



Q2

For the three and six months ended June 30, 2007

TriStar Oil & Gas Ltd. ("TriStar" or the "Company") is pleased to announce its financial and operating results for the three and six month periods ended June 30, 2007.

In this report, all references to barrels of oil equivalent ("Boe") are calculated converting natural gas to oil at a ratio of six thousand cubic feet to one barrel of oil.

Highlights	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	% Change	Six Months Ended June 30, 2007
<i>(\$ thousands except per share and Boepd amounts) (unaudited)</i>				
Financial (CDN\$)				
Production Revenue (prior to hedging)	25,965	12,673	105	46,881
Cash flow from operations ⁽¹⁾	13,931	7,426	88	25,342
Per share basic	0.23	0.19	21	0.47
Per share diluted	0.23	0.19	21	0.47
Net earnings	2,023	2,996	(32)	(78)
Per share basic	0.03	0.08	(58)	(0.00)
Per share diluted	0.03	0.08	(58)	(0.00)
Total Net Debt ⁽²⁾	77,665	48,361	61	77,665
Common shares (000's)				
Shares outstanding, end of period (basic)	59,541	45,030	32	59,541
Weighted average shares (basic)	59,537	38,326	55	54,396
Weighted average shares (fully diluted)	60,487	39,857	52	54,396
Operations				
Production				
Crude oil (Bbls per day)	3,371	1,621	108	3,195
Natural gas (Mcf per day)	9,419	4,014	135	8,033
Barrels of oil equivalent (Boepd, 6:1)	4,941	2,290	116	4,534
Average realized price				
Crude oil (\$ per Bbl)	64.45	70.19	(8)	62.58
Natural gas (\$ per Mcf)	7.23	6.35	14	7.36
Barrels of oil equivalent (\$ per Boe, 6:1)	57.75	60.82	(5)	57.13
Netback per Boe (6:1) (\$)				
Operating netback	36.52	41.04	(11)	36.30
Cashflow netback	30.99	35.64	(11)	30.89
Wells Drilled				
Gross	21	19		33
Net	15.3	8.7		24.8
Success (%)	95	97		97

(1) Management uses cash flow (before changes in non-cash working capital), and operating and cashflow netback to analyze operating performance and leverage. Cash flow as presented, and operating and cashflow netback do not have any standardized meaning prescribed by Canadian GAAP and therefore may not be comparable with the calculation of similar measures for other entities.

(2) Calculated as current liabilities less current assets, excluding Financial Derivatives Contracts.

President's Letter to Shareholders

The Company's achievements in its second quarter of 2007 include the following:

- ✓ Production grew to 4,941 Boepd in the second quarter of 2007 from 2,290 Boepd in the second quarter of 2006, representing a year over year increase of 116 percent;
- ✓ Achieved sixth consecutive quarter of production growth;
- ✓ Production per share increased by 39 percent over the second quarter of 2006;
- ✓ Cash flow increased to \$13.9 million in the second quarter of 2007 from \$7.4 million in the second quarter of 2006, a year over year increase of 88 percent;
- ✓ Cash flow per share increased from \$0.19 per share in the second quarter of 2006 to \$0.23 per share in the current year, a year over year increase of 21 percent;
- ✓ Drilled 21 (15.3 net) wells in the second quarter of 2007 with a 95 percent success rate; and
- ✓ Announced a business combination with Real Resources Inc. ("Real") to create a new, growth focused intermediate exploration and development company which will continue under the name TriStar ("New TriStar").

Operational Review

During the second quarter of 2007, TriStar drilled a total of 21 (15.3 net) wells, resulting in 19 (13.8 net) oil wells, 1 (1.0 net) stratigraphic test well, and 1 (0.5 net) dry and abandoned well, for an overall success rate of 95 percent.

At Star Valley in southeast Saskatchewan (40 - 100% WI), TriStar drilled 2 (1.4 net) successful horizontal Alida oil wells. These wells produce high netback, light oil (33° API) at initial rates between 100 to 300 Boepd. The remainder of 2007 will see the drilling of an additional 2 (1.2 net) development oil wells into this large, 49 million barrel original oil in place ("OOIP") reservoir.

Additional drilling results in southeast Saskatchewan in the second quarter of 2007 included the drilling of 7 (4.5 net) successful horizontal oil wells into TriStar's Hastings and Clarilaw light oil pools. Both of these pools are high quality, light oil accumulations with over 15 million barrels of cumulative OOIP. For the remainder of 2007, drilling activity for southeast Saskatchewan will see TriStar drill an additional 35 (22.1 net) development oil wells at Antler, Crystal Hills, Hastings, Rocanville, Wauchope and Star Valley.

In southern Alberta, TriStar was active in the second quarter of 2007, drilling a 5 (3.5 net) oil well program at Countess resulting in 4 (3.0 net) oil wells and 1 (0.5 net) dry and abandoned well. This program has successfully extended an additional two of the 24 new pool discoveries that were originally rolled into TriStar. TriStar has now successfully offset eight of the 24 new pool discoveries. TriStar continues to achieve excellent results at Countess and has plans to drill an additional 13 (6.5 net) low royalty, high netback development and delineation oil wells throughout the remainder of 2007.

At Redwater, in central Alberta, second quarter activity included the drilling of a successful 4 (3.3 net) development oil well program in to this high quality, 34° API, 30 million barrel OOIP light oil pool. In addition, TriStar successfully recompleted an uphole Mannville gas zone in the second quarter which had initial productivity of 2 mmcf/d net to TriStar. Activity for the balance of 2007 will include the drilling of 2 (2.0 net) development oil wells and 2 (2.0 net) exploration wells.

In west central Alberta, at TriStar's Ante Creek Montney Pool, the Company successfully drilled 2 (2.0 net) horizontal wells during the first quarter of 2007 into this long life, light oil pool. These wells encountered good oil and gas shows during the open hole drilling portion of the horizontal leg. TriStar successfully fracture stimulated the first of these two wells early in the third quarter and will monitor production results over the next few months to evaluate further fracture treatments and drilling for the second half of 2007.

Exploration activity for TriStar in the second quarter was focused in southeast Saskatchewan and included a new pool discovery in the Mississippian Frobisher beds with the drilling of a 1 (1.0 net) horizontal oil well that has tested at rates of up to 100 Boepd. Delineation of this discovery will commence in late 2007. In addition, TriStar has begun to accelerate its Bakken play. TriStar's total land exposure to this play now exceeds 59 (34.0 net) sections. This results in more than 118 (42.0 net) Bakken development oil wells situated within two miles of existing Bakken producers. Thus far, TriStar has participated in the drilling of 8 (4.9 net) Bakken wells with 100 percent success. Seven of these oil wells remain unstimulated as the Company evaluates the results of the first packer-fracture stimulation which was completed early in the third quarter.

TriStar continues to add to its large drilling inventory. The company now has more than 400 gross development and step-out locations on its land base throughout western Canada. This large internal suite of strategically focused drilling opportunities represents more than a four year drilling inventory on TriStar's land base. TriStar continues to evaluate additional opportunities to expand its inventory of locations on its large undeveloped land base of more than 225,000 net acres.

Outlook; Guidance

On May 22, 2007, TriStar announced a business combination with Real to form a new growth focused intermediate oil and gas exploration and development company which will continue under the name TriStar.

On August 2, 2007, shareholders of both TriStar and Real voted overwhelmingly in favour of the proposed combination. It is anticipated that on August 16, 2007, the combination will be effective. New TriStar will be led by TriStar's current management team including Brett Herman, President and Chief Executive Officer, Jason Zabinsky, Vice President, Finance and Chief Financial Officer, Graham Kidd, Vice President, Engineering, Eric Strachan, Vice President, Exploration and Jeremy Wallis, Vice President, Land. New TriStar's board of directors (the "Board") will be comprised of 10 members including Paul Colborne, Chairman of the Board, James Bertram, Fred Coles, Dallas Droppo, Richard Edgar, Brett Herman, Martin Hislop, Robert Michaleski, Jim Pasioka and Robert Peters.

