), compared to a budgeted capital expenditure of $16.2 million (2010: $19.7 million). The capital expenditures in excess of budget for the twelve months ended December 31, 2011 were mainly as a result of unexpected cost overruns from the Corporation’s joint venture partner, Canbriam, relating to the completion of the c-45-I and c-B18-I wells, the drilling of the 12-07 well, and the construction of the Williston Reservoir Water Pipeline Project.

The Corporation’s capital budget is reviewed and approved by the Board of Directors on a quarterly basis. The Corporation’s Board of Directors has approved a total capital expenditure budget for 2012 of $2.0 million (net), including an estimated $0.5 million for capitalized overhead. CSRI has budgeted for $0.2 million (net) of capital expenditures for the first quarter 2012. Any additional capital required to complete CSRI’s share of the Montney program for 2012 of $2.0 million (net) is expected to be raised either via the capital markets, generated internally by cash flow from operating activities, or sourced from borrowings against the Corporation’s line of credit.

Cash administration expenses (general and administrative expenses excluding share-based compensation) for 2012 are expected to total $1.9 million (2011: $2.3 million), before capitalization of exploration and development related overhead. The Corporation has budgeted for operating netbacks from the Farrell Creek Montney operations of $0.7 million during 2012, which may not be fully achieved due to continued weak natural gas prices.

COMPETITIVE CONDITIONS

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

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

ENVIRONMENTAL CONSIDERATIONS

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

The Corporation makes provisions in its accounts for future asset retirement costs. The Corporation records the present value of legal obligations associated with the retirement of long-lived intangible and tangible assets, such as producing and non-producing well sites and natural gas processing plants, in the period in which they are incurred with a corresponding increase in the carrying amount of the related long-lived asset. The liability accretes until the Corporation settles the retirement obligation. The carrying amounts of the long-lived assets are depleted using the unit of production method. Actual costs to retire tangible assets are deducted from the accumulated liability as incurred. At December 31, 2011, the Corporation has accrued a long term liability of $1,559,628 for asset retirement obligations. Other than normal abandonment and restoration costs, the Corporation is not aware of any material expenditures that will be required in 2012 to meet applicable federal, provincial and local government regulations.

SOCIAL RESPONSIBILITIES

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

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

RISK FACTORS

Development Stage Corporation

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

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

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

Reliance on Key Personnel

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

Joint Venture Election

Pursuant to the joint venture agreement, Shell could elect to move to the development stage of the Gething joint venture which would include the pooling of the Shell and CSRI lands and an additional capital investment by Shell. On June 18, 2010, Shell elected not to continue to the development stage and as a result shut-in the gas facility in early July 2010. As per the joint venture agreement, the Corporation is now the operator of the Gething project and will retain 100% working interest in its 59 sections (37,760 acres) of Shallow Rights, the gas facility, the additional wells and the related infrastructure at no additional cost. The Corporation also holds a right-of-first-refusal to acquire Shell's approximately 95 sections of Shallow Rights. Due to low prevailing natural gas prices, the Corporation has suspended the gas facility until natural gas prices rebound and options for further development of the Gething project can be evaluated.

Operating Risks

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

Government Regulation

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

Environmental Risks

All phases of the oil and natural gas industry present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and Canadian federal, provincial and municipal laws and regulations. Environmental legislation provides for, but is not limited to, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with the Corporation's current and future operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs.

Land Acquisition and Tenure

Rights to explore for and extract hydrocarbons, are generally acquired from the Crown or private parties and require 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 Corporation 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 Corporation acquired its existing mineral rights from the Province of British Columbia during the last seven years, and through drilling expenditures on these lands through the first quarter 2012 has retained a substantial portion of these mineral rights. To reduce the risk of losing its current mineral rights, the Corporation has entered into the Deep Rights joint venture in return for drilling expenditures on its lands. This will allow the Corporation to allocate its financial resources to additional land acquisition as well as drilling and development.

