



BUY, Venture Risk*
12-month target price: N/A

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Canadian Spirit Takes Over Gething Pilot Project Operations

Summary: Canadian Spirit assumes operations of Gething Pilot Project

Canadian Spirit Resources (CSRI) announced its joint venture partner, Shell Canada Energy, has elected not to proceed with the pooling of their shallow rights at Farrell Creek and will transfer operatorship and assets associated with the joint venture to Canadian Spirit. The key focus for CSRI in the short term continues to be on its Montney exploration program at Farrell Creek with one horizontal well undergoing completion operations and a second horizontal currently drilling. We continue to believe Canadian Spirit offers investors access to an emerging Montney resource player with significant growth upside.

Summary of the Gething Pilot Project

- **As a result of Shell's election not to proceed with the joint venture, CSRI will retain a 100% working interest in ~ 55 net sections (32,500 acres of shallow rights from the surface to the base of the Cadomin/Nikanassin formation).** In addition to this, CSRI also holds a right-of-first-refusal on approximately 95 sections (60,800 acres) of contiguous lands held by Shell. In total the combination of these lands would represent 150 net sections (96,000 acres) of shallow rights in the Farrell Creek region of northeast British Columbia.
- **In addition to the lands mentioned above, CSRI will assume ownership of the Farrell Creek Gething pilot project assets at no additional cost.** These assets include an expandable 1.1 mmcf/d gas facility, a pipeline capable of transporting 60 mmcf/d of production from the facility to the Spectra mainline, and five additional pilot Gething wells drilled by Shell in the project to date.
- **Shallow Gething program will not be the focus in the short term, but may offer additional upside at higher gas prices.** Management has indicated they plan to minimize capital expenditures on the Gething pilot project in the short term until a development program and funding strategy have been determined. The go forward strategy will involve applying and analyzing different completion methods in an effort to attain commercial results.

Farrell Creek Montney Update

- **Fracture stimulation operations of the C-A48-I horizontal well targeting the lower Montney formation are set to begin with operations expected to be concluded within the next few weeks.** In addition to the completion operations of this well, CSRI has spud its second horizontal Montney well (C-18-I), with its partner Canbriam targeting the upper Montney formation. In total, CSRI and its joint venture partner Canbriam plan to have results from four horizontal Montney wells in 2010.

Conclusion: Catalysts Around the Corner!

While the Gething program offers potential additional upside for the company in the future, the main focus of Canadian Spirit remains to be on its Montney program. With completion results of Canadian Spirit's first horizontal Montney well around the corner along with subsequent horizontal drilling ongoing, this proves to be an exciting time for the company. We continue to believe Canadian Spirit offers investors an attractive way to gain access to an emerging Montney player in a resource base that is garnering significant attention from some of the countries largest producers. Given this we rate the shares of Canadian Spirit a BUY with a Venture risk rating.

See attached one-page company summary for more information.

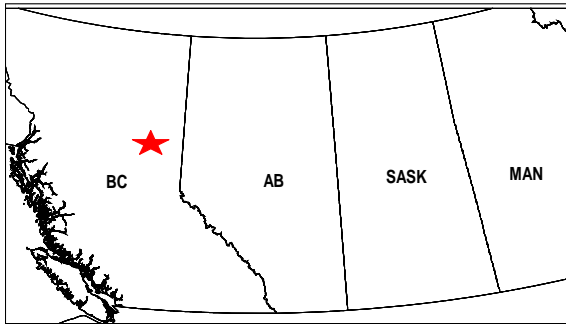
Canadian Spirit Resources Inc.

(SPI-V \$1.18)

Energy Watch List

June 21, 2010

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Source: GeoScout, DSC.

Operational Summary (Q3/09 figures)		
Production	(boe/d)	N/A
% Gas	%	N/A
P+P Reserves	(mmbbls)	N/A
Net Undev. Land	acres	34,560

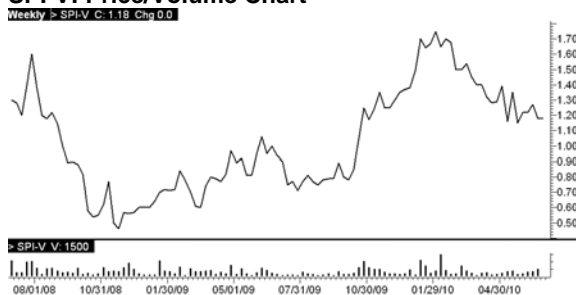
Source: Company Reports, DSC

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: 3.1%

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 Gething formations in the Farrell Creek area.
- The company has begun to develop its 44 sections of Montney rights through a joint venture with Canbriam Energy whereby CSRI holds a 35% working interest.

