



NEWS RELEASE

CANADIAN SPIRIT RESOURCES INC. ANNOUNCES SECOND QUARTER 2010 OPERATIONS AND FINANCIAL RESULTS

Calgary, AB August 23, 2010 – Canadian Spirit Resources Inc. (“CSRI” or the “Corporation”) (TSXVENTURE:SPI) (OTCBB:CSPUF) announces the release of its interim financial results and Management Discussion and Analysis for the three and six month periods ended June 30, 2010 (all amounts in Canadian dollars).

OPERATIONAL HIGHLIGHTS FROM THE SECOND QUARTER

Montney Formation

- The joint venture increased its Montney rights from 47 sections to 51 sections (gross). CSRI now has approximately 30 net sections of Montney rights in the Farrell Creek area of northeastern British Columbia.
- The Operator, Canbriam Energy BC Partnership (“Canbriam”), continues to progress with the \$49.0 million (gross) capital program for 2010.
 - The c-A48-I well was stimulated in the lower portion of the Montney Formation. With only two stages flowing, the well had an initial production rate of 3.5 mmcf/d, and a stabilized rate of 2.0 mmcf/d over a seven day period.
 - An additional upper Montney horizontal leg will also be drilled and completed from the existing wellbore at c-A48-I by year-end.
 - The first of two horizontal wells targeting the upper portion of the Montney Formation has been drilled and cased from the c-18-I pad. A second well, from the same pad, is currently being drilled. It is expected that this second well will be drilled and cased by the end of September, with both wells to be stimulated in October.
 - A gas facility is expected to be commissioned during the fourth quarter of 2010. It will have an initial capacity of 10 mmcf/d and will be scalable to 50 mmcf/d.

Gething Formation

- Shell Canada Energy (“Shell”) elected not to continue to the development stage.
- CSRI therefore is currently in the process of assuming operatorship of the Gething project and will retain 100% working interest in its 58 sections of shallow rights, as well as acquire the gas facility, the additional wells and the related infrastructure at no additional cost.
- The Corporation is currently minimizing its expenditures on the Gething project and is considering several options that include seeking a new joint venture partner to further develop the Gething rights.

FINANCIAL HIGHLIGHTS

- Completed a private placement of 3 million Flow-Through Shares at a price of \$1.40 per share for total gross proceeds of \$4.2 million
- The exercise of warrants since the end of the second quarter has added \$1.7 million to working capital position
- Currently the Corporation has \$13.2 million of net working capital (\$0.23/share)
- No debt

Financial Update

Selected Financial Data and Second Quarter Results

For the six month periods ended or as at June 30	2010	2009
Total revenue	\$ 23,027	\$ 24,481
Net loss and comprehensive loss (after income taxes)	\$ (124,766)	\$ (861,319)
Net loss and comprehensive loss per share (basic & diluted)	\$ -	\$ (0.02)
Total current assets	\$ 11,877,052	\$ 10,712,379
Total assets	\$ 52,095,786	\$ 45,645,847
Total current liabilities	\$ 69,207	\$ 117,757
Total long term liabilities	\$ 414,626	\$ 221,112
Net working capital	\$ 11,807,845	\$ 10,594,622
Net capital expenditures	\$ 4,875,438	\$ 259,861

The Corporation recorded a net loss after taxes of \$124,766 for the first six months of 2010 compared to a net loss of \$861,319 for the same period of 2009. The Corporation had no operating revenue in either period. Revenue during the first half of 2010 of \$23,027 (2009: \$24,481) represents interest on cash deposits and other miscellaneous income.

Long-term financial liabilities of \$414,626, as at June 30, 2010 (2009: \$221,112) represent the present value of future well and facility reclamation obligations. The increase as at June 30, 2010 is due to the Corporation's expected assumption of 100% of the reclamation and abandonment costs related to the Gething project upon the Corporation assuming operatorship.