With the anticipation of an August 16th closing date, TriStar's management team began the integration with Real immediately following the announcement of the transaction. We are pleased to report that as of today we are positioned to execute our strategic and operational plans going forward. We would like to personally welcome the staff of New TriStar to this exciting new company.

New TriStar is very well positioned to continue growing the Company's reserves, production and cash flow per share through the management team's integrated strategy of acquiring, exploiting and exploring. With an enterprise value of approximately \$900 million, a flexible balance sheet, a weighting to high netback light crude oil, and an experienced management team, New TriStar is well positioned to execute strategic, accretive acquisitions in the current environment.

The Company has assembled a high quality development portfolio with over 1,400 identified drilling locations with the potential to more than double our currently booked reserves over the next five to six years. In addition, New TriStar will have access to over 700,000 net undeveloped acres covered by over 840 square miles of 3-D seismic in highly prospective areas. This land and seismic position provides New TriStar with an exciting inventory of high impact exploration prospects with targets that include the Bakken and Torquay plays in southeast Saskatchewan, deeper Nisku oil targets in west central Alberta and testing the Company's extensive Mannville CBM land position, all of which will be pursued over the next number of years.

New TriStar will have the following key attributes:

- ✓ Long Life Reserves⁽¹⁾: 49 Mmboe proven plus probable
- ✓ High Netback Production: More than 15,250 Boepd (2007 Estimated Exit Rate) (60% light oil / 40% natural gas)
- ✓ Long Reserve Life Index: More than 9 years proven plus probable
- ✓ Shares Outstanding⁽²⁾: 69 mm (Basic)
- ✓ Solid Balance Sheet: Q2 Combined Net Debt⁽³⁾: less than \$225 million (Credit facility of \$300 million)
- ✓ Extensive Drilling Inventory: More than 1,400 development locations
- ✓ Large Land Base: More than 700,000 Net Undeveloped Acres

(1) TriStar proforma 2007 acquisitions plus TriStar's internal evaluation of Real's reserves.

(2) Stock incentive plans are yet to be established, therefore no fully diluted calculation.

(3) Does not include transaction costs.

We are excited about how New TriStar is positioned in the current market and we look forward to delivering on our growth estimate over the rest of 2007 and 2008.

On behalf of the Board of Directors,



Brett Herman
President and Chief Executive Officer

August 13, 2007

Forward-Looking Statements

This document contains forward-looking statements. More particularly, this document contains statements concerning the anticipated closing date of the business combination with Real, New TriStar's potential for reserves growth, New TriStar's projected annual exit rate of production of oil and natural gas and New TriStar's anticipated bank line.

The forward-looking statements are based on certain key expectations and assumptions made by TriStar, including expectations and assumptions concerning the satisfaction of the conditions necessary to close the business combination with Real, the availability and cost of labour and services, the timing of receipt of regulatory approvals, the performance of existing wells, the success obtained in drilling new wells, the performance of new wells, the sufficiency of budgeted capital expenditures in carrying out New TriStar's planned activities, the value of New TriStar's borrowing base and the willingness of New TriStar's lenders to grant certain credit facilities.

Although TriStar believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because TriStar can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risk that the business combination with Real will not close in the time anticipated or at all, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price and exchange rate fluctuations and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. Certain of these risks are set out in more detail in TriStar's Annual Information Form which has been filed on SEDAR and can be accessed at www.sedar.com.

The forward-looking statements contained in this press release are made as of the date hereof and TriStar undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Where amounts are expressed on a barrel of oil equivalent ("Boe") basis, natural gas volumes have been converted to Boe using a ratio of 6,000 cubic feet of natural gas to one barrel of oil equivalent. This conversion ratio is based upon an energy equivalent conversion method primarily applicable at the burner tip and does not represent value equivalence at the wellhead. Boe figures may be misleading, particularly if used in isolation.

Management's Discussion and Analysis

Management's Discussion and Analysis ("MD&A") is dated August 13, 2007. The MD&A should be read in conjunction with TriStar Oil & Gas Ltd.'s ("TriStar" or the "Company") unaudited interim consolidated financial statements as at and for the three and six month periods ended June 30, 2007 and audited financial statements as at and for the periods ended December 31, 2006 and 2005. The reader should be aware that historical results are not necessarily indicative of future performance. Additional information relating to TriStar can be found at www.sedar.com.

TriStar commenced commercial operations on January 6, 2006 after the completion of a plan of arrangement involving StarPoint Energy Trust ("StarPoint") and Acclaim Energy Trust ("Acclaim"), which resulted in the creation of Canetic Resources Trust ("Canetic") and TriStar. Under this plan of arrangement, TriStar acquired certain oil and gas properties from StarPoint and Acclaim.

The financial data presented below has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"), unless otherwise indicated.

Non-GAAP Measurements

Management's Discussion and Analysis contains the terms "cash flow from operations" and "operating netback" which are not Canadian GAAP standards and therefore may not be comparable to performance measures presented by others. Cash flow from operations represents cash flow from operating activities prior to changes in non-cash working capital. Operating netback represents revenue less royalties, hedging losses (gains), operating expenses and transportation expenses. Management believes that in addition to net income, cash flow from operations and operating netback are useful supplemental measures as they provide an indication of TriStar's operating performance, leverage and liquidity. Investors should be cautioned, however, that this measure should not be construed as an alternative to net income determined in accordance with GAAP as an indication of TriStar's performance.

The reconciliation between cash flow from operations, as defined above, and cash flow from operations after changes in working capital for the periods ended June 30, 2007 and 2006 is as follows:

(\$ thousands)	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Cash flow from operating activities	13,536	6,994	20,496	10,137
Changes in non-cash working capital	395	432	4,846	1,744
Cash flow from operations (as defined above)	13,931	7,426	25,342	11,881

The reporting and measurement currency is the Canadian dollar. Amounts in this MD&A are in Canadian dollars unless otherwise stated.

Where amounts are expressed on a barrel of oil equivalent ("Boe") basis, natural gas volumes have been converted to Boe using a ratio of 6,000 cubic feet of natural gas to one barrel of oil equivalent. This conversion ratio is based upon an energy equivalent conversion method primarily applicable at the burner tip and does not represent value equivalence at the wellhead. Boe figures may be misleading, particularly if used in isolation.

Forward-Looking Statements

This MD&A contains forward-looking statements, which may include statements relating to management's approach to the number of wells, amount and timing of capital projects, interest rates, worldwide and industry production, prices of oil and natural gas, Company production, cash flow and debt levels. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. See under "Business Conditions and Risks" in this MD&A and under "Risk Factors" in the Company's Annual Information Form ("AIF") which has been filed on SEDAR and can be accessed at www.sedar.com. The reader is cautioned that assumptions used in the preparation of such information, although considered reasonable by TriStar at the time of preparation, may prove to be incorrect.

Significant Transactions

Plan of Arrangement with Real Resources Inc.

On August 2, 2007, the shareholders of TriStar and Real Resources Inc. ("Real") approved a plan of arrangement to form an intermediate oil and gas exploration and development company (hereinafter the "Arrangement"). Under the terms of the Arrangement, each TriStar shareholder will receive 0.4762 shares of the combined entities (hereinafter referred to as "New TriStar") for each share of TriStar held and each Real shareholder will receive one share of New TriStar for each share of Real held. TriStar shareholders will own approximately 42 percent of New TriStar and Real shareholders will own approximately 58 percent of New TriStar. The transaction is expected to close on August 16, 2007. The combined entities will continue under the name TriStar.

Senior management of the combined entity will be the current officers of TriStar, and the board of directors will be comprised of seven of TriStar's current directors and three of Real's current directors. Accordingly, the transaction will be accounted for as a reverse takeover whereby TriStar is deemed to be the acquirer of Real, using the purchase method of accounting.

Acquisitions of Assets and Common Share Financing

During March 2007, TriStar completed two acquisitions of certain assets in its core areas of Ante Creek and Countess, Alberta and in southeast Saskatchewan for total cash consideration of approximately \$55.9 million, net of certain closing adjustments.

