

Canadian Spirit Resources Inc.

(SPI-V: C\$1.39)

Energy Watch List Update

April 28, 2011

BUY, Venture Risk*

12-month target price: N/A

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2010 Results - Building on the Momentum

Summary: Positioned to reap the rewards from an active 2010

An active 2010 drilling program led to Canadian Spirit significantly de-risking their Montney land base at Farrell Creek in N.E. B.C. 2010 saw Canadian Spirit, together with their joint venture partner, Canbriam Energy BC partnership (a private company) drill a total of 5 horizontal wells and prove productive capacity from both the Upper and Lower Montney zones. Further support for the Montney play in the area came from the joint venture agreement from Talisman (TLM-T not rated) with a major South African company that will enable increased development activity on a neighboring land base.

While there is no question a significant amount of gas lies under Canadian Spirit's land base (this was reaffirmed with the recently updated Sproule report) we would like to see further positive production results from the Upper Montney, unfortunately given spring break up we won't see any results until the third quarter. Despite the delay in near term drilling catalysts, we are maintaining our BUY rating as we see the significant resource in place and offsetting competitor activity as key drivers for the stock.

2010 Financial and Operating Highlights:

- Spent \$19.5 million developing their Farrell Creek land position, testing both the Lower and Upper Montney zones with 5 horizontal wells drilled
- Drilled the first Lower Montney well in the area, which had initial production rates of 8 mmcf/d or 1 mmcf/ fracture treatment. This well was followed up with an Upper Montney test (4.7 mmcf/d) and another Lower Montney test (3.5 mmcf/d).
- Through a combination of public offerings, private placements and the exercise of warrants, Canadian Spirit raised total gross proceeds of \$36.5 million in 2010. The company exited the year with \$21 million in cash.

2011 Update and Outlook:

- The three tested wells (1 Upper Montney and 2 Lower Montney) are currently on production at combined gross rates of 5 mmcf/d through the partnerships 10 mmcf/d gas processing facility. Canadian Spirit has a 35% working interest in both the production and the processing facility.
- Three Upper Montney wells are expected to be completed in the third quarter and with positive initial production rates we would not be surprised to see the partnership expand the gas processing facility another 10 mmcf/d
- Planning to spend \$16.2 million in 2011 with the majority to be funded from Canadian Spirit's working capital. Helping fund some of the expenses will be cash flow and a possible bank line. The company is anticipating 2011 cash flow of \$2.2 million and with a reserve report due out shortly we would expect the company to establish a lending facility.
- Current working capital position of \$18.6 million is expected to cover the necessary capital commitments through the first half of 2012

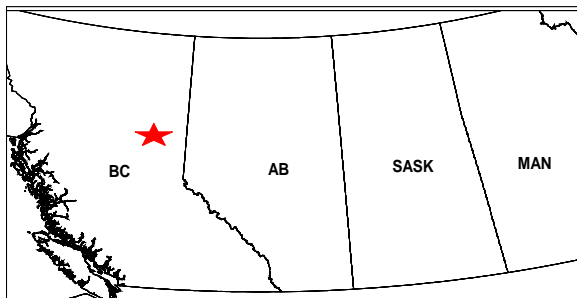
See Attached One Page Summary for Additional Information

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Source: GeoScout, DSC.

Operational Summary		
Production (estimate)	(boe/d)	290
% Gas	%	100%
P+P Reserves	(mmbbls)	N/A
Net Undev. Land	acres	59,840

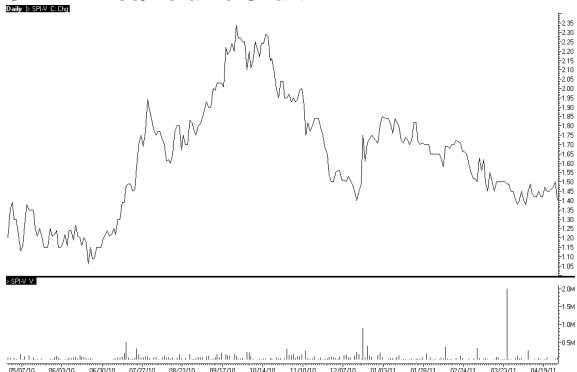
Source: Company Reports, DSC

Management Team & Directors	
Don Gardner	CEO & Secretary
Phillip Geiger	President & COO, Director
Dean Hill	VP Finance & CFO
George Watson	Director, Chairman
Rudolf Cech	Director
J.R. Richard Couillard	Director
Phillip Grubbe	Director
Robert Winnitoy	Director

