



CANADIAN SPIRIT RESOURCES INC.

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CANADIAN SPIRIT RESOURCES INC. ANNOUNCES FIRST QUARTER 2005 FINANCIAL RESULTS

Calgary, AB April 20, 2005 - Canadian Spirit Resources Inc. ("CSRI" or the "Company") ("SPI" TSX Venture) announces the release of its financial results and Management's Discussion and Analysis for the three month period ended March 31, 2005.

CSRI is a natural resources exploration company currently focusing on the identification and assembly of natural gas from coal ("NGC", also referred to as coalbed methane or "CBM") opportunities in western Canada. The Company is in the pre-development stage and for the remainder of 2005 will be concentrating its efforts on the execution of a pilot production project in the Farrell Creek area of northeastern British Columbia.

Operational highlights to date in 2005 were:

- the Company has finalized the program designs and has committed to services and equipment at Farrell Creek that will enable it to a) complete and test the Gething coals and interbedded sands; b) complete and test a conventional tight gas zone; and c) drill and evaluate a shale test hole. These programs will commence immediately after road bans are lifted in the area and as weather permits; and
- the acquisition of a 33.33% interest in seven sections of land and a commitment to acquire a 50% interest on another section of land in the Farrell Creek area; and
- received the desorption results and core analysis of its third test well which appear to the Company to be very comparable to the first two test wells at Farrell Creek. Results of this test well have been forwarded to Sproule Associates Limited.

Selected Financial Data (\$ CDN)

(for the three month periods ended on or as at March 31)

	<u>2005</u>	<u>2004</u>
Total revenue	\$ 53,534	\$ 13,509
Net Loss	(1,094,574)	(264,063)
Net loss per share (basic & diluted)	(0.05)	(0.02)
Working capital	14,196,189	701,268
Total assets	28,662,902	4,776,675
Total long term financial liabilities	1,030,579	17,852

The Company had no operating revenue during the first three months of 2005 and 2004 and recorded losses of \$1.1 million and \$0.3 million respectively during these periods. Stock-based compensation expense was a very significant factor representing \$920,000 and \$139,000 of the recorded losses in the respective periods. Increased interest revenue was due to higher average cash balances.

In anticipation of planned increased level of exploration, evaluation and land acquisition activity during 2005, the Company retained three additional staff in January. Despite increased corporate activity and staffing, the Company has maintained a tight control on staff and administration expenses. Cash expenses for the first three months of 2005 and 2004 after the capitalization of costs directly related to exploration activity were \$220,165 and \$136,175 respectively. Capitalized overhead was \$142,780 and \$35,700 in the same respective periods.

Non-cash expenses related to outstanding stock appreciation rights and stock options represented 84 percent of the reported before tax loss in 2005 and 53 percent of the before tax loss in 2004. The increased value of the Company's share price and additional stock option grants to employees and directors in late 2004 and early 2005 both contributed to the increase in reported stock-based compensation expense in 2005 relative to 2004.

Capital expenditures in the first three months of 2005 were limited due to earlier than anticipated road bans in northeastern British Columbia. The capital program during the period consisted of analysis of the results of the third test well and field preparation work in the amount of \$63,067, capitalized overhead of \$133,607, land acquisition and retention related activities of \$12,652, and \$26,909 on computers and office equipment. During the comparable period in 2004, the Company expended \$586,211 for the drilling and related field work for its second test well, \$35,700 on capitalized overhead and \$1,203,000 for the acquisition and retention of undeveloped land.

The Company closed a non-brokered private placement on March 11, 2005 for the issue of 1,341,696 Units at \$6.75 per Unit. Each Unit consisted of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase one share for one year at an exercise price of \$8.00 per share. After share issue costs, this private placement generated approximately \$8.8 million of funds for the Company. In addition, during the first three months of 2005, the Company received \$202,196 from the exercise of options and warrants. The closing of this private placement ensures funding for the Company's base capital program for 2005.

Long term financial liabilities of \$1,030,579 at March 31, 2005 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 and an independent third party are negotiating 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 percent of the first \$2.5 million of land acquisition and drilling costs to earn a 50 percent working interest in the joint lands. To-date, three sections of land have been acquired by the Company in the proposed area of mutual interest. The Company expects to execute 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 tight gas zone; and c) drill and evaluate a shale test hole. In addition, the Company has acquired a 33.33% interest in seven sections of land and committed to acquire a 50% interest on another section of land in the Farrell Creek area. The Company is pursuing the remaining interests in these lands from the other working interest partners at this time.

Unusually warm conditions in northeastern British Columbia resulted in the early implementation of road bans (weight restrictions) throughout the area and delayed the Company's planned activities for the first quarter of 2005. The Company intends to execute its drilling and completion programs in the Farrell Creek area immediately after the road bans are lifted in northeastern British Columbia and as weather permits. 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. Prior to April 29, 2005, the Company will file an Annual Information Form incorporating the disclosure required by the Company pursuant to NI51-101 report "Disclosure of Oil and Gas Activities".

Additional Information

Financial statements and management's discussion and analysis of operations and financial conditions can be found on SEDAR at 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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