In conjunction with the acquisitions, the Company issued, on a private placement basis, 8.6 million common shares of TriStar ("Common Shares") for gross aggregate proceeds of approximately \$40.4 million and 1.7 million flow-through Common Shares for gross aggregate proceeds of approximately \$10.2 million.

Results of Operations

Production

	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Daily Production				
Crude oil (<i>Bbls per day</i>)	3,371	1,621	3,195	1,442
Natural gas (<i>Mcf per day</i>)	9,419	4,014	8,033	3,022
Total (<i>Boepd</i>)	4,941	2,290	4,534	1,945

For the three months ended June 30, 2007, TriStar averaged 4,941 Boepd as compared to 2,290 Boepd in the second quarter of 2006, a 116 percent increase. Production was comprised of approximately 3,371 Bbls per day of crude oil and NGLs and 9,419 Mcf per day of natural gas.

For the six months ended June 30, 2007, TriStar averaged 4,534 Boepd as compared to 1,945 Boepd in the first half of 2006, a 133 percent increase. Production was comprised of approximately 3,195 Bbls per day of crude oil and NGLs and 8,033 Mcf per day of natural gas.

Production for the quarter was divided between the following areas:

	Three Months Ended June 30, 2007		
Area	Crude Oil Bbls per day	Natural Gas Mcf per day	Total Boepd
Alberta	1,430	9,031	2,935
Saskatchewan	1,941	388	2,006
Total	3,371	9,419	4,941

During the quarter, the Company drilled 21 (15.3 net) oil wells, achieving a 95 percent success rate.

Pricing

Crude oil prices recovered in the second quarter as compared to the first quarter of 2007 as WTI reached a high of US\$70.68 per Bbl as compared to a low of US\$50.48 per Bbl in the first quarter. Tight supply/demand fundamentals continue to drive the world crude markets with WTI averaging of US\$64.94 in the second quarter after averaging US\$58.25 in the first quarter of 2007. Edmonton mixed sweet averaged \$73.75 per Bbl in the second quarter as compared to \$67.86 per Bbl in the first quarter.

Natural gas prices averaged \$7.09 per Mcf for AECO daily spot and US\$7.53/Mmbtu for NYMEX daily gas in the quarter. Natural gas storage levels continue to be consistent with last year's level at this same time but above the five year average. Fluctuating supply/demand forecasts continue to cause significant price volatility and weather will be a key component of natural gas pricing in the next few months.

TriStar's average realized price for its crude oil and NGLs averaged \$64.45 per Bbl in the quarter while its realized natural gas price was \$7.23 per Mcf.

	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Average Benchmark Prices				
Crude oil – WTI (<i>US\$ per Bbl</i>)	64.94	70.51	61.53	66.93
Crude oil – Edmonton Par Price (<i>\$ per Bbl</i>)	73.75	80.59	70.81	74.76
Natural gas – AECO-C Daily Spot (<i>\$ per Mcf</i>)	7.09	5.98	7.24	6.72
Exchange rate – (<i>US\$/CDN\$</i>)	0.91	0.89	0.88	0.88

Revenues

For the three months ended June 30, 2007, TriStar recorded \$19.8 million in crude oil sales and \$6.2 million in natural gas sales, a 91 percent and 167 percent increase respectively over the second quarter of 2006 when TriStar recorded \$10.4 million of crude oil sales and \$2.3 million of natural gas sales.

For the six months ended June 30, 2007, TriStar recorded \$36.2 million in crude oil sales and \$10.7 million in natural gas sales, a 117 percent and 205 percent increase respectively over the six months ended June 30, 2006 when TriStar recorded \$16.6 million of crude oil sales and \$3.5 million of natural gas sales.

The Company realized the following commodity prices for the three and six months ended June 30, 2007 and June 30, 2006.

	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
TriStar Average Realized Prices Prior to Hedging				
Crude oil – (<i>\$ per Bbl</i>)	64.45	70.19	62.58	65.80
Natural gas – (<i>\$ per Mcf</i>)	7.23	6.35	7.36	6.62
Boe – (<i>\$ per Boe</i>)	57.75	60.82	57.13	59.05

	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
<i>(\$ thousands)</i>				
Revenues by Product				
Crude oil	19,771	10,353	36,185	16,697
Hedging gains (losses)	266	-	1,474	-
Natural gas	6,195	2,320	10,696	3,522
Hedging gains (losses)	106	42	182	42
Total revenues	26,338	12,715	48,537	20,261

Royalty Expenses

Royalties in the quarter ended June 30, 2007 were \$4.9 million or 18.8 percent of revenue as compared to \$2.0 million or 15.7 percent in the first quarter of 2006. Royalties in the six months ended June 30, 2007 were \$9.0 million or 19.1 percent of revenue as compared to \$3.3 million or 16.3 percent in the six months ended June 30, 2006. Royalties are calculated and paid based on oil and natural gas revenues before any realized hedging gains or losses. Accordingly, royalty expense is directly correlated to changes in revenue (prior to the effect of hedging).

Operating Expenses

Operating expenses were \$4.8 million or \$10.57 per Boe in the quarter ended June 30, 2007 as compared to \$2.1 million or \$10.17 per Boe in the second quarter of 2006. Operating costs in the second quarter of 2007 moved towards a more normalized level relative to the first quarter of 2007 when costs were \$4.4 million or \$11.81 per Boe as the Company experienced a reduced effect from the pipeline capacity issues in southeast Saskatchewan. Operating expenses were \$9.1 million or \$11.13 per Boe in the six months ended June 30, 2007 as compared to \$3.2 million or \$9.48 per Boe in the six months ended June 30, 2006.

Transportation Expenses

Transportation expenses were \$0.29 million or \$0.65 per Boe in the quarter ended June 30, 2007 as compared to \$0.05 million or \$0.26 per Boe in the second quarter of 2006. Transportation expenses were \$0.65 million or \$0.79 per Boe in the six months ended June 30, 2007 as compared to \$0.12 million or \$0.35 per Boe in the six months ended June 30, 2006. Transportation expenses are reflective of the location of TriStar's properties, transportation rates and the location where the product is sold. Transportation costs in the second quarter of 2007 moved towards a more normalized level relative to the first quarter of 2007 when costs were \$0.4 million or \$0.97 per Boe as the Company experienced a reduced effect from the pipeline capacity issues in southeast Saskatchewan that had created additional trucking costs in that quarter.

Operating Netbacks

Operating netbacks were \$36.52 per Boe for the quarter ended June 30, 2007 as compared to \$41.04 per Boe for the quarter ended June 30, 2006 and \$36.30 for the six months ended June 30, 2007 as compared to \$39.59 for the six months ended June 30, 2006.

Netbacks

(\$ per Boe, unless otherwise noted)	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Total production (Boepd)	4,941	2,290	4,534	1,945
Crude oil and natural gas liquids (\$/Bbl)	64.45	70.19	62.58	65.80
Hedging gains/(losses) (\$/Bbl)	0.59	-	1.80	-
Natural gas (\$/Mcf)	7.23	6.35	7.36	6.62
Hedging gains/(losses) (\$/Mcf)	0.24	0.11	0.22	0.11
Average Price Prior to Hedging	57.75	60.82	57.13	58.93
Realized gain/(loss) on financial instruments	0.83	0.20	2.02	0.12
Royalties, net	(10.84)	(9.55)	(10.93)	(9.63)
Operating	(10.57)	(10.17)	(11.13)	(9.48)
Transportation	(0.65)	(0.26)	(0.79)	(0.35)
Operating Netback	36.52	41.04	36.30	39.59

General and Administrative Expenses

During the second quarter of 2007, general and administrative expenses (“G&A”), net of recoveries, was \$1.2 million (\$2.67 per Boe) as compared to the quarter ended June 30, 2006 where G&A was \$0.6 million or \$2.85 per Boe. G&A, net of recoveries, for the six months ended June 30, 2007 was \$2.1 million (\$2.55 per Boe) as compared to \$1.0 million or \$2.78 per Boe for the six months ended June 30, 2006.

