



NEWS RELEASE

CANADIAN SPIRIT RESOURCES INC. ANNOUNCES SECOND QUARTER 2006 FINANCIAL RESULTS

Calgary, AB August 14, 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 and six month periods ended June 30, 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 four 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 during the first quarter of 2006. The c-83-H well has produced natural gas at rates ranging from 5 mcf/day to 135 mcf/day. The b-92-H well has produced natural gas at rates ranging from 80 mcf/day to 315 mcf/day during 2006; and
- the Company spud the Farrell Creek b-03-I well on August 4. This well is a one kilometer offset to the b-92-H well and will be the third well of the planned pilot program. The Company plans to complete this well in the third week of August.

Selected Financial Data (\$ CDN)

For the six month periods ended on or as at June 30	2006	2005
Total revenue	\$ 198,790	\$ 128,583
Net loss	(944,281)	(1,839,629)
Net loss per share (basic and diluted)	(0.04)	(0.08)
Working capital	3,135,950	16,773,308
Total assets	30,164,024	31,749,353
For the three month periods ended on June 30	2006	2005
Total revenue	\$ 86,933	\$ 75,049
Net gain (loss)	31,536	(745,055)
Net gain (loss) per share (basic and diluted)	-	(0.03)

The Company had no operating revenue during the first half of 2006 or the comparative period and recorded a small gain of \$0.03 million and a loss of \$0.9 million for the three and six months ended June 30, 2006 respectively (2005 losses of \$0.7 and \$1.8 million). Stock-based compensation expense was a very significant factor representing a recovery of \$309,133 in the three month period ended and a charge of \$449,913 in the six month period ended June 30, 2006 (2005 a charge of \$566,309 and \$1,486,345).

The stock-based compensation recovery booked in the second quarter was for the Company's stock appreciation rights plan and was due to the share price decline from \$3.90 per share at the end of March 2006 to \$2.46 per share at the end of June 2006 which reduces the potential contingent payments under these instruments.

Increased revenue was due to management fees from a joint venture agreement that commenced in the third quarter of 2005.

Cash administrative expenses for the three and six month periods ended June 30, 2006, after the capitalization of costs directly related to exploration activity, were \$336,376 and \$630,262 respectively (2005: \$243,995 and \$464,159). Capitalized overhead for the three and six month periods ended June 30, 2006 was \$154,433 and \$321,616 respectively (2005: \$140,851 and \$262,938).

Capital expenditures in the first half in each of the past two years are detailed in the following table:

(in \$ CDN)	2006	2005
Lease acquisitions and retentions	\$ 27,258	\$ 64,966
Geological and geophysical	3,344	32,421
Drilling and completion	4,133,192	259,672
Capitalized overhead	<u>321,616</u>	<u>262,938</u>
Total petroleum and natural gas	4,485,410	619,997
Office equipment and furnishings	4,655	61,895
Total capital expenditures	<u>\$ 4,490,065</u>	<u>\$ 681,892</u>

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

For the first nine months of 2006, the Company has a base capital budget of \$7.9 million which includes an estimated \$430,000 for capitalized overhead and \$25,000 for administrative capital equipment. The Company's budget is reviewed and approved by the Board of Directors on a quarterly basis.

Long term financial liabilities of \$1,209,240 at June 30, 2006 were principally the accrued contingent liability for cash payments to key employees pursuant to stock appreciation rights ("SARs") 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 135 mcf/day. The down-hole pump installed to remove fracture stimulation and formation fluids has experienced frequent mechanical problems limiting natural gas production from this well. The Company is planning remedial work on the pump in late August when service equipment will be in the area to complete the Farrell b-03-I well. The b-92-H well has been flowing natural gas and water, with natural gas rates ranging from 80 mcf/day to 315 mcf/day and water production averaging 11 bbls/day. During June, the Company conducted an additional logging operation on the b-92-H well to analyze well productivity and assist in the design of the completion program of future wells. The well was then shut in for pressure build up measurements and is now being gradually opened up to continue gas production measurement.

The Company is proceeding with a pilot program which may include the tie-in of up to six wells that are in close proximity to 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.

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"

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