

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)	127.6
Net Debt (\$mm)	(21.1)
Enterprise Value (\$mm)	106.5

Operational Summary

Production (boe/d) – current est.	460
Gross TGIP (Montney) tcf	5.5-12.7
Montney Lands (net sections)	34

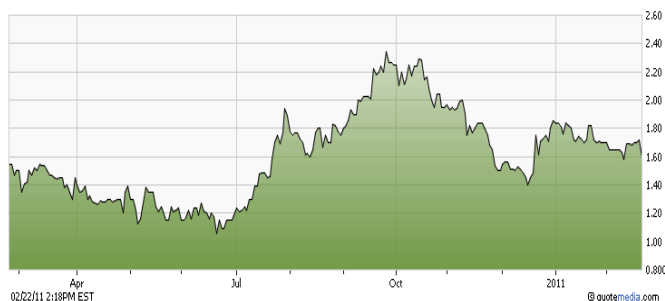
Valuation (Consensus)

	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** numbers from its Montney wells at Farrell Creek. CSRI is flowing natural gas from three wells including c-A48-I, c-18-I, and b-17-I. Since going on-stream at the end of January, daily production has averaged approximately 8 mmcf/d gross (2.8 mmcf/d net). CSRI has a working interest of 35%, which works out to approximately 460 boe/d (net).
- This initial production is a big step forward in proving up the Montney potential of its lands.
- The Company also reported that drilling of its sixth horizontal well is currently underway. SPI's c-B18-I/94B-1 was recently spud and is expected to be fracture stimulated and completed in Q3/11. This well should be tied in for production in Q3/11 along with two existing upper Montney horizontal wells that are waiting on completion (c-A18-I and c-45-I/94-B-1).
- SPI notes the reasoning for delaying the completion and tie-in of its c-45-I/94-B-1 well is 1) to save costs by completing the next three wells together and 2) spring break-up is approaching.

Financials/Valuation

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

Outlook

- We believe 2011 should be a positive year for SPI as it has producing assets, thus generating cash flow and continued activity with 3 additional wells on-stream by Q3/11 and up to 3 additional horizontal wells to be drilled in the Montney.

Canadian Spirit Resources Inc. (SPI-CN, \$1.71)

Planned Activity

As a result of bringing its first three wells on-stream, Canadian Spirit's near term activity will be to focus on drilling its sixth horizontal well (c-B18-I/94-B-1) into the Montney formation at Farrell Creek. This well was recently spud and is currently being drilled. This well, along with two others (c-A18-I and c-45-I/94-B-1) currently waiting on completion should be tied-in around early Q3/11. Additionally, 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 now on stream, SPI is one step further to proving up the Montney potential of its existing lands. Although its current production numbers are slightly below the estimated potential of 10 mmcf/d that was initially anticipated, we believe this news still bodes well for SPI.

Canadian Spirit Resources Inc. (SPI-CN, \$1.71)

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, \$1.71)

Company Name	Disclosures
Canadian Spirit Resources Inc.	1

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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

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

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