(\$ thousands)	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
General and administrative expenses	2,409	1,222	4,257	2,090
Recoveries	(433)	(219)	(811)	(417)
Capitalized general and administrative expenses	(777)	(410)	(1,353)	(719)
Total net general and administrative expenses	1,199	593	2,093	953

Interest Expense

Interest expense was \$1.0 million or \$2.31 per Boe in the quarter as compared to \$0.4 million or \$1.95 per Boe in the quarter ended June 30, 2006. Interest expense was \$1.9 million or \$2.32 per Boe in the six months ended June 30, 2007 as compared to \$0.4 million or \$1.31 per Boe in the six months ended June 30, 2006. Interest costs increased primarily as a result of an increased level of bank debt held by the Company in the quarter as well as rising interest rates.

Stock-based Compensation

The Company stock-based compensation expense for the quarter ended June 30, 2007 was \$0.3 million or \$0.69 per Boe as compared to the quarter ended June 30, 2006 of \$0.09 million or \$0.43 per Boe. The Company stock-based compensation expense for the six months ended June 30, 2007 was \$0.7 million or \$0.87 per Boe as compared to the six months ended June 30, 2006 of \$0.3 million or \$0.82 per Boe. The stock-based compensation expense was calculated utilizing a fair value assessment methodology.

Depletion, Depreciation and Accretion

Depletion of oil and natural gas properties, including the capitalized portion of the asset retirement obligations, is provided for on a unit-of-production basis using estimated proven reserves volumes.

Depletion, depreciation and accretion expense in the quarter ended June 30, 2007 was \$13.3 million or \$29.59 per Boe as compared to the quarter ended June 30, 2006 which was \$6.2 million or \$29.52 per Boe. Depletion, depreciation and accretion expense in the six months ended June 30, 2007 was \$24.3 million or \$29.63 per Boe as compared to the six months ended June 30, 2006 which was \$9.8 million or \$28.59 per Boe.

Taxes

For the quarter ended June 30, 2007, TriStar recorded a capital tax expense of \$0.3 million, and a future income tax reduction of \$1.0 million as compared to the quarter ended June 30, 2006 when the Company recorded \$0.1 million of capital tax expense and a future income tax reduction of \$1.8 million. For the six months ended June 30, 2007, TriStar recorded a capital tax expense of \$0.4 million, and a future income tax reduction of \$1.3 million as compared to the six months ended June 30, 2006 when the Company recorded \$0.3 million of capital tax expense and a future income tax reduction of \$1.5 million. The future income tax reduction is mainly a result of reduced federal and provincial corporate tax rates. The capital tax expense is comprised of the Saskatchewan Capital Tax and Resource Surcharge.

As at June 30, 2007, TriStar had approximately \$172 million of tax pools available to offset future taxable income.

Net Income (Loss) and Comprehensive Income

Net income for the quarter ended June 30, 2007 was \$2.0 million compared to net income of \$3.0 million during the same period in 2006. Net loss for the six months ended June 30, 2007 was \$0.08 million compared to net income of \$3.3 million during the same period in 2006 due primarily to the unrealized loss on financial derivatives recognized in 2007.

Basic and diluted net income per share for the quarter ended June 30, 2007 was \$0.03 per share. This is compared to net income of \$0.08 per share basic and diluted for the same period in 2006. Basic and diluted net loss per share for the six months ended June 30, 2007 was \$nil. This is compared to net income of \$0.10 per share basic and diluted for the same period in 2006.

Other comprehensive income for the quarter ended June 30, 2007 included a charge of \$0.5 million, net of tax, (2006 – nil) relating to the amortization of the amount recognized in accumulated other comprehensive income on January 1, 2007 for the fair value of financial derivatives on adoption of the new accounting standards for financial instruments. This resulted in total comprehensive income of \$1.6 million for the quarter ended June 30, 2007 (2006 – nil), and a total comprehensive loss of \$1.2 million for six months ended June 30, 2007 (2006 – nil).

Risk Management – Financial Instruments

TriStar enters into commodity price derivative contracts that provide downside price protection, in order to provide some stability of cash flows for capital spending planning purposes. Commodity prices fluctuate due to political events, meteorological conditions, disruptions in supply and changes in demand. The Company's risk management activities are conducted pursuant to the Company's Risk Management Policy approved by the Board of Directors.

At June 30, 2007, the fair value of the financial derivative contracts was a liability of \$0.3 million. Included in these contracts at June 30, 2007 are contracts TriStar has entered into related to the proposed business combination with Real ("Real Hedges"). The fair value of these financial derivative contracts at June 30, 2007 was a liability of \$0.8 million.

For the quarter ended June 30, 2007, the Company had a net unrealized gain on its financial derivative contracts of pre-tax \$0.3 million, in addition to the after-tax \$0.4 million (pre-tax: \$0.6 million) amortized gain from the adoption of the standards on January 1, 2007, for a net pre-tax unrealized gain of \$1.2 million.

The following tables summarize TriStar's commodity risk management positions as at June 30, 2007:

Oil Costless Collar Contracts

	<i>Volume (Bbl/d)</i>	<i>Price (\$US/Bbl)</i>	<i>Index</i>
Apr. 1, 2006 – Jun. 30, 2007	250	60.00 – 77.20	WTI
Apr. 1, 2006 – Dec. 31, 2007	250	60.00 – 76.10	WTI
Jan. 1, 2007 – Dec. 31, 2007	500	70.00 – 78.10	WTI
Jan. 1, 2007 – Dec. 31, 2008	250	60.00 – 75.00	WTI
Jul. 1, 2007 – Dec. 31, 2007	250	70.00 – 78.00	WTI
Jan. 1, 2008 – Dec. 31, 2009 ⁽¹⁾	500	65.00 – 76.30	WTI
Jan. 1, 2008 – Dec. 31, 2009 ⁽¹⁾	500	65.00 – 76.15	WTI
Jan. 1, 2008 – Dec. 31, 2009 ⁽¹⁾	500	67.00 – 76.70	WTI

⁽¹⁾ Real Hedges

Oil Swap Contracts

	<i>Volume (Bbl/d)</i>	<i>Price (\$US/Bbl)</i>	<i>Index</i>
Jan. 1, 2007 – Dec. 31, 2008	250	68.35	WTI
Apr. 1, 2007 – Dec. 31, 2009	250	C\$76.60	C\$WTI
Jan. 1, 2008 – Dec. 31, 2009	250	C\$78.20	C\$WTI

The fair value of the oil costless collars and the swap contracts at June 30, 2007 was a loss of US\$1.0 million (\$0.8 million related to the Real Hedges).

Natural Gas Costless Collar Contracts

	<i>Volume (GJ/d)</i>	<i>Price (\$/GJ)</i>	<i>Index</i>
Apr. 1, 2007 – Oct. 31, 2007	1,000	6.50 – 9.00	AECO Monthly
Apr. 1, 2007 – Oct. 31, 2007	1,000	7.50 – 8.75	AECO Monthly
Nov. 1, 2007 – Mar. 31, 2008	2,000	7.50 – 10.32	AECO Monthly

Natural Gas Swap Contract

	<i>Volume (GJ/d)</i>	<i>Price (\$/GJ)</i>	<i>Index</i>
Apr. 1, 2007 – Oct. 31, 2007	1,000	7.64	AECO Monthly

The fair value of the natural gas costless collars and the swap contract as at June 30, 2007 was a gain of \$0.8 million.

Subsequent to the quarter end, TriStar entered into the following contract:

Oil Costless Collar Contract

	<i>Volume (Bbl/d)</i>	<i>Price (\$US/Bbl)</i>	<i>Index</i>
Jan. 1, 2008 – Dec. 31, 2009 ⁽¹⁾	500	70.00 – 75.52	WTI

⁽¹⁾ Real Hedge

Liquidity and Capital Resources

In order to support TriStar's growth-oriented business plan, TriStar's strategy is to fund its capital expenditure program with cash flows from operations and bank debt. As at June 30, 2007, TriStar had \$71.2 million drawn on its \$115.0 million demand loan facility with a major Canadian chartered bank. TriStar had a net working capital deficit of \$77.4 million (excluding the fair value of financial instruments). As at that date, TriStar had met all of its covenants pertaining to this loan agreement and is not required to make any repayments.

