

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)	126.8
Net Debt (\$mm)	(21.1)
Enterprise Value (\$mm)	105.7

Operational Summary

Production (boe/d) – current est.	N/A
Gross TGIP (Montney) tcf	5.5-12.7
Net Undeveloped Land (acres)	

Valuation (Consensus)

	2010E*	2011E
EV/boepd (curr)	N/A	N/A
P/CF	N/A	N/A
EV/DACF	N/A	N/A

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

Price/Volume Chart



Source: www.tmx.quotemedia.com, ThomsonOne, Company reports, Casimir Capital Ltd.

Event

- SPI announced that it has **first production** from its Montney wells at Farrell Creek. Three wells including c-A48-I, c-18-I, and b-17 with potential of more than 10 mmcf/d gross should all be on-stream by the end of this week. Initial production rates for the b-17 well tested at 3.5 mmcf/d, while the c-18-I tested at 4.7 mmcf/d and finally, the c-A48-I tested at 8 mmcf/d.
- We note that SPI's gas processing facility is scalable up to 50 mmcf/d, but initial capacity is at 10 mmcf/d (gross).
- We anticipate that if the plant is running at full capacity that SPI should generate enough cash flow to cover its current G&A rate of ~\$175,000 per month.
- Following the three wells on production, SPI anticipates to complete and tie-in the c-45-I/94-B-1 horizontal well and drill the sixth horizontal well into the Montney formation at Farrell Creek by the end of Q1/11.
- SPI plans to complete and tie in in the c-A18-I well following spring breakup. This is in-line with our expectation.

Financials/Valuation

- Strong balance sheet with zero debt and a working capital position of \$21.1 million.
- Based on the recent transaction between Talisman and Sasol, SPI values its 34 net Montney sections in at ~\$10.20 per share (unrisked).

Outlook

- We believe 2011 is going to be a positive year for SPI as it plans to drill 3 wells in the Montney, with possible re-entry into the Cambrian well.
- With producing assets, we anticipate that SPI will engage an independent engineering firm for an updated resource report. We note that SPI's internal evaluation based on the Sproule Report dated April 2010 estimated the net TGIP was between 2.6 and 6.1 tcf in the Montney alone. We believe that there is a potential for an upward revision based on the production from the first three wells.

Please see final page for affiliate related disclosures

Canadian Spirit Resources Inc. (SPI-CN, \$1.70)

Planned Activity

Canadian Spirit's near term activity, post bringing the three wells (c-A48-I, b-17-I and c-18-I) on production will be to focus on drilling its sixth horizontal well into the Montney formation at Farrell Creek. Further, SPI is expected to drill another three wells this year with production additions slated for 2H/11.

Figure 1: Farrell Creek Stratigraphy

Formation	Lithology	Approximate Depth To Top (m)	Estimated Gas In Place (Bcf/Section)		
Moosebar/Gates	Shale	400	7 ¹	CSRI Shallow Rights	
Bluesky	Sandstone	650	?		
Gething	Coal/Dirty Coal/Shale/Silt/Sandstone "Organically Rich Rock Package"	700	28 ¹		
Cadomin/Nikanassin	Sandstone	950	?		
Fernie/Pokerchip/Nordegg	Organic Shale	1300	15 ³		
Pardonet/Baldonnel	Shale/Silt/Sandstone	1350	?	Cambrian/CSRI Joint Venture	
Charlie Lake	Shale/Silt/Sandstone/Salt	1400			
Coplin Unconformity	Shale/Silt/Sandstone/Salt	1550			
Halfway	Conventional Sandstone	1700	?		
Doig	Shale	1750	30 ²		
Phosphorus Zone (Lower Doig)	Organic Rich Shale	1900	50 ²		
Montney	Shale/Siltstone	2100	77-178 ¹		
Belloy	Sandstone	2400	?		
		TOTAL	>207 - 308		

1 Sproule Discovered and Undiscovered Resource Estimate (April 2010)
2 B.C. Government Resource Estimate (May 2006)
3 Based on a Competitors News Release (April 2006)

Land Holding Summary (Sections)		
	Gross	Net
Montney Formation	71.1	34.4
Canbriam JV	53.2	16.5
100% CSRI	17.9	17.9
Gething Formation	59.6	59.1

Source: Company reports, Casimir Capital Ltd.

Bottom Line:

With production coming on stream, we expect that SPI will now be able to fund its overhead expenses this year and use its capital toward drilling, seismic and/or potential purchase of additional lands. We believe that 2011 will be an active year for SPI.

Corporate Summary:

Canadian Spirit Resources Inc. (SPI) is a junior natural resources company focused on the identification and development of opportunities in the unconventional gas sector. More specifically, SPI has extensive Montney & Gething rights in the Farrell Creek area of N.E. British Columbia. Sproule Unconventional Limited completed an independent valuation and estimates that SPI/Canbriam JV lands contain TPIIP of 2.6 tcf to 6.1 tcf in the Montney alone. 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 solid management team that will create long term value for investors.

Figure 2: Company Management and Directors

Management Team		Directors
Donald (Don) Gardner	CEO & Corp. Secretary	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
		Philip Grubbe
		Robert Winnitoy
		Phillip D.C. Geiger

Insider Holdings: 2.2%

Source: Company reports, Casimir Capital Ltd.

Select Q3/10 Highlights
Figure 3: Operational figures

Ave Daily Production		Operating netback (\$ per boe)		Financials (\$m)	
Crude oil (bbl per day)	N/A	Petroleum & nat. gas revenue	N/A	Funds flow from operating activities	(339.7)
Natural gas (Mcf per day)	N/A	Royalties	N/A	Weighted ave. shares outstanding	57,372
Boe per day (6:1)	N/A	Operating expenses	N/A	Capital expenditures	4,111
Crude oil production (%)	N/A	Transportation expenses	N/A	Working capital	8,811
		Operating netback	N/A		

Source: Company reports, Casimir Capital Ltd.

Figure 4: Financial Figures

Consensus Estimates	2010E	2011E
FD EPS	N/A	N/A
FD CFPS	N/A	N/A
Net Debt	N/A	N/A
D/CF	N/A	N/A

Source: Bloomberg, Casimir Capital Ltd.

Canadian Spirit Resources Inc. (SPI-CN, \$1.70)

Company Name	Disclosures
Canadian Spirit Resources Inc.	1

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Canadian Spirit Resources Inc. (SPI-CN, \$1.70)

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Below is a summary example of these investment ratings:

Investment Rating	Rating Description – Expected total return over the next 12 months	Ratings Distribution
Outperform	Exceeds sector average	0
Perform	In-line sector average	0
Underperform	Below sector average	0
Restricted / Under Review		0

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