



Q2 2008

For the three and six months ended June 30, 2008

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, 2008.

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 of natural gas to one barrel of oil.

Highlights

<i>(\$ thousands except per share and Boepd amounts)</i>	Three months ended June 30, 2008	Three months ended June 30, 2007 ⁽¹⁾	%	Six months ended June 30, 2008
			Change	
Financial (CDN\$)				
Production revenue (prior to hedging)	183,107	25,965	605%	318,274
Cash flow from operations ⁽²⁾	96,848	13,931	595%	170,348
Per share basic	\$0.88	\$0.49	80%	\$1.63
Per share diluted	\$0.88	\$0.48	83%	\$1.63
Net income (loss) ⁽³⁾	(55,212)	2,023	NMF	(61,269)
Per share basic	(\$0.50)	\$0.07	NMF	(\$0.59)
Per share diluted	(\$0.50)	\$0.07	NMF	(\$0.59)
Total net debt ⁽⁴⁾	303,585	77,665	291%	303,585
Common shares (000's)				
Shares outstanding, end of period (basic)	110,110	28,353	288%	110,110
Weighted average shares (basic)	110,110	28,351	288%	104,589
Weighted average shares (fully diluted) ⁽⁵⁾	110,110	28,804	282%	104,589
Operations				
Production				
Crude oil and NGL (Bbls per day)	15,228	3,371	352%	14,418
Natural gas (Mcf per day)	30,621	9,419	225%	32,778
Barrels of oil equivalent (Boepd, 6:1)	20,332	4,941	311%	19,882
Average realized price				
Crude oil and NGL (\$ per Bbl)	112.20	64.45	74%	101.37
Natural gas (\$ per Mcf)	9.91	7.23	37%	8.76
Barrels of oil equivalent (\$ per Boe, 6:1)	98.97	57.75	71%	87.96
Netback per Boe (6:1) (\$)				
Operating netback ⁽²⁾	56.24	36.52	54%	51.06
Operating netback (prior to hedging) ⁽²⁾	67.73	35.69	90%	59.02
Cash flow netback ⁽²⁾	52.35	30.99	69%	47.09
Cash flow netback (prior to hedging) ⁽²⁾	63.83	28.97	120%	55.05
Wells drilled				
Gross	34	21		86
Net	24.2	15.3		59.1
Success (%)	97	95		93

"NMF" No Meaningful Figure

⁽¹⁾ Pursuant to the acquisition of Real Resources Inc. on August 16, 2007, the number of outstanding shares of prior comparative periods has been adjusted by a factor of 0.4762 in order for the comparative outstanding share and per share amounts to be equivalent.

⁽²⁾ Management uses cash flow from operations (before changes in non-cash working capital), and operating and cash flow netback to analyze operating performance and leverage. Cash flow as presented, and operating and cash flow 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.

⁽³⁾ The net loss in the quarter ended June 30, 2008 includes the unrealized loss on the Company's financial derivative contracts of \$108.1 million recognized in the period.

⁽⁴⁾ Total net debt is calculated as bank loan and current liabilities less current assets, excluding financial derivative contracts and related current future income taxes.

⁽⁵⁾ Due to the antidilutive effect of TriStar's net loss in the current period, the diluted number of shares is equivalent to the basic number of shares. The non-GAAP diluted weighted average shares outstanding for the three and six months ended June 30, 2008 was 114,018,236 and 108,218,928, respectively.