Capital Expenditures

During the quarter, the Company incurred \$14.7 million of capital expenditures as compared to \$100.9 million spent for the three months ended June 30, 2006. The Company incurred \$101.0 million of capital expenditures during the six months ended June 30, 2007 as compared to \$270.0 million in the six months ended June 30, 2006. The following table details capital expenditures for the three and six months ended June 30, 2007 and June 30, 2006.

Capital Expenditures

(\$ thousands)	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Drilling, development and production equipment	12,798	9,676	28,029	18,121
Land and seismic	1,862	514	2,335	1,155
Acquisitions (divestitures) ⁽¹⁾	(1,031)	89,207	68,668	248,574
Other ⁽²⁾	1,043	1,491	1,994	1,983
Total	14,672	100,888	101,026	269,833

(1) Includes total consideration (cash, stock, working capital, debt and transaction costs) paid/received for acquisitions/divestitures.

(2) Includes capitalized G&A and administrative assets.

Goodwill

TriStar did not record additional goodwill during the quarter ended June 30, 2007. Goodwill as at June 30, 2007 was \$55.5 million.

Shareholders' Equity

Share Capital

	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Outstanding Common Shares				
Weighted Average Outstanding Common Shares				
Basic	59,536,687	38,326,369	54,396,475	32,776,421
Diluted	60,487,361	39,856,718	54,396,475	34,306,770
Outstanding Securities				
Common Shares	59,540,859	45,029,972	59,540,859	45,029,972
Common Share options	2,240,000	798,500	2,240,000	798,500
Performance Shares	2,227,484	2,272,484	2,227,484	2,272,484

Contractual Obligations

Bank Facility

As at June 30, 2007 the Company had available a \$115.0 million demand credit facility. The Company's credit facility is with a Canadian chartered bank and is open for review semi-annually. The facility is a borrowing base facility that is determined based on, among other things, the Company's current reserve report, results of operations, current and forecasted commodity prices and the current economic environment.

Working Capital

The capital intensive nature of the Company's activities may create a negative working capital position in quarters with high levels of capital investment. The Company will limit the total negative working capital plus the outstanding bank debt to the amount of the Company's credit line.

The industry has a pre-arranged monthly clearing day for payment of revenues from all buyers of crude oil and natural gas. This occurs on the 25th day following the month of sale. As a result, the Company's production revenues are collected in an orderly fashion. To the extent that the Company has joint venture partners in its activities it will collect on a monthly basis the partners' share of capital and operating expenses. These are subject to normal collection risk. At June 30, 2007 the Company had no material accounts receivable it deemed uncollectible.

Accounts payable consist of amounts payable to suppliers relating to head office expenses, field operating activities and capital spending activities. These invoices are processed within the Company's normal payment period.

The Company continuously manages the pace of its capital spending program by monitoring forecasted production and commodity prices and resulting cash flows. Should circumstances affect cash flow in a detrimental way, the Company is capable of reducing its capital spending levels.

Summary of Quarterly Results

(\$ thousands except per share and Boepd amounts)	Three Months Ended					
	Jun. 30, 2007	Mar. 31, 2007	Dec. 31, 2006	Sep. 30, 2006	Jun. 30, 2006	Mar. 31, 2006 ⁽¹⁾
Production revenue (prior to hedging)	25,965	20,916	18,846	18,084	12,673	7,504
Net income (loss)	2,024	(2,101)	1,786	1,126	2,996	311
Per share – basic	0.03	(0.04)	0.04	0.02	0.08	0.01
Per share – diluted	0.03	(0.04)	0.04	0.02	0.08	0.01
Production (Boepd)	4,941	4,121	3,919	3,424	2,290	1,489
Cash flow from operations ⁽²⁾	13,931	11,410	10,725	11,021	7,426	4,455
Per share – basic	0.23	0.23	0.23	0.24	0.19	0.17
Per share – diluted	0.23	0.23	0.22	0.23	0.19	0.16
Cash flow from operating activities ⁽³⁾	13,537	6,960	12,626	12,371	8,314	3,144
Per share – basic	0.23	0.14	0.27	0.27	0.22	0.12
Per share – diluted	0.22	0.14	0.26	0.26	0.21	0.11

(1) TriStar began active operations on January 6, 2006.

(2) "Cash flow from operations" should not be considered an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") as an indicator of TriStar's performance. "Cash flow from operations" represents cash flow from operating activities prior to changes in non-cash working capital. TriStar's determination of cash flow from operations may not be comparable to that found in the consolidated statement of cash flows in the unaudited interim financial statements. TriStar also presents cash flow from operations per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of earnings per share.

(3) "Cash flow from operating activities" is determined in accordance with GAAP and includes changes in non-cash working capital.

Newly Adopted Accounting Policies

Financial Instruments

The following standards regarding financial instruments are effective for January 1, 2007; 3855 "Financial Instruments – Recognition and Measurement", 3861 "Financial Instruments – Disclosure and Presentation", 1530 "Comprehensive Income", and 3865 "Hedges". The standards require all financial instruments other than held-to-maturity investments, loans and receivables to be included on a company's balance sheet at their fair value. Held-to-maturity investments, loans and receivables are to be measured at their amortized cost. The standards create a new statement for comprehensive income that includes changes in the fair value of certain financial instruments.

The effect of adopting these new accounting standards is presented in the section "Risk Management – Financial Instruments" elsewhere in this MD&A.

Business Conditions and Risks

The business of exploration, development and acquisition of oil and natural gas reserves involves a number of uncertainties and as a result, TriStar is exposed to a number of risks inherent in the oil and natural gas industry. Operationally, TriStar faces risks that are associated with finding, developing and producing oil and natural gas reserves. These include risks associated with drilling, economic risk, environmental and safety concerns and access to processing facilities. The financial risks that are not within TriStar's control include the fluctuations in national and international commodity prices, exchange rates and interest rates. TriStar mitigates risk through the competence of its management team, adequate insurance coverage and safety and environmental programs that meet or exceed regulations.

Disclosure Control Risks

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to its management as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have concluded, based on their evaluation of the effectiveness of TriStar's disclosure controls and procedures as of the date of this MD&A, that the Company's disclosure controls and procedures provide reasonable assurance that material information is made known to them by others within the Company. However, the Company's CEO and CFO do not expect that the disclosure controls and procedures can prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Internal Controls over Financial Reporting

The CEO and CFO of the Company are responsible for designing internal controls over financial reporting (“ICFR”) or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The CEO and CFO have evaluated whether there were changes to ICFR during the interim period ended June 30, 2007 that have materially affected, or are reasonably likely to materially affect, the Company’s ICFR. No such changes were identified through their evaluation.

Additional Information

Additional information relating to TriStar, including TriStar’s AIF and financial statements, can be found on SEDAR at www.sedar.com.

TriStar Oil & Gas Ltd.
Consolidated Balance Sheets
(unaudited)

(\$ thousands)

	June 30, 2007	December 31, 2006
Assets		
Current assets		
Accounts receivable	16,783	15,907
Inventory	-	1,788
Fair value of financial instruments (notes 3, 10)	1,052	-
Other current assets	2,235	2,445
	20,070	20,140
Property and equipment (notes 4, 5)	371,054	293,187
Goodwill (note 4)	55,451	38,647
Fair value of financial instruments (notes 3, 10)	6,762	-
Total assets	453,337	351,974
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	25,470	28,975
Bank loan (note 6)	71,213	54,411
Fair value of financial instruments (notes 3, 10)	309	-
	96,992	83,386
Asset retirement obligations (note 7)	8,171	6,089
Future income taxes	54,825	35,018
Fair value of financial instruments (notes 3, 10)	7,789	-
Total liabilities	167,777	124,493
Shareholders' Equity		
Share capital (notes 4, 8)	275,613	219,652
Contributed surplus (note 8)	2,812	1,611
Accumulated other comprehensive income (notes 3, 8)	995	-
Retained earnings	6,140	6,218
Total shareholders' equity	285,560	227,481
Total liabilities and shareholders' equity	453,337	351,974

See accompanying notes to consolidated financial statements.