Exploration

The Corporation, through a joint venture partner, is exploring the resource potential of the geological formations below the base of the Cadomin/Nikanassin zone with a focus on the Montney Formation. A number of successful vertical and horizontal wells have been drilled into these deeper formations in the vicinity of the Corporation's lands and public information is now available on a number of these wells. This has significantly reduced the exploration risk associated with the Montney Formation in the area. Exploration risk includes both determining the existence of commercial quantities of hydrocarbons and the ability to recover any potential resource economically. Recognizing the technical expertise, operating capability and financial resources needed to explore these deeper formations, the Corporation has entered into a joint venture which will result in the exploration of its Deep Rights at Farrell Creek with the joint venture partner bearing the initial capital cost of this program.

Operating Capability

The Corporation is pursuing large unconventional natural gas projects that if successful will require operating staff and experience to fully develop. The Corporation 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 Corporation has entered into the Deep Rights joint venture pursuant to which a substantial party with the necessary experience and skills has assumed operatorship.

Production

Future natural gas exploration or development may involve unprofitable efforts from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal oilfield operating conditions cannot be eliminated and can be expected to adversely affect revenue, cash flow and financial condition levels to varying degrees.

Changes to Royalty Regime
Crown royalties are determined by government regulation and are generally calculated as a percentage of the value of the gross production. The rate of royalties payable generally depends in part on prescribed reference prices, well productivity, geographical location, field discovery date, method of recovery, and the type or quality of the petroleum product produced.

Occasionally, provincial governments create incentive programs for exploration and development. Such programs often provide for royalty rate reductions, royalty holidays, and tax credits, and are generally introduced when commodity prices are low. The programs are designed to encourage exploration and development activity by improving earnings and cash flow within the industry. Royalty holidays and reductions would reduce the amount of Crown royalties paid by oil and gas producers to the provincial governments and would increase the net income and cash flows from operating activities of such producers. Some provincial governments have eliminated, amended or allowed such incentive programs to expire without renewal. There can be no assurance that the Government of British Columbia or the Government of Canada will not adopt a new royalty regime or modify the methodology of royalty calculations which could increase the royalties paid by the Corporation. An increase in royalty could reduce the Corporation's earnings and/or it could make capital expenditures by the Corporation uneconomic.

Reserve Estimates
Estimates of proved plus probable reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Recovery factors and drainage areas were estimated by experience and analogy to similar producing pools. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves, and such variations could be material.

In accordance with applicable securities laws, the Corporation's independent reservoir engineering consultants have used forecast prices and costs in estimating the reserves and future net cash flows. Actual future net cash flows will be affected by other factors, such as actual production levels, supply and demand for natural gas, curtailments of increases in consumption by natural gas purchasers, changes in government regulation or taxation, and the impact of inflation on costs.

Actual production and cash flows derived from the Corporation's natural gas reserves will vary from the estimates contained in the reserve evaluation, and such variations could be material. The reserve evaluation is based in part on the assumed success of activities the Corporation intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom contained in the reserves evaluation will be reduced to the extent that such activities do not achieve the level of success assumed in the reserve evaluation. The reserve evaluation is effective as of a specific effective date and has not been updated and thus does not reflect changes in the Corporation's reserves since that date.

Commodity Prices
The Corporation'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 Corporation's investment decisions and once commercial natural gas production is established, it will impact the Corporation's revenue. The Corporation considers publically available price forecasts for natural gas in its evaluation of investment economics and returns.

Share Price Volatility
The market price of the Corporation's shares could be subject to wide fluctuations in response to the Corporation's results of operations, changes in earnings estimates by analysis, changing conditions in the oil and gas industry, or changes in general market, economic or political conditions.

Financial Resources and Liquidity
The Corporation'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 the continued support of its shareholders, favourable capital market conditions and obtaining additional equity financing on reasonable terms. Without the support of any one of these factors, or a number of them together, the Corporation's ability to continue its operations could be compromised.

To minimize financial risk, the Corporation pre-funds all capital commitments in the equity markets and does not utilize debt in these early stages of development. Included in such capital commitments is a minimum level of administrative and operating costs to see the Corporation through the current equity market and commodity price downward cycles. With $2.5 million of working capital as at the date of this report, minimal immediate capital commitments and the $3.5 million line of credit, the Corporation is in a fair position to continue with its 2012 business plan during the current volatility in equity and commodity markets.