President's Letter to Shareholders

The Company's achievements during the second quarter of 2008 include the following:

- Increased production to 20,332 Boepd in the second quarter of 2008 from 4,941 Boepd in the second quarter of 2007, representing a year over year increase of 311 percent;
- Achieved ninth consecutive quarter of production growth;
- Cash flow increased to \$96.8 million in the second quarter of 2008 from \$13.9 million in the second quarter of 2007, a year over year increase of 595 percent;
- Cash flow per share increased from \$0.49 per share in the second quarter of 2007 to \$0.88 per share in the current quarter, a year over year increase of 80 percent;
- Cash flow per share increased by 19 percent over the first quarter of 2008;
- Drilled 34 (24.2 net) wells in the second quarter with a 97 percent success rate;
- Successfully completed the divestiture of certain non-core properties for approximately \$10 million, the proceeds of which will be redeployed into TriStar's 2008 capital budget as described below;
- TriStar has successfully increased its Bakken land inventory which now exceeds 220 (145 net) sections, up from 200 (130 net) sections, through acquisitions, success at crown land sales and through farm-in agreements. This represents a future Bakken drilling inventory of 797 (531 net) locations;
- Subsequent to quarter end, TriStar closed the acquisition of all of the issued and outstanding shares of two private companies through the issuance of 1.6 million TriStar Common Shares to the shareholders of the private companies. The acquired assets are located adjacent to TriStar's Southeast Saskatchewan core properties; and
- Subsequent to quarter end, increased the Company's credit facility to \$450 million.

Increased 2008 Capital Budget:

- The Company is revising upwards its 2008 capital expenditure program to approximately \$365 million from \$300 million, reflecting greater than anticipated cash flow resulting from the success of the Company's first half drilling program and from sustained higher than budgeted commodity prices. The increase in expenditures is expected to be allocated entirely to the Company's Southeast Saskatchewan core area, primarily to the Bakken play. The majority of the increase will be directed towards facilities and infrastructure construction along with continued Bakken undeveloped land acquisition and drilling activity. Facilities and infrastructure projects include the construction of two additional central processing facilities and extensive oil pipeline and gas gathering systems, all to position TriStar for continued growth of the Bakken resource play.
- The Company is reiterating 2008 production guidance with an anticipated 2008 exit rate of more than 23,000 Boepd. The unadjusted production guidance, despite the increase in capital expenditures, is the result of the majority of the increased capital spending being allocated to facility and infrastructure projects and additional Bakken drilling not occurring until late in 2008.

Operational Review

TriStar achieved its ninth consecutive quarter of production growth in the second quarter of 2008 where the Company averaged 20,332 Boepd. The Company participated in the drilling of 34 (24.2 net) wells resulting in 30 (21.6 net) oil wells, 3 (1.6 net) stratigraphic and service wells, and 1 (1.0 net) D&A wells, for an overall success rate of 97 percent.

Southeast Saskatchewan - Bakken

Development and exploration activity in the second quarter continued in TriStar's Southeast Saskatchewan Bakken area. TriStar drilled 15 (8.1 net) Bakken horizontal wells during the second quarter with 100 percent success. TriStar has been successful in expanding the Bakken play boundaries to the north, east and south.

TriStar continues to focus its efforts on improving potential primary recovery factors through the maximization of fracture stimulation efficiency. TriStar believes that advancements in technology and improvements in the techniques employed will ultimately lead to higher primary recovery factors and reserves per well than are currently forecast in its booked reserves.

During the remainder of 2008, TriStar has plans to drill an additional 84 (52.5 net) wells into the play. Total 2008 risked capital expenditures on the Bakken play of approximately \$200 million, including facilities and land acquisitions, now represents approximately 55 percent of TriStar's revised \$365 million capital budget.

TriStar's current oil reserve booking represents a recovery factor of 1.2 percent of the estimated net total Original Oil In Place ("OOIP") of 580 MMBoe on the Company's land base. The achievement of 12 percent "primary" recovery factor, consisting of four wells per section at current average reserve bookings, would yield up to 62 million barrels of additional recoverable oil, net to TriStar, over what is currently booked in TriStar's reserve report.

TriStar continues to expand its Bakken land position through acquisitions at Saskatchewan Crown land sales, freehold lease acquisitions and farm-in agreements. TriStar's development and exploration land position in the resource play now exceeds 220 (145 net) sections of land. TriStar has identified over 797 (531 net) future Bakken drilling locations on its land base. Of these 531 net locations, only 36 net locations are currently booked in TriStar's year-end 2007 reserve report which have not yet been drilled in 2008.

