



**Market Data**

52-Week Trading Range	\$2.34-\$1.01
Shares Outstanding, Basic (mm)	74.6
Shares Outstanding, Diluted (mm)	77.0
Market Capitalization (\$mm) (basic)	108.2
Net Debt	(21.1)
Enterprise Value (\$mm)	87.0

**Operational Summary**

Production (boe/d) (Feb 1 <sup>st</sup> )	460
Gross TGIIP, 6% porosity (Montney) tcf	5.0
Montney Net Undeveloped Land (sections)	34.4

**Management Team**

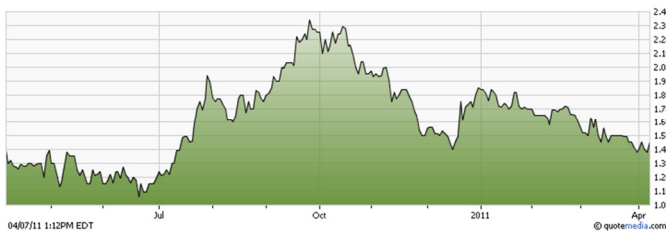
Donald (Don) Gardner	CEO & Corp. Secretary
Phillip (Phil) Geiger	Pres. & COO
Dean Hill	V.P.F & CFO
Paul Smolarchuk	V.P. Eng & Ops

**Land Holding Summary (Sections)**

Formation	Gross	Net	WI
Montney	71.1	34.4	48%
Canbrian JV	53.2	16.5	31%*
SPI	17.9	17.9	100%
Gething	59.6	59.1	99%

\*Includes land parcels where SPI holds WI of 20% or less

**Price/Volume Chart**



Source: [www.tmx.quotemedia.com](http://www.tmx.quotemedia.com), ThomsonOne, Company reports, Casimir Capital Ltd.

**Gas Resource Estimate Increases**

**Key Catalysts**

- SPI recently announced an increase in Montney resource estimates of 39% over 2009 in its Farrell Creek lands in northeastern British Columbia.
- Company gross discovered GIIP is 1,028 bcf and undiscovered GIIP is 1,294 bcf. This compares to 2009 figures of 478 bcf and 678 bcf, respectively.
- The company estimates TGIIP per section to be in the range of 75 bcf (6% porosity cutoff) and 163 bcf (3% porosity cutoff).
- SPI's independent engineer's best estimate (P50) of company interest Contingent Resources is 134 bcf (high and low estimates 577 bcf and 48 bcf), while it's best estimate (P50) of company interest Prospective resources is 274 bcf (high and low estimates 675 bcf and 202 bcf).
- SPI's net acreage at Farrell Creek has grown to 22,000 net acres (34.4 net sections). Out of this, 18,800 net acres (29.4 net sections) were evaluated at the end of 2010. In addition, approximately 900 Hz wells are estimated to be required for full area development.
- The company expects its next reserve report to be released in May of this year. This report will include the five net sections of Montney rights acquired after December 31, 2010 as well as SPI's three current wells on production, which include two lower Montney horizontal wells (c-A48 and b-17) as well as the c-18 upper Montney horizontal well.

**Outlook**

- We believe the updated resource estimate is positive for SPI as it provides further confidence of the natural gas potential on its lands.



**Montney Formation Resource Assessment**

Sproule Unconventional Ltd., SPI’s an independent engineering evaluator, provided a resource assessment of the Montney formation on SPI’s Farrell Creek lands. The assessment did not include the Doig and Doig phosphate intervals, which the company notes have been fracture stimulated and tested by other Farrell Creek operators. Additionally, approximately 5 sections of adjacent Montney rights acquired by SPI after December 31, 2010 were not included in the resource assessment. In total, SPI holds 34.4 net sections of Montney rights in Farrell Creek. Please refer to figure 1 for a comparison of Sproule’s 2009 and 2010 reports. We note that TGIIP increased by 39% from 2009-2010.

**Figure 1: GIIP Annual Changes (Gross and Company Gross)**

**Summary of Annual Changes Gross and Company Gross Natural Gas Initially-In-Place**

Resource Classification	Gross GIIP bcf (raw)		Company Gross GIIP bcf (sales)	
	2009	2010	2009	2010
Discovered GIIP (1)	1,378	2,654	478	1,028
Undiscovered GIIP (2)	2,243	2,370	648	1,294
TGIIP	3,621	<b>5,024</b>	1126	<b>2,322</b>
% Increase (2009-2010)	<b>39%</b>		<b>106%</b>	

(1) There is no certainty that it will be commercially viable to produce any portion of this resource.

(2) There is no certainty that any portion of this resource will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of this resource.

Source: Company reports, Casimir Capital Ltd.

The company notes that this assessment was completed using a 6% limestone porosity cutoff, which is an industry standard. Using this cutoff, TGIIP was estimated to be 5,024 bcf. However, the company requested using a 3% limestone porosity cutoff as well. Under this cutoff, TGIIP was estimated by Sproule to be 10,904 bcf. In terms of TGIIP per section, the company estimates a range between 75 bcf (6% cutoff) to 163 bcf (3% cutoff).