TriStar Oil & Gas Ltd.

Consolidated Statements of Operations, Comprehensive Income and Retained Earnings

(unaudited)

(\$ thousands, except per share amounts)

	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006 (note 1)
Revenues				
Petroleum and natural gas sales	25,965	12,715	46,881	20,219
Royalties	(4,875)	(1,991)	(8,968)	(3,296)
	21,090	10,724	37,913	16,923
Realized gain on financial instruments (note 3)	372	-	1,656	-
Unrealized gain (loss) on financial instruments (notes 3, 10)	733	-	(1,695)	-
	22,195	10,724	37,874	16,923
Expenses				
Operating	4,752	2,120	9,135	3,246
Transportation	292	54	652	118
General and administration	1,200	593	2,093	953
Depletion, depreciation and accretion	13,304	6,151	24,316	9,791
Stock-based compensation	311	89	711	281
Interest	1,037	406	1,904	447
	20,896	9,413	38,811	14,836
Income (loss) before taxes	1,299	1,311	(937)	2,087
Taxes				
Capital taxes	250	125	443	278
Future income taxes	(974)	(1,810)	(1,302)	(1,498)
	(724)	(1,685)	(859)	(1,220)
Net income (loss)	2,023	2,996	(78)	3,307
Other comprehensive income				
Amortization of fair value of financial instruments (notes 3, 8, 10)	(451)	-	(1,092)	-
Comprehensive income (loss)	1,572	2,996	(1,170)	3,307
Retained earnings				
Retained earnings, beginning of period	4,117	311	6,218	-
Retained earnings, end of period	6,140	3,307	6,140	3,307
Earnings per share (note 8)				
Basic	0.03	0.08	0.00	0.10
Diluted	0.03	0.08	0.00	0.10
Weighted average number of shares (note 8)				
Basic	59,536,687	38,326,369	54,396,475	32,776,421
Diluted	60,487,361	39,856,718	54,396,475	34,306,770

See accompanying notes to consolidated financial statements.

TriStar Oil & Gas Ltd.
Consolidated Statements of Cash Flows
(unaudited)

(\$ thousands)

	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006 (note 1)
Operating activities				
Net income (loss)	2,023	2,998	(78)	3,307
Unrealized loss (gain) on financial instruments	(733)	-	1,695	-
Depletion, depreciation and accretion	13,304	6,151	24,316	9,791
Stock-based compensation	311	89	711	281
Future income tax recovery	(974)	(1,810)	(1,302)	(1,498)
	13,931	7,426	25,342	11,881
Change in non-cash working capital	(395)	(432)	(4,845)	(1,744)
	13,536	6,994	20,497	10,137
Financing activities				
Issuance of share capital	-	-	50,620	62,196
Share issue costs	(101)	(1,004)	(2,781)	(2,580)
Increase (decrease) in bank loan	(1,515)	27,801	14,627	40,203
	(1,616)	26,797	62,466	99,819
Investing activities				
Capital expenditures	(15,468)	(11,681)	(31,842)	(21,259)
Acquisitions, net of cash acquired	-	(22,927)	(56,197)	(72,482)
Proceeds from dispositions	1,031	-	1,031	-
Change in non-cash working capital	2,517	817	4,045	(16,215)
	(11,920)	(33,791)	(82,963)	(109,956)
Change in cash and cash equivalents	-	-	-	-
Cash and cash equivalents, beginning of period	-	-	-	-
Cash and cash equivalents, end of period	-	-	-	-

Supplemental cash flow information (note 9)

See accompanying notes to consolidated financial statements.

TriStar Oil & Gas Ltd.

Notes to the Consolidated Financial Statements

As at and for the three and six months ended June 30, 2007

(unaudited)

1. Business and basis of presentation

TriStar Oil & Gas Ltd. ("TriStar" or the "Company") was incorporated pursuant to the Business Corporations Act (Alberta) on September 30, 2005. The Company commenced active operations on January 6, 2006, following the completion of a plan of arrangement involving StarPoint Energy Trust, StarPoint Energy Ltd., Acclaim Energy Trust and Acclaim Energy Ltd. to form Canetic Resources Trust and TriStar (the "Canetic Transaction"). Accordingly, the six month period ended June 30, 2006 includes only results from operations for 176 days, from January 6, 2006 to June 30, 2006.

2. Principles of consolidation

The interim consolidated financial statements include the accounts of TriStar, TriStar Oil & Gas Partnership, Vortex Energy Corporation and 3249271 Canada Limited. The interim consolidated financial statements of the Company have been prepared following the same accounting policies and methods of computation utilized in the financial statements of the Company for the year ended December 31, 2006, except for the changes described in note 3. The disclosures provided below are incremental to those included in the Company's annual audited financial statements and certain disclosures, which are normally required to be included in the notes to the annual consolidated financial statements, have been condensed or omitted. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company's annual report for the year ended December 31, 2006.

The interim consolidated financial statements are stated in Canadian dollars and have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The preparation of financial statements in conformity with Canadian GAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

3. Change in accounting policy

On January 1, 2007, the Company adopted the new accounting standards regarding the recognition, measurement, disclosure and presentation of financial instruments. In conjunction with the adoption of these new standards, the Company elected not to use hedge accounting for its crude oil and natural gas derivative contracts under its risk management program. As a result, the fair value of the commodity contracts is recognized at each reporting period with the change in the fair value being classified as an unrealized gain or loss on the statement of operations. Also, in accordance with the transitional provisions of the standards, the accounting for hedging relationships for prior periods is not retroactively adjusted; therefore, there has been no restatement of the prior period.

On adoption, the Company recognized an asset of \$3.0 million for the fair value of its financial derivative contracts and an increase to the future income tax liability and accumulated other comprehensive income of \$0.9 million and \$2.1 million, respectively. The \$2.1 million in accumulated other comprehensive income is amortized through other comprehensive income and unrealized gain or loss on financial derivatives in the statement of operations and other comprehensive income over the term of the contracts. As a result, \$1.1 million, net of tax, was charged to other comprehensive income with a corresponding unrealized gain on financial derivatives of \$1.5 million and a charge to future income tax expense of \$0.4 million for the six months ended June 30, 2007. The impact of the change in fair value from January 1, 2007 to June 30, 2007 is disclosed in note 10. Certain comparative amounts have been reclassified to conform to the presentation adopted in 2007.

TriStar Oil & Gas Ltd.

Notes to the Consolidated Financial Statements

As at and for the three and six months ended June 30, 2007

(unaudited)

a) Financial Instruments – Recognition and Measurement

The standards require that all financial assets and liabilities, within its scope, be carried at fair value in the consolidated balance sheets, except for: loans and receivables, securities designated as held-to-maturity and non-trading financial liabilities which are carried at amortized cost unless designated as held-for-trading upon initial recognition. Fair values are based on quoted market prices where available from active markets, otherwise fair values are estimated using other valuation techniques and models.

Held-for-trading financial assets are purchased for resale, generally within a short period of time. They are measured at fair value at the balance sheet date. Gains and losses realized on disposal and unrealized gains and losses from market fluctuations are reported in earnings.

Designated fair value financial assets and financial liabilities are those that were designated on initial recognition as instruments that will be measured at fair value through the consolidated statements of earnings and deficit. These are accounted for in the same manner as held-for-trading financial assets.

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables that an entity has the positive intention and ability to hold to maturity. These are accounted for at amortized cost. The Company has not designated any financial assets as held-to-maturity.

Available for sale financial assets are non-derivative financial assets that are designated as available for sale and include debt and equity securities, including investments with no significant influence that have quoted market values in an active market. These are carried at fair value and any unrealized gains and losses are included in accumulated other comprehensive income until sale or permanent impairment. Equities that do not have a quoted market value in an active market are carried at cost. The Company has not designated any financial assets as available for sale.

