



NEWS RELEASE

CANADIAN SPIRIT RESOURCES INC. ANNOUNCES FIRST QUARTER 2006 FINANCIAL RESULTS

Calgary, AB May 16, 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 three month period ended March 31, 2006.

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 highlights to date in 2006 were:

- the Company continues to production test the two wells completed in the Gething Formation at Farrell Creek. The c-83-H well is currently producing 50 mcf/day with 60 bbls/day of water. The b-92-H well is currently producing 250 mcf/day with 10 bbls/day of water; and
- received the preliminary report prepared by Sproule Associates Limited (“Sproule”) which assessed the combined contingent gas-in-place resource potential of the Gething Formation on the Company’s Farrell Creek lands at 22-33 bcf/section – (see the Company’s news release dated April 18, 2006).

Selected Financial Data (\$ CDN)

For the three month periods ended on or as at March 31	2006	2005
Total revenue	\$ 111,857	\$ 53,534
Net loss	\$ (975,817)	\$ (1,094,574)
Net loss per share (basic & diluted)	\$ (0.04)	\$ (0.05)
Working capital	\$ 4,002,286	\$ 14,196,189
Total assets	\$ 33,767,699	\$ 28,662,902
Total long term financial liabilities	\$ 1,723,609	\$ 1,030,579

The Company had no operating revenue during the first three months of 2006 and 2005 and recorded losses of \$1.0 million and \$1.1 million respectively during these periods. Stock-based compensation expense was a very significant factor representing \$759,000 and \$920,000 of the recorded losses in the respective periods. Increased revenue was due to interest on higher average cash balances and management fees from a joint venture.

Cash administrative expenses for the first three months of 2006 and 2005 after the capitalization of costs directly related to exploration activity were \$293,886 and \$220,165 respectively. Capitalized overhead was \$167,183 and \$142,780 in the same respective periods. Non-cash expenses related to outstanding stock appreciation rights and stock options represented 78 percent of the reported before tax loss in 2006 and 84 percent of the before tax loss in 2005.

Capital expenditures in the first quarter in each of the past two years is detailed in the following table:

For the three month periods ended March 31	2006	2005
Lease acquisitions and retentions	\$ 19,356	\$ 12,652
Geological and geophysical	3,344	6,179
Drilling and completion	3,669,747	56,888
Capitalized overhead	167,183	133,607
Total petroleum and natural gas	3,859,630	209,326
Office equipment and furnishings	3,542	26,909
Total capital expenditures	\$ 3,863,172	\$ 236,235

The majority of the field work completed in the first quarter of 2006 related to the completion of Farrell b-92-H and the production testing of both Farrell b-92-H and Farrell c-83-H.

The Company's budget is reviewed and approved by the Board of Directors on a quarterly basis. The base budget for the first half of 2006 is \$4.9 million including \$0.1 million for land acquisition and retention, \$4.5 million for drilling, completion and production activities and \$0.3 million for capitalized overhead. The Company will add to the base budget for the second half of 2006 after results of the Gething completion and production testing programs are established and cost estimates for the pilot program are finalized.

Long term financial liabilities of \$1,723,609 at March 31, 2006 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 continues to production test the two wells completed in the Gething Formation at Farrell Creek. During 2006, the c-83-H well has produced natural gas at rates ranging from 5 mcf/day to 110 mcf/day and is currently producing 50 mcf/day with 60 bbls/day of water. The b-92-H well has produced natural gas at rates ranging from 145 mcf/day to 315 mcf/day and is currently producing 250 mcf/day with 10 bbls/day of water. The Company is currently developing a pilot program which will entail the tie-in of up to six wells that are in close proximity to and including the Farrell b-92-H well. The pilot program will include the use of innovative drilling and completion approaches designed to optimize natural gas production relative to the costs of bringing each well on-stream.

In March 2006, the Company requested that Sproule review the Company's activities during 2005 and early 2006 with regard to reporting requirements under National Instrument 51-101 and to update and expand their assessment of the Company's lands at Farrell Creek. The Company is in receipt of the preliminary 2006 Sproule report which assesses the contingent gas-in place resource of the Gething coals at 12-16 bcf/section and the Gething shales at 11-17 bcf/section (see the Company's news release dated April 18, 2006).

The Company has filed the disclosure required under National Instrument 51-101 as an appendix to its 2005 Annual Information Form.

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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