Environment and Public Policy
The exploration, development and production activities of the Corporation 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 component expected to be produced during production operations that would impact the environment is formation water. The formation water is currently re-injected into deep geologic formations at a commercial facility and in future, may be re-injected at Corporation owned facilities.

EMPLOYEES
As at January 1, 2012 the Corporation employed 9 full time employees.

DESCRIPTION OF CAPITAL STRUCTURE

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

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MARKET FOR THE SECURITIES OF THE CORPORATION

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

TRADING PRICES AND VOLUME

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

		Price Range $/share		
Year	**Month**	**High**	**Low**	**Volume**
2011	January	1.90	1.50	922,556
	February	1.74	1.55	1,062,997
	March	1.63	1.36	3,103,985
	April	1.50	1.30	1,020,763
	May	1.44	1.31	692,731
	June	1.45	1.23	763,783
	July	1.33	1.10	2,607,803
	August	1.26	0.94	565,264
	September	1.15	0.78	419,839
	October	0.98	0.81	410,580
	November	0.90	0.62	1,369,439
	December	0.80	0.55	2,070,183
2012	January	0.65	0.53	4,520,874
	February	0.65	0.53	1,722,326
	March (1-29)	0.65	0.47	2,449,714

PRIOR SALES

Please refer to the share issuances as described in “General Development of the Business” on Page 2.

DIVIDENDS

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

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DIRECTORS AND EXECUTIVE OFFICERS

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

DIRECTORS AND EXECUTIVE OFFICERS

Name and Municipality of Residence	Director or Executive Officer Since	Principal Occupation During the Last Five Years
J.R. RICHARD COUILLARD (2) (3) Alberta, Canada Director and Chairman of Reserves Committee	May 2003	President and Chief Executive Officer of Rock Well Petroleum Inc. since March 2009. Consultant from June 2008 until February 2009. Chief Executive Officer of Escavar Energy Inc. from September 2003 to June 2008.
DONALD R. GARDNER Alberta, Canada Executive Officer and Director	January 2003	Chief Executive Officer of the Corporation since February 2008. Chief Financial Officer of the Corporation from January 2003 to December 2008.
PHILLIP D.C. GEIGER Alberta, Canada Executive Officer and Director	January 2003	President of the Corporation since January 2003. Chief Operating Officer of the Corporation since May 2002.
PHILIP H. GRUBBE (1) (2) Alberta, Canada Director and Chairman of the Audit Committee	May 2004	Consultant since May 2008. Vice President, Finance and Chief Financial Officer of AltaCanada Energy Corp. from April 2006 to April 2008.
DEAN. G. HILL Alberta, Canada Executive Officer	December 2006	Chief Financial Officer of the Corporation since December 2008. Vice President, Finance of the Corporation since December 2006.
JOSEPH IANNICELLI (1) (3) Ontario, Canada Director	November 2011	Senior Advisor, Enterprise Marketing Strategies of OMERS Investment Management Inc. since March 2012. President & Chief Executive Officer of Standard Life Assurance Company of Canada from January 2005 until February 2012.
PAUL A. SMOLARCHUK Alberta, Canada Executive Officer	May 2010	Vice President, Engineering & Operations of the Corporation since May 2010. Operations Manager of the Corporation from December 2007 to April 2010. President of Colt Ventures Ltd. from May 2007 to November 2007. Vice President, Business Development of Canyon Services Group Inc. from February 2006 to May 2007.
ALFRED B. SORENSEN (1) (2) Alberta, Canada Director	January 2012	President of Peiridae Energy Ltd. since September 2011. President of Galveston LNG Inc. from September 2003 to December 2010.
SUSANNAH S. TAM (1) (3) Québec, Canada Director and Chairman of Compensation Committee	June 2011	Chief Financial Officer of Metafoam Technologies Inc. since 2008. Vice President, Corporate Finance, SR Telecom Inc. from 2005-2008.
GEORGE W. WATSON Alberta, Canada Director and Chairman of the Board	July 2002	Chairman of CriticalControl Solutions Corp. since Decemer 2010. Executive Chairman of CriticalControl Solutions Corp. from November 2007. Chief Executive Officer of CriticalControl Solutions Corp. from July 2002 to November 2007.