Loans and receivables continue to be accounted for at amortized cost.

Financial liabilities are recorded at amortized cost and include all liabilities, other than derivatives or liabilities to which the fair value option has been applied or those held for trading.

Derivatives are carried at fair value and are reported as assets when they have a positive fair value and as liabilities when they have a negative fair value. Derivatives may be embedded in other financial instruments, in which case they may be required to be separated and fair valued as separate derivatives. The Company has not identified any material embedded derivatives in any of its financial instruments.

As required, these standards have been applied as an adjustment to either the opening deficit or opening accumulated other comprehensive income and prior periods have not been restated.

b) Derivatives

The Company has elected to account for its commodity sales contracts and other non-financial contracts, which were entered into and continue to be held for the purpose of receipt or delivery of non-financial items in accordance with its expected purchase, sale or usage requirements, on an accrual basis rather than as non-financial derivatives. Prior to adoption of the new standards, physical receipt and delivery contracts did not fall within the scope of the definition of a financial instrument and were also accounted for on an accrual basis.

c) Other Comprehensive Income

The new standards require a new statement of comprehensive income, which is comprised of net earnings and other comprehensive income which, for the Company, relates to changes in gains or losses on derivatives that previously qualified for hedge accounting.

4. Business combinations

Corporate Acquisition

On March 31, 2007, TriStar acquired a company with assets in core areas in Alberta and southeast Saskatchewan for total cash consideration of \$47.7 million, after certain closing adjustments. The results of operations include net revenue from this transaction effective April 1, 2007.

This acquisition has been accounted for using the purchase method of accounting as follows:

(\$ thousands)

Consideration	
Cash	47,394
Transaction costs	350
	<hr/>
	47,744
Net assets received, at estimated fair value	
Property and equipment	48,587
Goodwill	11,134
Asset retirement obligations	(843)
Future income taxes	(11,134)
	<hr/>
	47,744

The above amounts are estimates, which were made by management at the time of the preparation of these interim financial statements based on information then available. Amendments may be made to these amounts as values subject to estimate are finalized.

Saskatchewan Private Company Acquisition

On January 11, 2007, TriStar acquired, through a series of transactions with another public company, all of the issued and outstanding common shares of a privately owned Saskatchewan oil and gas company (the "Saskatchewan Private Company"). The results of operations include net revenue from this transaction effective January 12, 2007.

This acquisition has been accounted for using the purchase method of accounting, as follows:

(\$ thousands)

Consideration	
Common Shares issued	11,700
Transaction costs	200
	<hr/>
	11,900
Net assets received, at estimated fair value	
Property and equipment	12,741
Working capital	1,582
Goodwill	5,670
Bank loan	(2,174)
Asset retirement obligations	(249)
Future income taxes	(5,670)
	<hr/>
	11,900

The above amounts are estimates, which were made by management at the time of the preparation of these interim financial statements based on information then available. Amendments may be made to these amounts as values subject to estimate are finalized.

5. Property and equipment

(\$ thousands)

	June 30, 2007	December 31, 2006
Petroleum and natural gas	423,512	321,500
Administrative assets	851	826
	424,363	322,326
Less accumulated depletion and depreciation	(53,309)	(29,139)
	371,054	293,187

At June 30, 2007 the calculation of the depletion and depreciation expense excludes unproved property cost of \$54.5 million (2006: \$36.0 million). Future development costs of \$24.0 million were included in the depletion calculation for the three months ended June 30, 2007.

During the three months ended June 30, 2007, the Company capitalized \$0.8 million (2006: \$0.4 million) of general and administrative costs and \$0.2 million (2006: \$0.2 million) of stock-based compensation expense, including a tax effect of \$0.1 million (2006: nil), relating to exploration and development activities. During the six months ended June 30, 2007, the Company capitalized \$1.4 million (2006: \$0.7 million) of general and administrative costs and \$0.5 million (2006: \$0.2 million) of stock-based compensation expense, including a tax effect of \$0.3 million (2006: nil), relating to exploration and development activities.

6. Bank loan

The Company has a \$115.0 million revolving demand operating credit facility. The credit facility provides that advances may be made by way of direct advances, bankers acceptances, or standby letters of credit/guarantees. Direct advances bear interest at the bank's prime lending rate plus an applicable margin for Canadian dollar advances and at the bank's U.S. base rate plus an applicable margin for U.S. dollar advances. The applicable margin charged by the bank is dependent on the Company's debt to trailing cash flow ratio. The banker's acceptances bear interest at the applicable banker's acceptance rate plus a stamping fee, based on the Company's debt to trailing cash flow ratio. The credit facility is secured by a fixed and floating charge debenture on the assets of the Company. The borrowing base is subject to semi-annual review by the bank.

The Company's effective interest rate for the three and six months ended June 30, 2007 was 5.5 percent and 5.4 percent, respectively.

7. Asset retirement obligations

The total future asset retirement obligations were estimated based on the Company's net ownership interest in all of its wells and facilities, estimated costs to reclaim and abandon the wells and facilities, and the estimated timing of the costs to be incurred in future periods. The Company has estimated an undiscounted total future liability of \$36.0 million as at June 30, 2007. These payments are expected to be made over the foreseeable future with the majority of costs incurred between 2018 and 2037. The Company's credit adjusted risk-free rate of 8.5 percent and an inflation rate of 2.0 percent per annum were used to calculate the net present value of the asset retirement obligations.

The following table reconciles the Company's total asset retirement obligations:

(\$ thousands)

	June 30, 2007	December 31, 2006
Asset retirement obligations, beginning of period	6,089	-
Liabilities acquired	1,210	5,090
Liabilities incurred	725	731
Accretion expense	147	268
	8,171	6,089

8. Shareholders' equity

(a) Share capital – authorized

- (i) An unlimited number of voting common shares of TriStar ("Common Shares").
- (ii) 2,227,484 of non-voting performance shares of TriStar ("Performance Shares"), without nominal or par value.

(b) Share capital – issued and outstanding

The following table reconciles the Company's share capital movements between January 1, 2007 and June 30, 2007:

(\$ thousands, except share amounts)

	Number of shares	Amount
Common Shares		
Balance, beginning of period	46,719,972	219,629
Issued on acquisitions	2,500,000	11,700
Issued for cash: flow-through shares	1,700,000	10,200
Issued for cash	8,600,000	40,420
Tax effect on flow-through shares renounced	-	(4,425)
Conversion of performance shares	20,887	28
Share issue costs (net of \$820 tax effect)	-	(1,961)
Balance, end of period	59,540,859	275,591
Performance Shares		
Balance, beginning of period	2,272,484	23
Exercised for Common Shares	(45,000)	(1)
Balance, end of period	2,227,484	22
Total share capital, end of period	61,768,343	275,613

(c) Per share amounts

The reconciling items between the basic and diluted average Common Shares outstanding are stock options and Performance Shares.

(d) Stock options

The Company has an employee stock option plan and a stock incentive plan under which employees and directors are eligible to receive option grants ("Stock Options") and Common Share incentives ("Incentive Shares"), respectively. The total aggregate amount of Stock Options and Incentive Shares that can be issued cannot exceed ten percent of the outstanding Common Shares when the total Performance Shares are added to the total Stock Options and Incentive Shares issued. Stock Options granted under the plan have a term of five years to expiry and vest over three years.

There were no Incentive Shares issued as at June 30, 2007.

The Company accounts for its stock-based compensation using the fair value method. The fair value of each Stock Option and Performance Share granted was estimated on the date of the grant using the Black-Scholes option pricing model with weighted average assumptions. The average expected life for both the Stock Options and the Performance Shares is two years. The risk-free interest rates are 4.10 percent and 3.75 percent, respectively, and the expected volatility is 35 percent.

The weighted average exercise price for the options granted in the three and six months ended June 30, 2007 was \$5.15 and \$5.25, respectively.

