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## CANADIAN SPIRIT RESOURCES ANNOUNCES 2004 FINANCIAL RESULTS

Calgary, AB March 11, 2005 - Canadian Spirit Resources Inc. ("CSRI" or the "Company") (SPI-TSX Venture) announces the release of its financial results and Management Discussion and Analysis for the year ended December 31, 2004.

CSRI is a natural resources company pursuing the exploration and development of unconventional gas opportunities with a focus on the natural gas from coal ("NGC", also referred to as coalbed methane or "CBM") sector of the energy industry. The Company is in the pre-development stage and during 2004 concentrated its efforts on land acquisition and prospect evaluation in northeastern British Columbia.

Operational highlights in 2004 were:

- the acquisition of 12,009 hectares of land in the Farrell Creek area of northeastern British Columbia;
- the drilling and analysis of data from the two test holes in the Farrell Creek area; and
- receipt of an independent engineering report from Sproule Associates Limited, which included a contingent resource estimate of gas-in-place ranging from 9.0 to 14.1 Bcf per section (over 46 sections) for the Gething coals in the Farrell Creek area. (For a more complete summary of this report, please see the company's press release dated November 15, 2004).

### **Selected Financial Data**

(for the years ended or as at December 31)

	<u>2004</u>	<u>2003</u>
Total revenue	\$ 74,117	\$ 13,304
Net Loss	(1,741,820)	(394,063)
Net loss per share (basic & diluted)	(0.10)	(0.06)
Working capital	5,591,284	2,513,156
Total assets	20,884,673	4,242,668
Total long term financial liabilities	871,569	86,761

The Company had no operating revenue during 2004 and 2003 and recorded losses of \$1.7 million and \$0.4 million respectively during these periods. Stock-based compensation expense was a very significant factor representing \$1.5 million and \$0.2 million of the recorded losses in the respective periods. Increased interest revenue was due to higher average cash balances.

Relative to the increased level of exploration, evaluation and land acquisition activity, the Company maintained a tight control on staff and administration expenses. Cash expenses for 2004 and 2003 after the capitalization of costs directly related to exploration activity were \$602,111 and \$572,679 respectively. Capitalized overhead was \$220,947 and \$98,690 in the same respective periods.

Non-cash expenses related to outstanding stock appreciation rights and stock options represented 71 percent of the reported before tax loss in 2004 and 24 percent of the before tax loss in 2003. The increased value of the Company's shares and additional stock option grants to employees and directors in 2004 both contributed to the increase in of reported stock-based compensation expense in 2004 relative to 2003.

Capital expenditures in 2004 rose to \$12.5 million compared to \$1.5 million in 2003. Of these totals, land acquisition was \$10.1 million (\$1.0 million in 2003) and drilling and completion expenditures were \$2.1 million (\$0.4 million in 2003).

During 2004 the Company closed four private placements totaling \$14.0 million and together with \$2.6 million from the exercise of share purchase warrants and stock options resulted in a cash balance of \$6.0 million at December 31, 2004. At year-end 2004, the Company's working capital position was \$5.6 million, up from \$2.5 million at December 31, 2003. On March 10, 2005, the Company received approval from the TSX Venture Exchange for the private placement announced January 12, 2005 and amended February 21, 2005. The closing of this private placement will ensure funding for the Company's base capital program for 2005.

Long term financial liabilities of \$871,569 at December 31, 2004 were principally the accrued contingent liability for cash payments to key employees pursuant to stock appreciation rights granted in 2003. Payments under these SARs agreements are conditional upon the achievement of specified production targets or profit thresholds. The balance of this figure represents the current asset retirement obligation of the Company.

### **Operations Update**

The Company has responded to an overture from an independent third party regarding the formation of a joint venture. This joint venture would combine the technical skills of the Company and the financial strength of the third party. The initial objective of this joint venture will be NGC potential in central Alberta with CSRI acting as operator. Under the terms of the proposed joint venture, the third party will pay 100% of the first \$2.5 million of land acquisition and drilling costs to earn a 50% working interest in the joint lands. To-date, three sections of land has been acquired by the Company in the proposed area of mutual interest. The Company expects to close this joint venture in April, 2005.

Notwithstanding the above proposed joint venture, the Company's prime focus continues to be the Farrell Creek area. The Company has finalized the program designs and access to equipment that will allow it to a) complete and test the Gething coals and interbedded sands; b) complete and test a conventional shallow gas zone; and c) drill and evaluate a shale test hole.

Unusually warm conditions in northeastern British Columbia have resulted in the early implementation of road bans (weight restrictions) throughout the area. Barring a dramatic early change in current weather conditions, this will have an adverse affect of from six to eight weeks on the timing of the above operations set out in more detail in the Company's news release dated February 28, 2005. This delay is not expected to have an impact on the Company's overall capital program for 2005 and may result in improved equipment availability, lower costs and eligibility for provincial government incentives.

Sproule Associates Limited have been retained to update their November 15, 2004 report on resource potential in the Farrell Creek area with data obtained from the c-83-H test hole (the third test hole) drilled in December 2004. This updated report will form the basis of a portion of the Company's NI51-101 report "Disclosure of Oil and Gas Activities" which is expected to be filed in April 2005.

## **Conference Call**

A conference call to review operations and financial results will take place on March 15, 2005 at 4:15 p.m. EST (2:15 p.m. MST). Phil Geiger, President & COO and Don Gardner, CFO will speak on behalf of the Company. A question-and-answer period will follow. To participate in the call, please dial 1-866-822-1596 and enter Passcode 302366. Financial statements and management's discussion and analysis of operations and financial conditions can be found on SEDAR at [www.sedar.com](http://www.sedar.com)

On behalf of the Board of Directors,  
**Canadian Spirit Resources Inc.**

*"Phil Geiger"*

Phillip D.C. Geiger, President & COO

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