Notes:
(1) Messrs. Grubbe, Iannicelli, Sorensen and Ms. Tam are currently members of the Audit Committee.
(2) Messrs. Couillard, Grubbe and Sorensen are currently members of the Reserves Committee.
(3) Messrs. Couillard, Iannicelli and Ms. Tam are currently members of the Compensation Committee.
(4) The Corporation does not have an executive committee.

SHAREHOLDINGS OF DIRECTORS AND EXECUTIVE OFFICERS

As of March 29, 2012, the directors and executive officers of the Corporation and their associates, as a group, directly or indirectly, own or exercise control or direction over 1,651,978 Common Shares of the Corporation, representing 2.2% of the currently issued and outstanding Common Shares of the Corporation. See "Additional Information" on Page 16 of this Annual Information Form.

ORDERS

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

BANKRUPTCIES

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

J.R. Richard Couillard, director of the Corporation since May 2003, reported that in December 2008 Rock Well Petroleum Inc. ("Rock Well") filed for protection under the *Companies' Creditors Arrangement Act* (Canada) ("CCAA") and similar legislation in the United States. In March 2009, new directors and executive officers were appointed to manage Rock Well including Mr. Couillard who, in addition to being appointed to the Board of Directors, was also appointed as President and Chief Executive Officer. Under the guidance of the new management team, Rock Well successfully reached a compromise with its creditors and exited the CCAA proceedings in September 2009.

George W. Watson, director and Chairman of the Board of the Corporation since July 2002, reported that to the best of his knowledge that RepeatSeat Ltd., a company for which Mr. Watson was a director of until June 2009, became insolvent during 2009 but did not become legally bankrupt, did not make a proposal under any legislation relating to bankruptcy or insolvency proceedings, nor was subject to any arrangements or compromises with its creditors.

George W. Watson is also a director of Fortress Energy Inc. ("Fortress"). On March 2, 2011, the Court of Queen's Bench of Alberta granted an order (the "Order") under the *Companies' Creditors Arrangement Act* (Canada) ("CCAA") staying all claims and actions against Fortress and its assets and allowing Fortress to prepare a plan of arrangement for its creditors if necessary. Fortress took such a step in order to enable Fortress to challenge a reassessment issued by the Canada Revenue Agency ("CRA"). As a result of the reassessment, if Fortress had not taken any action, it would have been compelled to immediately remit one half of the reassessment to the CRA and Fortress did not have the necessary liquid funds to remit, although Fortress had assets in excess of its liabilities with sufficient liquid assets to pay all other liabilities and trade payables. Fortress believed that the CRA's position was not sustainable and vigorously disputed the CRA's claim. Fortress filed a Notice of Objection to the reassessment and on October 20, 2011 announced that its Notice of Objection was successful, CRA having confirmed there were no taxes payable. As the CRA claim had been vacated and no taxes or penalties were owing Fortress no longer required the protection of the Order under the CCAA and on October 28, 2011 the Order was removed. On March 3, 2011 the TSX suspended trading in the securities of Fortress due to Fortress having been granted a stay under the CCAA. In addition the securities regulatory authorities in Alberta, Ontario and Quebec issued a cease trade order with respect to Fortress for failure to file its annual financial statements for the year ended December 31, 2010 by March 31, 2011. The delay in filing was due to Fortress being granted the CCAA order on March 2, 2011 and the resulting additional time required by its auditors to deliver their audit opinion. The required financial statements and other continuous disclosure documents were filed on April 29, 2011 and the cease trade order was subsequently removed. On September 1, 2010 Fortress closed the sale of substantially all of its oil and gas assets. As a result of the sale Fortress was delisted from the TSX on March 30, 2011 as it no longer met minimum listing requirements.

PENALTIES AND SANCTIONS

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

CONFLICTS OF INTEREST

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

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

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

AUDIT COMMITTEE INFORMATION

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

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

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

INTEREST OF MANAGEMENT & OTHERS IN MATERIAL TRANSACTIONS

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

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is Computershare Investor Services Inc., 9th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1.