Canadian Spirit Resources Inc. (SPI-CN, \$1.45)

SPI reported that its best estimate (P50) of its Contingent Resources is 134 bcf (high and low estimates 577 bcf and 48 bcf), while it's best estimate (P50) of its Prospective Resources is 274 bcf (high and low estimates 675 bcf and 202 bcf). Please refer to figure 2 for a summary of SPI's of natural gas resources within the Montney formation in Farrell Creek area.

Figure 2: Summary of natural gas resources

Summary of Natural Gas Resources Within the Montney Formation in the Farrell Creek Area of British Columbia

Table with 6 columns: Classification & Category, Company Gross (i) Natural GIIP bcf (raw), Company Gross Contingent Gas Resources bcf (Sales) (1), Classification & Category, Company Gross (i) Natural GIIP bcf (raw), Company gross (i) Prospective Gas Resource bcf (sales). Rows include DISCOVERED and UNDISCOVERED categories with Low, Best, and High estimates.

(i) Company working interest (operating or non-operating) share before deduction of royalties.

(1) As at December 31, 2010, the contingency that prevents the classification of Contingent Gas Resources as reserves is that reported volumes do not meet the economic requirement of reserves.

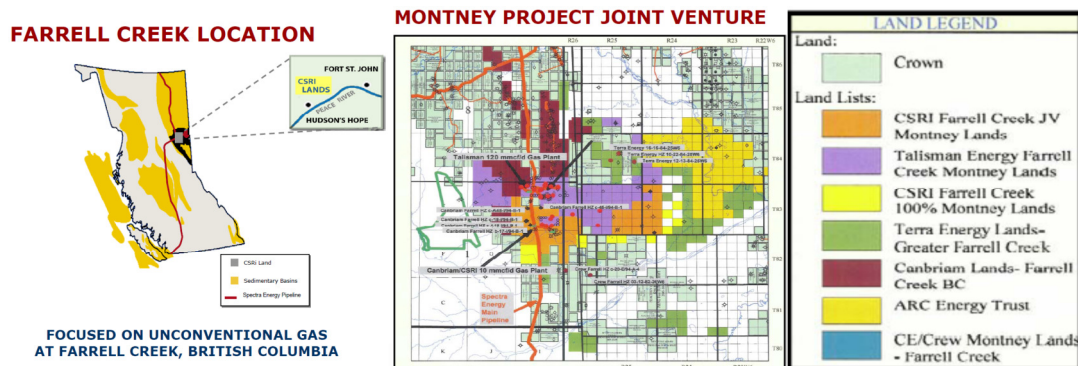
Source: Company reports, Casimir Capital Ltd.

Operations overview

Canadian Spirit holds over 34 net sections of Montney rights, in close proximity to the Talisman Energy (TSX:TLM) and Sasol Limited (NYSE:SSL) Farrell Creek lands. The Farrell Creek area is located 15 kilometres north of Hudson's Hope, British Columbia.

As of February 22, 2011, SPI was flowing natural gas from three wells through its Farrell Creek gas plant. Since going on-stream at the end of January, gross daily production averaged approximately 8 mmcf/d. Drilling of a horizontal well targeting the upper Montney was recently spud and was currently completed. This well, c-B18-I/94-B-1 is the sixth Montney horizontal well drilled on the joint venture lands by Canbriam Energy BC Partnership (the "Operator").

Figure 3: SPI Land Position



Source: Company reports, Casimir Capital Ltd.



Canadian Spirit Resources Inc. (SPI-CN, \$1.45)

Corporate Summary:

Canadian Spirit Resources Inc. (SPI) is a junior natural resources company focusing on the identification and development of opportunities in the unconventional gas sector. More specifically, SPI has extensive Montney and Gething rights in the Farrell Creek area of N.E. British Columbia. SPI’s joint venture partner, Canbriam Energy, is a private company funded by Arc Financial, Warburg Pincus, GE Capital and Blackrock.

SPI has a strong management led by Chief Executive Officer, Don Gardner. Prior to joining SPI, Don was Executive Vice President and CFO of Canadian 88 Energy Corp from 1999 until 2002, Senior Vice President and CFO of Rigel Energy Corporation from 1991-1999 and Treasurer of Alberta Energy Company Ltd. for two years. He has over 30 years of experience in the Canadian conventional oil and gas industry. We believe the company has high quality assets and a strong management team that will create long term value for investors.

Figure 4: Company Management and Directors

Management Team		Directors
Donald (Don) Gardner	CEO	George W. Watson (Chair)
Phillip (Phil) Geiger	Pres. & COO	Rudolf Cech
Dean Hill	V.P.F & CFO	J.R. Richard Couillard
Paul Smolarchuk	V.P. Eng & Ops	Donald Gardner
Randy Karst	Ex. Manager	Philip Grubbe
		Robert Winnitoy
		Phillip D.C. Geiger

Source: Company reports, Casimir Capital Ltd.



