



## NEWS RELEASE

### CANADIAN SPIRIT RESOURCES ANNOUNCES 2005 FINANCIAL RESULTS

Calgary, AB April 10, 2006 - 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, 2005.

CSRI is a natural resources company focusing on the identification and development of opportunities in the unconventional gas sector of the energy industry. Since 2002, the mission of the Company has been to develop 1 Tcf of natural gas over a five year period from unconventional resource plays in western Canada. Within three years, the Company has identified several large resource plays, assembled a unique, high working interest land position in over 42,000 gross acres (of which 40,000 are located in British Columbia) and is currently evaluating the productive capability of its principal resource property.

#### Operational Summary of 2005 Activities:

- the acquisition of 9,330 gross (7,052 net) acres of land in the Farrell Creek area of northeastern British Columbia;
- the drilling and evaluation of a shale test well in the Farrell Creek area;
- the completion and fracture stimulation of the Bluesky Formation in two test wells;
- the completion and fracture stimulation of the Gething Formation in one test well;
- the drilling and casing of two additional test wells to further evaluate the Gething Formation;
- the signing of a joint venture agreement to evaluate natural gas from coal in the Bittern Lake area of Alberta; and
- the drilling of four evaluation wells under the joint venture agreement.

#### Selected Financial Data (\$CDN)

For the years ended or as at December 31	2005		2004	
Total revenues	\$	499,089	\$	74,117
Net loss	\$	(3,806,416)	\$	(1,741,820)
Net loss per share (basic & diluted)	\$	(0.16)	\$	(0.10)
Total current assets	\$	11,764,255	\$	6,814,513
Total assets	\$	34,011,298	\$	20,884,673
Total current liabilities	\$	3,722,768	\$	1,223,229
Total long term liabilities	\$	1,260,395	\$	871,569

The Company had no operating revenue during 2005 and 2004 and recorded losses of \$3.8 million and \$1.7 million respectively during these periods. Stock-based compensation expense was a very significant factor representing \$2.2 million and \$1.5 million of the recorded losses in the respective periods. In addition, during 2005 the Company made an impairment provision of \$1.1 million relating to the costs incurred to complete and production test the Bluesky Formation in two wells due to non-commercial results. Increased revenue was due to higher average cash balances and from joint venture management fees.

General and administration expenses for 2005 and 2004, after the capitalization of costs directly related to exploration activity, were \$966,152 and \$602,111 respectively. Capitalized overhead was \$628,218 and \$220,947 in the same respective periods. The total increase of \$752,882 in general and administration expenses before capitalization is primarily the result of adding four professionals to the Company's staff early in 2005. As three of these additions were directly involved in exploration and evaluation, capitalized overhead increased 184 percent. By comparison, capital expenditures on exploration and evaluation during 2005 rose 200 percent over the 2004 level of activity.

Non-cash expenses related to outstanding stock appreciation rights and stock options represented 57 percent of the reported before tax loss in 2005 and 74 percent of the before tax loss in 2004. Stock options granted to employees and directors during the first half of 2005 at a time when the calculated value of such options was relatively high contributed to the increase in reported stock-based compensation expense in 2005 relative to 2004.

Capital expenditures declined in 2005 to \$9.3 million compared to \$12.5 million in 2004 due to reduced land acquisitions. Of these totals, land acquisition was \$2.2 million (\$10.1 million in 2004) and drilling and completion expenditures were \$6.3 million (\$2.1 million in 2004).

During 2005, the Company closed one private placement totaling \$8.8 million and together with \$3.3 million from the exercise of share purchase warrants and stock options, resulting in a cash balance of \$10.7 million at December 31, 2005. At year-end 2005, the Company's working capital position was \$8.0 million, up from \$5.6 million at December 31, 2004. The Company has sufficient funding for the Company's currently approved base capital program and G&A for the balance of 2006. The Company has not budgeted for any cash flow from operations for 2006 and will make additions to its base case capital budget for the remainder of 2006 once current testing of the Gething Formation has been completed.

Long-term financial liabilities of \$1,260,395 at December 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 asset retirement obligation of the Company.

## **Operations Update**

Over the next three months the Company's activity will be concentrated on the continued production testing of the c-83-H and b-92-H test holes at Farrell Creek and on the development and regulatory approval of a pilot program.

At c-83-H, down hole pump problems were resolved by the installation of a new pump. Water removal has resumed with gas flow trending upward. Natural gas production at b-92-H continues to be flared. A stabilized gas production rate for both the upper and lower zones in b-92-H has not yet been determined.

The pilot plan to drill and complete additional test holes located in close proximity to both the b-92-H and c-83-H test holes is progressing. Applications for regulatory approval of the additional test holes and pilot program will be submitted during the second quarter 2006 while gas transportation considerations are being investigated.

A report being prepared by Sproule Associates Inc. updating the contingent resource evaluation of November 2004 is expected to be completed by mid April and will be released following Board approval. Finalization of a reserve report, if appropriate, will be considered by the Board of Directors upon review of the contingent resource report.

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

*"Phil Geiger"*

Phillip D.C. Geiger, President & COO

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