Management/Directors Ownership: 3.9%

Source: Company Reports, DSC

SPI-V: Price/Volume Chart



Source: Thomson ONE

Corporate Summary

- Canadian Spirit Resources is an emerging junior oil and gas exploration company focused on unconventional gas in northeast British Columbia, primarily targeting the Montney and Getting formations in the Farrell Creek area.
- The company has begun to develop its 71 sections of Montney land where the company has a joint venture with Canbriam Energy whereby CSRI holds a 35% working interest. Further to this, CSRI holds 17.9 additional sections of Farrell Creek Montney lands at 100%.

Key Catalysts

- Production now on stream and are currently producing 3 wells through their Farrell Creek facility. Recently completed drilling an additional Montney well in the first quarter of 2011, bringing the total to 6 horizontal wells.
- Going to complete and test three horizontal Upper Montney wells that were recently drilled. These wells are expected to be completed and tested in the third quarter 2011.
- Capable of further expanding gas processing capacity at Farrell Creek to 50 mmcf/d. Current capacity sits at 10 mmcf/d. Planning to drill an additional 3 Montney wells in 2011, spending a total of \$16.2 million for the year.
- Large joint venture agreement in the adjacent vicinity has illustrated significant Montney success to date and expects to average 2011 producing 100-120 mmcf/d of natural gas from the area.

Financials/Valuation

- Estimated net working capital position of over \$18 million with no debt.
- Canadian Spirit has a current market capitalization of \$105 million with a 77.5 million fully diluted shares outstanding. Based on current production, currently trades at \$70,000 boe/d.

Summary

Canadian Spirit is an emerging Montney player focused in northeast British Columbia in the Farrell Creek area. The significant success by a large competitor on adjacent lands provides comfort as to the overall resource that may be at stake.

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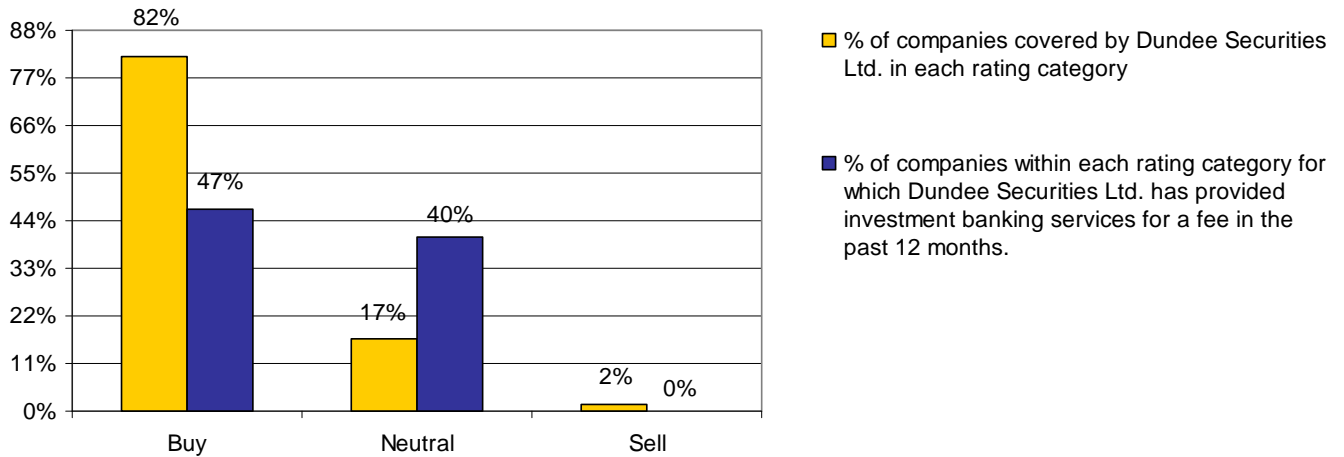
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