MATERIAL CONTRACTS

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

INTERESTS OF EXPERTS

GLJ Petroleum Consultants Ltd. ("GLJ") has prepared an independent report to assess the Corporation's gas-in-place resources. As at the date hereof, neither GLJ nor any of its partners and associates own any securities or other property of the Corporation.

ADDITIONAL INFORMATION

Additional information, including directors and executive officers remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans if applicable, is contained in the Information Circular of the Corporation dated March 29, 2012. Additional financial information is provided in the audited financial statements of the Corporation for the year ended December 31, 2011 and related management discussion and analysis. Such documents are available through the Internet on the Canadian *System for Electronic Document Analysis and Retrieval* (SEDAR) which can be accessed at www.sedar.com.

SCHEDULE "A" TO THE ANNUAL INFORMATION FORM

AUDIT COMMITTEE INFORMATION

The Audit Committee Charter
The Charter of the Audit Committee commences on Page 2 of this Schedule “A”.

Composition of the Audit Committee
The Audit Committee consists of Mr. Philip H. Grubbe (Chairman), Mr. Joseph Iannicelli, Mr. Alfred B. Sorensen and Ms. Susannah S. Tam. The Board of Directors has determined that all members of the Audit Committee are "independent" and "financially literate" as defined in National Instrument 52-110.

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

Philip H. Grubbe, Chair of the Audit Committee, has over thirty years experience as a financial executive with various public companies in the oil and gas industry. Mr. Grubbe is currently a consultant but previously was the Vice President, Finance and Chief Financial Officer of AltaCanada Energy Corp. from April 2006 to April 2008. Mr. Grubbe also served as the Chairman of the Audit Committee of High Plains Energy Inc. from April 2003 until March 2005. Mr. Grubbe was Vice President, Finance and Chief Financial Officer with Upton Resources Inc. from 1997 to 2004. Mr. Grubbe obtained a Bachelor of Commerce degree from Queen’s University and is a Chartered Accountant.

Joseph Iannicelli, Member of the Audit Committee, has over 15 years experience as a senior public company executive. Mr. Iannicelli is currently a Senior Advisor with OMERS Investment Management Inc. but previously was the President and Chief Executive Officer of Standard Life Assurance Company of Canada from January 2005 to February 2012. This followed 10 years of progressively more senior management roles within the Canadian operations of Standard Life. Mr. Iannicelli obtained a Bachelor of Administrative Studies degree as well a Specialized Honours Bachelor of Arts, Economics degree from York University.

Alfred B. Sorensen, Member of the Audit Committee, has over 25 years experience in senior financial and executive positions within North American and European deregulated energy markets. Mr. Sorensen is currently an independent consultant but previously was founder and served as President of Galveston LNG Inc. from September 2003 to December 2010. Mr. Sorensen served as Chair of the Audit Committee of Sierra Geothermal Power Corp. from July 2008 to January 2010. Mr. Sorensen was President of Duke Energy Europe from May 2000 to June 2002. Mr. Sorensen obtained a Bachelor of Commerce degree from University of Alberta and is a Chartered Accountant.

Susannah S. Tam, Member of the Audit Committee, has over 20 years of extensive financial management experience in the Americas and Asia, particularly greater China in the innovative technology industry. Ms. Tam is currently the Chief Financial Officer of Metafoam Technologies Inc. and has been in that position since 2008. Ms. Tam was Vice President, Corporate Finance with SR Telecom Inc. from 2005 to 2008. Ms. Tam obtained a Bachelor of Arts, Mathematics degree from Mills College and a Master of Business Administration, Finance from Concordia University.

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

Pre-Approval Policies and Procedures

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

External Auditor Service Fees (By Category)

The following table presents fees for the audits of the Corporation's annual financial statements for 2011 and 2010 and for other services provided by PricewaterhouseCoopers LLP:

	2011	**2010**
Audit fees	$45,000	$40,000
Audit-related fees (1)	$50,000	$38,000
Tax fees	$Nil	$Nil
All other fees (2)	$Nil	$22,000

NOTES:

(1) Audit-related fees in 2011 were for quarterly reviews, including the first quarterly review under IFRS. Audit-related fees in 2010 were for quarterly reviews and prospectus related audit services.

