



Canadian Spirit Resources Inc.

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Dear Fellow Shareholders,

In 2011 CSRI will build on the substantial progress that was achieved in 2010 in our Farrell Creek lands.

We invite and encourage you to attend our upcoming **Annual General Meeting of Shareholders on Thursday, June 16, 2011 at 2:30 p.m.** The meeting will be held at the **Calgary Petroleum Club, Cardium A & B, 319 5th Avenue S.W., Calgary, Alberta, Canada.**

An active 2010 drilling program saw CSRI, along with our joint venture partner, Canbriam Energy, drill four horizontal wells that proved the productive capacity from both the upper and lower Montney Formation. Also, during the past year, Talisman Energy moved its adjacent Montney shale play into commercial production and expects to be producing 100-120 mmcf/d on average in 2011. In addition, Talisman announced a strategic partnership with Sasol Limited (a major South African company) to accelerate the projected multi-billion dollar development of their Farrell Creek play. All of this lends further support to and significantly de-risks CSRI's Montney land base at Farrell Creek.

2010 HIGHLIGHTS

- Sproule reconfirmed that a significant amount of natural gas lies under CSRI's Montney land base. The total gross natural gas resource was estimated at 5 trillion cubic feet (39% greater than the previous year) and will require over 900 horizontal wells to fully develop.
- CSRI raised total gross proceeds of over C\$36 million and exited the year with C\$21 million in cash.
- CSRI became the operator of the Gething Formation pilot project and acquired 100% of the facilities and related infrastructure. The gas facility is currently shut-in due to low natural gas prices while we consider several options to further develop the Gething rights.

2011 UPDATE AND OUTLOOK

- Sproule has estimated proved plus probable natural gas reserves of 57 Bcf (20 Bcf net to CSRI). This evaluation (as at March 31, 2011) reflects CSRI's current corporate commitment to approximately 2% of the 900 wells identified under a full development scheme. Proceeding with the remaining wells will be contingent upon factors such as access to capital, economics, infrastructure, environmental and regulatory matters.
- A 10 mmcf/d sweet gas processing facility was constructed with gas sales commencing in January. CSRI has a 35% working interest in both the processing facility and the production going through it. Currently, three wells are on production at a combined rate of 5 mmcf/d (gross).
- Two additional horizontal wells will be fracture stimulated and tied-in during the third quarter. Combined production from all five wells should provide us with over C\$2 million of operating cash flow.
- CSRI's net Montney acreage has grown to 25,345 acres (39.6 sections).
- Currently, CSRI has C\$17.9 million of net working capital and no debt.

CSRI will continue to work with Canbriam to maximize the value of the Montney joint venture lands as gas prices recover. We are in a strong financial position which will enable us to convert our large resource base into reserves. Your current and future support is appreciated as we continue developing our Farrell Creek property.

**On behalf of
CANADIAN SPIRIT RESOURCES INC.**

Phillip D.C. Geiger, P.Eng.
President & Chief Operating Officer