The following table details the general and administrative expenses of the Corporation for the three and six months ended June 30, 2010 and 2009:

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Consulting fees	\$ 43,755	\$ 68,253	\$ 61,819	\$ 97,394
Salaries and benefits	271,498	234,897	571,760	454,396
Other general administration	178,061	163,966	340,501	339,355
	<u>493,314</u>	<u>467,116</u>	<u>974,080</u>	<u>891,145</u>
Capitalized and other costs	(113,474)	(64,275)	(231,666)	(208,452)
	<u>379,840</u>	<u>402,841</u>	<u>742,414</u>	<u>682,693</u>
Stock-based compensation	145,776	95,922	511,265	182,385
Capitalized portion of stock-based compensation	(42,011)	-	(147,248)	-
	<u>103,765</u>	<u>95,922</u>	<u>364,017</u>	<u>182,385</u>
	<u>\$ 483,605</u>	<u>\$ 498,763</u>	<u>\$ 1,106,431</u>	<u>\$ 865,078</u>

Cash administrative expenses for the six month periods ended June 30, 2010 and 2009, after capitalization of costs directly associated with exploration and development activity, were \$742,414 and \$682,693 respectively, an increase of 9%. The increase is partially due to general increases in staff salaries and benefits, but offset by a decrease in consulting services procured by the Corporation. Overhead and other expenses capitalized as either petroleum and natural gas assets or share issue costs in the first six months of 2010 were \$231,666 compared to \$208,452 in the first six months of 2009.

Stock-based compensation, prior to capitalization, for the first six months of 2010 was comprised of stock option expense of \$511,265 (2009: \$182,385). During the six months ended June 30, 2010, the Corporation capitalized \$147,248 (2009: \$Nil) of stock-based compensation expense for those employees of the Corporation directly involved in exploration and development activities.

Natural gas capital expenditures for the three and six months ended June 30, 2010 and 2009 are detailed in the following table:

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Lease acquisitions and retentions	\$ 3,719,572	\$ 28,075	\$ 3,782,237	\$ 53,304
Geological and geophysical	1,788	52,930	3,166	55,385
Net (recovery of) drilling and completion costs	19,460	3,628	704,835	(57,734)
Capitalized overhead	154,885	63,675	377,714	207,252
Total net natural gas expenditures	<u>\$ 3,895,705</u>	<u>\$ 148,308</u>	<u>\$ 4,867,952</u>	<u>\$ 258,207</u>

Operations Update

Montney Formation

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 28,400 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 wells into the Montney Formation in exchange for a 65% working interest. Prior to fulfilling their initial expenditures of \$28.6 million, Canbriam may elect 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.

Since conducting evaluation tests on two vertical Montney wells on the eastern block of Farrell Creek in late 2008, Canbriam has 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 location, the joint venture chose to drill a horizontal well into the lower Montney from the c-A48-I location. This was the first known horizontal well targeting the lower Montney in the Farrell Creek area and the results significantly exceeded CSRI's expectations. Though operational issues prevented the flow-back from the first three of five fracture stages of the well, two stages had an initial production rate of 3.5 mmcf/d, and stabilized at a rate of 2.0 mmcf/d over a seven day period. The operator is currently attempting to reach and test the first three fracture stages.

The capital program for the balance of 2010 will include the drilling and stimulating of three horizontal wells targeting the upper portion of the Montney Formation at Farrell Creek, and the construction of a sweet gas processing facility. Two of the three horizontal wells will be drilled and completed at the c-18-I/94-B-1 pad location and an additional horizontal leg will be drilled and completed from the c-A48-I well. The first of two horizontal wells from the c-18-I pad has been drilled and cased, with the second well currently being drilled towards the Montney Formation. The b-17-I wellbore is currently being prepared to install micro-seismic equipment to map the fracturing of the c-18-I and c-A18-I horizontal wells. Expanding the 2010 capital program to include a horizontal leg at b-17-I is currently being considered. The gas facility is expected to be tied into the Spectra Energy pipeline and commissioned during the fourth quarter of 2010. The facility, located near the b-17-I wellsite, will be expandable with an initial capacity of 10 mmcf/d. Three wells are expected to be flowing natural gas through this facility by year-end.