(2) Other fees in 2010 refer to the IFRS opening balance sheet audit.

Exemption

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

CHARTER OF THE AUDIT COMMITTEE

POLICY STATEMENT

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

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

COMPOSITION OF THE COMMITTEE

1. The Committee shall consist of four (4) directors.

2. Each director appointed to the Committee by the Board shall be independent as such term is defined in Section 1.4 of National Instrument 52-110.

3. Each member of the Committee shall be financially literate as such term is defined in Section 1.6 of National Instrument 52-110 and at least one (1) member shall have accounting or related financial management expertise.

4. The Board shall appoint the members of the Committee and shall appoint one (1) member of the Committee to be the Chair of the Committee.

5. A director appointed by the Board to the Committee shall be a member of the Committee until replaced by the Board or until his or her resignation. A member shall cease to be a member of the Committee upon ceasing to be a director of the Corporation.

6. The Secretary of the Corporation shall act as Secretary of the Committee or shall nominate a suitable alternate.

MEETINGS OF THE COMMITTEE

1. The Committee shall convene a minimum of four (4) times each year at such time and places as may be designated by the Chair of the Committee and whenever a meeting is requested by the Board, a member of the Committee, the external auditors, or a senior officer of the Corporation.

2. Notice of each meeting of the Committee shall be given to each member and to the external auditors, who shall be entitled to attend each meeting of the Committee and shall attend whenever requested to do so by a member of the Committee or the Secretary of the Committee.

3. Notice of a meeting of the Committee shall:
    a) Be in writing.
    b) State the nature of the business to be transacted at the meeting in reasonable detail.
    c) To the extent practicable, be accompanied by copies of documentation to be considered at the meeting.
    d) Be given at least forty-eight (48) hours notice preceding the time stipulated for the meeting or such shorter period as the members of the Committee may permit.

4. A quorum for the transaction of business at a meeting of the Committee shall consist of two (2) members of the Committee.

5. A member of the Committee may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities, provided it permits all persons participating in the meeting to communicate adequately with each other. A member participating in such a meeting by any such means is deemed to be present at the meeting.

6. In the absence of the Chair of the Committee, the members of the Committee shall choose one of the members present to be Chair of the meeting and, in the absence of the Secretary of the Committee, the members shall choose one of the persons present to be the Secretary of the meeting.

7. The Committee may invite the Chairman of the Board, other directors, senior management of the Corporation and other parties to attend meetings of the Committee; however, the Committee may meet separately with the external auditors or with invited Management.

8. At each regular meeting of the Committee, the agenda shall include an opportunity for the members of the Committee to meet in-camera.

9. Minutes shall be kept of all meetings of the Committee and shall be signed by the Chair and the Secretary of the meeting.

10. Minutes of the meetings of the Committee shall be retained by the Secretary of the Corporation and shall be available on request to any member of the Board.

DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

1. The Committee's primary duties and responsibilities are to:
    a) Select and recommend the nomination and compensation of the external auditors.
    b) Oversee the independence, work and performance of the Corporation's external auditors.
    c) Review the principal risks that could impact the financial reporting of the Corporation and monitor how Management is dealing with such risks.
    d) Monitor the integrity of the Corporation's disclosure and financial reporting process and its system of internal controls regarding financial reporting and accounting compliance.
    e) Provide an avenue of communication and dispute resolution among the external auditors, Management, the internal auditing department, if any, and the Board of Directors.

2. The Committee shall annually select and recommend to the Board the nomination of an external auditor, recommend the replacement of the current external auditor when circumstances warrant and monitor the independence, work and performance of the external auditors. This may include:
   a) Considering the views of Management in respect of the nomination of the external auditors.
   b) Reviewing and recommending for approval by the Board, the terms of the external auditor's engagement, including the reasonableness of the proposed audit fees.
   c) Reviewing in advance, any engagement for non-audit services to be provided by the external auditor's firm or its affiliates, together with estimated fees, and considering the potential impact of such services on the independence of the external auditors.
   d) When there is to be a change of external auditors, reviewing all issues and providing documentation related to the change, including the information to be included in the Notice of Change of Auditors and documentation called for under National Instrument 51-102 as defined in Section 4.11 and the planned steps for an orderly transition.
   e) Reviewing all reportable events, including disagreements, unresolved issues and consultations with external auditors, as defined by applicable securities policies, on a routine basis, whether or not there is to be a change of external auditors.