The following table reconciles Stock Option plan activity:

	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Balance, beginning of period	2,160,000	-	2,090,000	-
Granted	80,000	668,500	150,000	798,500
Balance, end of period	2,240,000	668,500	2,240,000	798,500
Weighted average exercise price (\$)	6.84	6.89	6.84	6.89

(e) Contributed surplus

The following table reconciles the Company's contributed surplus balance:

(\$ thousands)

	June 30, 2007	December 31, 2006
Balance, beginning of period	1,611	-
Stock-based compensation expense arising from:		
Stock options	86	755
Performance Shares	216	856
Escrowed shares	149	-
Conversion of Performance Shares	(28)	-
Balance, end of period	2,812	1,611

(f) Accumulated other comprehensive income

As described in note 3, the adoption of the new accounting policies regarding financial instruments resulted in an amount being recognized in accumulated other comprehensive income for the fair value of the Company's commodity derivative contracts at January 1, 2007. The amount recognized in accumulated other comprehensive income is as follows:

(\$ thousands)

	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Balance, beginning of period	1,445	-	-	-
Change in accounting policy, net of tax of \$874	-	-	2,086	-
Amortization of fair value of financial instruments, net of tax of \$189 and \$457 for the three and six months ended June 30, 2007, respectively)	(450)	-	(1,091)	-
Balance, end of period	995	-	995	-

(g) Flow-through shares

On March 16, 2007, TriStar issued 1,700,000 flow-through Common Shares at a price of \$6.00 per share for gross proceeds of \$10.2 million. As a result, the Company must incur certain qualifying resource expenditures before December 31, 2008. The related tax impact will be recorded when the qualifying expenditures are renounced to shareholders in 2008. No qualifying expenditures related to this flow-through share obligation were renounced as at June 30, 2007. The obligation remaining for this flow-through share issue was \$10.2 million at June 30, 2007.

On August 10, 2006, TriStar issued 1,690,000 flow-through Common Shares at a price of \$8.90 per share for gross proceeds of \$15.0 million. As a result, the Company must incur certain qualifying resource expenditures before December 31, 2007. The related tax impact was recorded when the qualifying expenditures were renounced to shareholders in January 2007. The obligation remaining for this flow-through share issue was approximately \$2.6 million at June 30, 2007.

9. Supplemental cash flow information

(\$ thousands)

	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Income and other taxes paid	175	31	175	93
Interest paid, net of interest income	973	394	1,840	434

10. Financial instruments

The Company's financial instruments recognized on the balance sheet consist of accounts receivable, accounts payable and accrued liabilities, bank loan and derivative commodity contracts. The fair value of these instruments, excluding derivative commodity contracts, approximate their carrying value due to their short terms to maturity or the indexed rate of interest on the bank debt. The fair value of the derivative commodity contracts ("financial derivatives") is recognized on the balance sheet as described below.

Financial derivatives

TriStar enters into commodity derivative contracts that provide downside price protection in order to provide some stability of cash flows for capital spending planning purposes. Commodity prices fluctuate due to political events, meteorological conditions, disruptions in supply and changes in demand. The Company's risk management activities are conducted pursuant to the Company's risk management policies approved by the Board of Directors.

At June 30, 2007, the following table presents a reconciliation of the change in the unrealized amounts from January 1, 2007 to June 30, 2007:

(\$ thousands)

	Fair value	Total unrealized gain/(loss)
Balance, beginning of period	\$ 2,960	\$ -
Unrealized loss on financial instruments	(3,244)	(3,244)
Amortization of fair value of financial instruments	-	1,549
Balance, end of period	\$ (284)	\$ (1,695)

In conjunction with the plan of arrangement described in Note 11, TriStar entered into three US dollar WTI oil costless collar contracts prior to June 30, 2007 each for 500 Bbl/d for January 1, 2008 to December 31, 2009 at prices of US\$65.00 to US\$76.30, US\$65.00 to US\$76.15 and US\$67.00 to US\$76.70, respectively (collectively, the "Real Hedges"). The resulting unrealized loss on these financial instruments for the six months ended June 30, 2007 was \$0.8 million.

Commodity contracts outstanding are as follows:

Oil Costless Collars Contracts

	Volume (Bbl/d)	Price (\$US/Bbl)	Index
Apr. 1, 2006 – Jun. 30, 2007	250	60.00 – 77.20	WTI
Apr. 1, 2006 – Dec. 31, 2007	250	60.00 – 76.10	WTI
Jan. 1, 2007 – Dec. 31, 2007	500	70.00 – 78.10	WTI
Jan. 1, 2007 – Dec. 31, 2008	250	60.00 – 75.00	WTI
Jul. 1, 2007 – Dec. 31, 2007	250	70.00 – 78.00	WTI
Jan. 1, 2008 – Dec. 31, 2009 ⁽¹⁾	500	65.00 – 76.30	WTI
Jan. 1, 2008 – Dec. 31, 2009 ⁽¹⁾	500	65.00 – 76.15	WTI
Jan. 1, 2008 – Dec. 31, 2009 ⁽¹⁾	500	67.00 – 76.70	WTI

⁽¹⁾ Real Hedges

In addition, in relation to the plan of arrangement described in Note 11, TriStar entered into one US dollar WTI oil costless collar contract subsequent to June 30, 2007 for 500 Bbl/d for January 1, 2008 to December 31, 2009 at a price of US\$70.00 to US\$75.52.

Oil Swap Contracts

	Volume (Bbl/d)	Price (per Bbl)	Index
Jan. 1, 2007 – Dec. 31, 2008	250	US\$68.35	WTI
Apr. 1, 2007 – Dec. 31, 2009	250	C\$76.60	C\$WTI
Jan. 1, 2008 – Dec. 31, 2009	250	C\$78.20	C\$WTI

Natural Gas Costless Collars Contracts

	<i>Volume (GJ/d)</i>	<i>Price (\$/GJ)</i>	<i>Index</i>
Apr. 1, 2007 – Oct. 31, 2007	1,000	6.50 – 9.00	AECO Monthly
Apr. 1, 2007 – Oct. 31, 2007	1,000	7.50 – 8.75	AECO Monthly
Nov. 1, 2007 – Mar. 31, 2008	2,000	7.50 – 10.32	AECO Monthly

Natural Gas Swap Contract

	<i>Volume (GJ/d)</i>	<i>Price (\$/GJ)</i>	<i>Index</i>
Apr. 1, 2007 – Oct. 31, 2007	1,000	7.64	AECO Monthly

11. Subsequent Event

On August 2, 2007, the shareholders of TriStar and Real Resources Inc. ("Real") approved a plan of arrangement to form an intermediate oil and gas exploration and development company (hereinafter the "Arrangement"). Under the terms of the Arrangement, each TriStar shareholder will receive 0.4762 shares of the combined entities (hereinafter referred to as "New TriStar") for each share of TriStar held and each Real shareholder will receive one share of New TriStar for each share of Real held. TriStar shareholders will own approximately 42 percent of New TriStar and Real shareholders will own approximately 58 percent of New TriStar. The transaction is expected to close on August 16, 2007. The combined entities will continue under the name TriStar.

Senior management of the combined entity will be the current officers of TriStar, and the board of directors will be comprised of seven of TriStar's current directors and three of Real's current directors. Accordingly, the transaction will be accounted for as a reverse takeover whereby TriStar is deemed to be the acquirer of Real, using the purchase method of accounting.

Corporate Information

Directors

James Bertram
Paul Colborne, Chairman
Fred Coles
J. Paul Charron
Brett Herman
Martin Hislop
James M. Pasieka
Rob Peters
Paul Starnino

Officers

Brett Herman
*President and
Chief Executive Officer*

Jason Zabinsky
*Vice President, Finance and
Chief Financial Officer*

Graham Kidd
Vice President, Engineering

Eric Strachan
Vice President, Exploration

Jeremy Wallis
Vice President, Land

Filippo Angelini
Controller

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Banker

BMO Bank of Montreal

Evaluation Engineers

Sproule Associates Limited

Legal Counsel

Heenan Blaikie LLP

Registrar and Transfer Agent

Investors are encouraged to contact TriStar's Transfer Agent for information regarding their security holdings:

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Stock Exchange

Toronto Stock Exchange
Trading Symbol "TOG"