Key Catalysts

- Canadian Spirit with its partner Canbriam have drilled the C-A48-1 horizontal well targeting the lower Montney formation with completion activity ongoing. Results are expected to be released mid year 2010.
- Recently commenced drilling of the second horizontal Montney well in the program. Plan to drill an additional two horizontal Montney wells throughout the year.
- Currently constructing a 20 mmcf/d centralized gathering and processing facility to be in place by late Q3/Q4 2010.
- Large competitor in the adjacent vicinity has illustrated significant Montney success to date and expects to exit 2010 producing 40-60 mmcf/d of natural gas from the area.

Financials/Valuation

- Estimated cash position of \$12.1 million with no debt. The company expects to begin funding its working interest share of the Montney program in mid to late 2010.
- Current market capitalization of ~\$65 million with 54 million (58 million fully diluted) shares outstanding.

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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Note 1: All historical data including financial and operating data on the issuer(s) mentioned in this report come from publicly available documents including statutory filings of these issuer(s). Data may also be sourced from Bloomberg, Baseline, Thomson ONE.

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Valuation methodologies used in determining the 12-month target price(s) for the issuer(s) mentioned in this report are contained in current and/or prior research. Target Price N/A: a target price is not available if the analyst deems there are limited financial metrics upon which to base a reasonable valuation.

BUY: total returns expected to be materially better than the overall market with higher return expectations needed for more risky securities. NEUTRAL: total returns expected to be in line with the overall market. SELL: total returns expected to be materially lower than the overall market. TENDER: the analyst recommends tendering shares to a formal tender offer.

*Risk Ratings: risk assessment is defined as Medium, High, Speculative or Venture. Medium: securities with reasonable liquidity and volatility similar to the market. High: securities with poor liquidity or high volatility. Speculative: where the

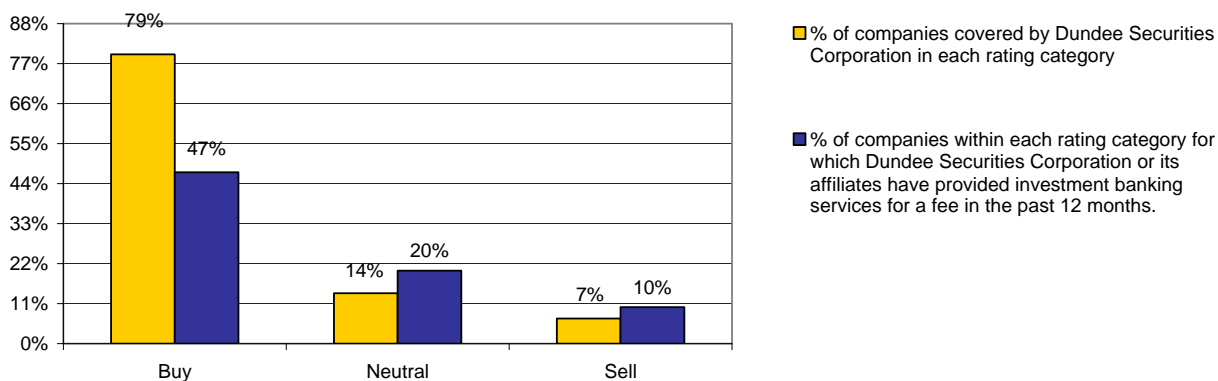
company's business or financial risk is high and is difficult to value. Venture: an early stage company where the business or financial risk is high, and there are limited financial metrics upon which to base a reasonable valuation. Medium and High Risk Ratings Methodology: Medium and High risk ratings are derived using a predetermined methodology based on liquidity and volatility. Analysts will have the discretion to raise the risk rating if it is determined a higher risk rating is warranted. Securities with poor liquidity or high volatility are considered to be High risk. Liquidity and volatility are measured using the following methodology: a) Price Test: All securities with a price <= \$3.00 per share are considered high risk for the purpose of this test. b) Liquidity Test: This is a two-tiered calculation that looks at the market capitalization and trading volumes of a company. Smaller capitalization stocks (<\$300MM) are assumed to have less liquidity, and are, therefore, more subject to price volatility. In order to avoid discriminating against smaller cap equities that have higher trading volumes, the risk rating will consider 12 month average trading volumes and if a company has traded >70% of its total shares outstanding it will be considered a liquid stock for the purpose of this test. c) Volatility Test: In this two step process, a stock's volatility and beta are compared against the diversified equity benchmark. Canadian equities are compared against the TSX while U.S. equities are compared against the S&P 500. Generally, if the volatility of a stock is 20% greater than its benchmark and the beta of the stock is higher than its sector beta, then the security will be considered a high risk security. Otherwise, the security will be deemed to be a medium risk security. Periodically, the equity risk ratings will be compared to downside risk metrics such as Value at Risk and Semi-Variance and appropriate adjustments may be made. All models used for assessing risk incorporate some element of subjectivity. Risk in relation to forecasted price volatility is only one method of assessing the risk of a security and actual risk ratings could differ.

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Dundee Securities Equity Research Ratings



As at March 31, 2010

Source: Dundee Securities Corp.