Canadian Spirit Resources Inc. (SPI-CN, \$1.45)

Company Name	Disclosures
Canadian Spirit Resources Inc.	1

**Disclosure List**

1. Within the last 12 months, Casimir or its affiliates have provided investment banking and/or related services for the subject issuer.
2. Within the last 12 months, a director, officer, or analyst with Casimir has provided services for remuneration, other than investment advisory or trading services, to the subject issuer.
3. The research analyst(s) or a member of the research analyst's(s) household has a long position in the shares and/or is long calls/short put options of the subject issuer
4. Casimir or its affiliates is a market maker, or is associated with the specialist that makes a market in the securities of the subject issuer.
5. Casimir or its affiliates collectively beneficially own 1% or more of any class of the issuer's equity securities.
6. An employee, officer, or director of Casimir is a member of the Board of Directors, Officer of, or an advisor to, the subject issuer.
7. The research analyst(s) has viewed the material operations of the subject issuer.

**Analyst Certification.** Each analyst of Casimir Capital Ltd. whose name appears in this research report hereby certifies that (i) the recommendations and opinions expressed in the research report accurately reflect the research analyst's personal views about any and all of the securities or issuers discussed herein that are within the analyst's coverage universe and (ii) no part of the research analyst's compensation was, is, or will be, direct or indirectly related to the provision of specific recommendations or view expressed by the research analyst in the research report..

The compensation of Research Analysts and Research Associates is intended to reflect the value of the services they provide to the clients of Casimir Capital. As with most other employees, the compensation of Research Analysts is impacted by the overall profitability of the firm, which may include revenues from investment banking activities of the firm's Corporate Finance department. Research Analysts' compensation is not, however, directly related to any specific corporate finance transactions.

**Distribution Policy.** Casimir endeavours to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as mail, fax, email, or by posting to Casimir proprietary websites.

**Disclaimer.** This report has been prepared by Casimir Capital Ltd. ("Casimir")

Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information contained herein is for information purposes only and this report is not, and is not to be construed as, and offer to sell or a solicitation of an offer to buy any securities. The information and opinions contained herein have been compiled or derived from the sources believed reliable, but no representation or warranty, expressed or implied, is made to their accuracy or completeness. Neither Casimir nor its affiliates accepts any liability whatsoever for any loss arising from any use of this report or its contents.

Casimir and/or its affiliates may have acted as financial adviser and/or underwriter for certain of the issuers mentioned herein and may have received remuneration for such services. Casimir, its affiliates and/other respective officers, directors and employees may from time to time acquire, hold or sell positions in the securities mentioned herein as principal or agent.

Not for distribution in the United States.

**Affiliate Related Disclosure.** Canadian Spirit Resources Inc. (the "subject company") is currently a client of Casimir Capital L.P. and its affiliate Casimir Capital Ltd. and has been a client during the 12-month period preceding the date of distribution of this research report. During aforementioned period, Casimir Capital L.P. and its affiliate Casimir Capital Ltd. provided investment banking services to the subject company, acted in an underwriting capacity for the subject company and received compensation for these services from the subject company. Casimir Capital L.P. and its affiliate Casimir Capital Ltd. intend to seek compensation for investment banking services from the subject company during the next 3 months. This report has been prepared by Casimir Capital Ltd., not Casimir Capital L.P. and is therefore deemed by Casimir Capital L.P. to be a Third-Party Research Report as per FINRA rules and regulations.



**Investment Ratings System**

Casimir’s system for rating investment opportunities defines three levels of expected performance based on the level of total return expected within 12-months of making a recommendation relative to the expected average total return of that issuer’s sector. The issuer’s sector is defined as the group of companies that are engaged in the same business activity within the same equity market.

Below is a summary example of these investment ratings:

Investment Rating	Rating Description – Expected total return over the next 12 months	Ratings Distribution
Overweight	A security, which at the time the rating is instituted and or reiterated, indicates an expectation of outperformance relative to the market by at least 10% over the next 12 months.	3
Equalweight	A security, which at the time the rating is instituted and or reiterated, indicates an expectation of a total return relative to the market of between negative 10% and 10% over the next 12 months.	0
Underweight	A security, which at the time the rating is instituted and or reiterated, indicates that we expect it to underperform the market by at least 10% over the next 12 months.	0
Speculative	Rating represents a security where the return potential is high, but the risk of a significant loss is material.	0
Not Rated	A security which at the time the rating is instituted and or reiterated, indicates that we have no opinion or expectation as to the price of the security over the next 12 months.	0
Not Covered	Casimir Capital Ltd. does not have an opinion about this security.	0
Restricted / Under Review		0

In addition, Analysts will also rate the risk associated with holding the securities of an issuer by assigning it to one of the following categories based on that issuer’s financial, operational and market risk and stock price volatility relative to the average company within the issuer’s sector:

Risk Rating	Rating Description
Speculative	Materially exceeds sector average
Above Average	Exceeds sector average
Average	In-line sector average
Below Average	Below sector average

The highest risk rating is “Speculative”, indicating that an issue is subject to materially higher than average levels of risk that may be associated with a small operational size, market capitalization or public float leading and/or substantial event specific risk that could adversely impact an issue’s share price substantially.