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") recently moved its adjacent Montney shale play into commercial production and expects to be producing 40-60 mmcf/d by year end with a capital investment of \$450 million (\$350 million in the Farrell Creek area) planned for their Montney shale program in 2010. Talisman has also advised that the capacity of their Farrell Creek Gas Plant will be increased to 120 mmcf/d during the third quarter 2010.

In April 2010, Sproule estimated the Corporation's total gross discovered and undiscovered resources to range from 3.6 trillion cubic feet to 8.4 trillion cubic feet of natural gas (over 47 sections) in the Montney Formation joint venture. This estimate was based on well data provided by CSRI and using limestone porosity cutoffs of 6% and 3% respectively. On average, this provided resource values from 77 bcf (using a 6% cutoff) to 178 bcf (using a 3% cutoff) per section in the Montney Formation.

Since the Sproule resource report, CSRI has purchased approximately 15.5 sections (net) and the joint venture has increased its Montney rights from 47 sections to 51 sections (gross). The Corporation currently has a total of 29.5 net sections (18,880 acres) of Montney rights in the Farrell Creek area.

Canbriam has approved plans for a capital investment of up to \$49.0 million (gross) in the Farrell Creek Montney program for 2010. CSRI's share of capital expenditures on the Montney joint venture in 2010 range from \$6.0 million to \$14.5 million conditional upon whether Canbriam exercises their option to increase their working interest from 65% to 70% in 2010. If Canbriam exercises this option, the Corporation will retain a 30% working interest in the Montney joint venture and will be carried through an additional \$21.4 million capital investment. The Montney joint venture development plans are expected to achieve a meaningful level of production, revenue and reserves by the end of 2010. As a next step, CSRI intends to use the production and reserve results of the Montney play to apply for a listing on the Toronto Stock Exchange in early 2011.

Gething Formation

On July 17, 2008 the Corporation announced that it had entered into a joint venture with Shell to advance the development of the identified unconventional natural gas resource in the Gething Formation on a combined total of approximately 150 contiguous sections or 96,000 acres located in the Farrell Creek area. Shell's \$50.0 million initial capital commitment included the acquisition of additional land, the drilling of five vertical wells and the construction of facilities to tie-in the Pilot Project. The pilot facility is scalable and currently has a capacity of up to 1.1 mmcf/d. Seven Gething wells were tied into the pilot facility and the facility produced its first gas in June 2009.

Sproule Unconventional Limited ("Sproule"), in their 2009 year-end report dated April 2010, estimated the Corporation's total gross discovered and undiscovered petroleum initially-in-place (resources) in the Gething, Moosebar and Gates Formations to be 1.8 trillion cubic feet of natural gas. Based on well data provided by the Corporation, Sproule estimated a range of 21 to 34 bcf per section in the Gething Formation and a range of 6 to 8 bcf per section in the Moosebar and Gates Formations. Since the Sproule resource report, the Corporation has increased its net Shallow Rights land position to 58 sections (37,120 acres).

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 will now become the operator of the Gething project and will retain 100% working interest in its 58 sections of Shallow Rights, as well as acquire the gas facility, the additional wells and the related infrastructure at no additional cost. Over the course of the joint venture, Shell invested approximately \$32.0 million in development and infrastructure. As a result, CSRI was able to increase its understanding of the Gething Formation and expects to benefit from the future use of the facilities and infrastructure at no cost to the Corporation. The gas facility is expandable and may be used for other purposes in the immediate area. CSRI holds a right-of-first-refusal on Shell's surrounding 95 sections of Gething lands. The Corporation is currently minimizing its expenditures on the Gething project and is considering several options that include seeking a new joint venture partner to further develop the Gething Rights.

CSRI is a natural resources company focusing on the identification and development of opportunities in the unconventional gas sector of the energy industry. The mission of the Corporation is to develop 1 trillion cubic feet of natural gas from resource plays in western Canada.

Information regarding CSRI is available on SEDAR at www.sedar.com or the Corporation's website at www.csri.ca.

On behalf of the Board of Directors,
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