3. In carrying out its primary duties and responsibilities, the Committee shall:
   a) Review the annual audit plan with the external auditors and with Management.
   b) Discuss with Management and the external auditors any proposed changes in major accounting policies or principles, the potential impact of significant risks and uncertainties on future operations, and key estimates and judgments of Management that may be material to financial reporting.
   c) Review with Management and with the external auditors significant financial reporting issues arising during the most recent fiscal period and the resolution or proposed resolution of such issues.
   d) Review any problems experienced or concerns expressed by the external auditors in performing an audit, including any restrictions imposed by Management or significant accounting issues on which there was a disagreement with Management.
   e) Review periodically with Management the Corporation's disclosure controls and procedures as such term is defined in Multilateral Instrument 52-109 and monitor the certification process set out therein.
   f) Review audited annual financial statements and related documents in conjunction with the report of the external auditors and obtain an explanation from Management of all significant variances between comparative reporting periods.
   g) Consider and review with Management, the internal control memorandum or management letter containing the recommendations of the external auditors and Management's response, if any, including an evaluation of the adequacy and effectiveness of the internal financial controls of the Corporation and subsequent follow-up to any identified weaknesses.
   h) Review with Management and the external auditors the quarterly unaudited financial statements before release to the public.
   i) Before release, review and if appropriate, recommend for approval by the Board, all public disclosure documents containing audited or unaudited financial information including any annual report, annual information form, management discussion and analysis of operations, prospectus (and all documents which may be incorporated by reference into such prospectus) and all other securities offering documents of the Corporation.
   j) Review periodically with Management the internal procedures implemented to review any other public disclosure of financial information extracted or derived from the Corporation's financial statements.

4. In addition, the Committee shall:
   a) Oversee the receipt, review and follow-up of questions, concerns or complaints pursuant to the Corporation's Code of Business Conduct and Ethics and the procedures set out in Appendix "A" thereto.
   b) Review with Management at least annually, the financing strategy and funding plans of the Corporation.
   c) Review the amount and terms of any insurance to be obtained or maintained by the Corporation with respect to risks inherent in its operations and potential liabilities incurred by the directors or officers in the discharge of their duties and responsibilities.
   d) Monitor financial and accounting personnel succession planning within the Corporation and review the appointments of the Chief Financial Officer and any key financial managers who are involved in the financial reporting process.
   e) Inquire into and determine the appropriate resolution of any conflict of interest in respect of audit or financial matters.
   f) Periodically review with Management the need for an internal audit function.
   g) Quarterly, review any legal matter that could have a significant impact on the Corporation's financial statements, and any enquiries received from regulators, or government agencies.
   h) Report to the Board at the earliest opportunity after each meeting, the results of its activities and any reviews undertaken and make recommendations to the Board as deemed appropriate.
   i) Bi-annually assess the performance of the Committee.

<u>RESOURCES AND AUTHORITY</u>

1. The Committee will be provided with resources commensurate with the duties and responsibilities assigned to it by the Board including administrative support. If deemed necessary by the Committee, it will have the discretion to institute investigations of improprieties or suspected improprieties, including the standing authority to retain independent counsel or advisors and to set their compensation.

2. The Committee shall have the authority to:
   a) Inspect any and all of the books and records of the Corporation, its subsidiaries and affiliates.
   b) Discuss with any officer of the Corporation, its subsidiaries and affiliates, the Chief Financial Officer and senior staff of the Corporation, any affected party and the external auditors, such accounts, records and other matters as any member of the Committee considers necessary and appropriate.

<u>CHARTER HISTORY</u>

Date approved by the Board of Directors:	January 19, 2006
Amendment approved by the Board of Directors:	May 26, 2009
Amendment approved by the Board of Directors	May 16, 2010