Based on \$100 WTI, each average Bakken well adds approximately \$4.3 million of net present value (at 10 percent discount) to TriStar and reaches payout in under nine months. With these attractive economics and TriStar's sizeable Bakken development drilling inventory, the Bakken play will continue to be a focus of TriStar for the remainder of 2008 and beyond.

Southeast Saskatchewan – Conventional

TriStar drilled 5 (5.0 net) development horizontal oil wells at Fertile, an 86 million barrel light OOIP Tilston oil reservoir. Wells at Fertile produce high netback, light oil at initial rates between 100 and 300 Boepd. Since the acquisition of the Tilston reservoir in the first quarter of 2008, TriStar has drilled 12 (12.0 net) wells into the pool with 100 percent success. For the remainder of 2008 TriStar plans to drill an additional 15 (14.3 net) wells at Fertile.

Drilling in TriStar's Southeast Saskatchewan core area for the second quarter also included the execution of a successful step-out program at TriStar's Hastings Frobisher pool. TriStar successfully drilled 5 (5.0 net) new horizontal oil wells. The Hastings step-out wells exceeded expectations with initial rates of up to 300 Boepd setting up seven additional follow up horizontal locations. TriStar has plans to drill up to four additional wells into this pool during the second half of 2008.

In aggregate, TriStar has plans to drill an additional 50 (35.2 net) conventional oil wells into a number of the Company's high quality, light oil pools in southeast Saskatchewan during the remainder of 2008.

Alberta

At TriStar's Ante Creek Montney oil pool in the Company's West Central Alberta core area, activity was limited in the second quarter due to annual spring break up. The two wells TriStar drilled in the first quarter, including a vertical step-out well and a horizontal development well, are scheduled to be completed during the second half of 2008.

Similar to the Ante Creek Montney oil pool, TriStar's Ante Creek North Montney gas pool, which consists of 79 BCF of Original Gas In Place ("OGIP"), saw limited activity as a result of annual spring break up. TriStar expects to commence drilling its Ante Creek North Montney gas pool prior to year end 2008, where TriStar has approximately eight sections of land which are prospective for Montney gas.

TriStar has plans to drill up to eight horizontal 100 percent working interest wells in its Ante Creek core area over the next year.

Additional Alberta activity for the remainder of 2008 will see 19 (16.1 net) wells drilled in the Ferrybank, Redwater and Scandia/Countess areas. These wells are targeting light oil and natural gas prospects. In Alberta, TriStar plans to employ the use of horizontal wells and multi-stage fracture techniques in a number of geologic reservoirs which management believes will result in increased productivity and reserve recoveries.

Risk Management

As a key component to management's strategy, TriStar maintains an ongoing risk management program to reduce the volatility of revenues in order to maintain balance sheet strength, protect acquisition economics and fund capital expenditures.

Although management considers the risk management contracts that TriStar enters into to be effective economic hedges, these contracts do not meet the accounting definition requirement as an effective hedge. Therefore, gains and losses on such contracts are shown as a separate category in the statement of operations.

As the price of crude oil increased from US\$101.58 per barrel at the end of the first quarter of 2008 to US\$140.00 per barrel at the end of the second quarter of 2008, TriStar recorded an unrealized loss of \$108.1 million in its second quarter 2008 financial statements and at June 30, 2008 had an unrealized liability of \$166.0 million based on market values.

The period-end mark-to-market liability values represent the market price to buy-out the hedge contracts as at June 30, 2008. The mark-to-market value at June 30, 2008 may be different from what will eventually be realized.

TriStar's management team continues to be disciplined in using what it believes to be effective economic hedges when making acquisitions to protect the economics of transactions despite the accounting impact.

Outlook

TriStar achieved a record production level in the second quarter of 2008, averaging 20,332 Boepd. The Company continues to be successful in achieving its goal of cost effective per share growth in reserves, production and cash flow through management's integrated strategy of acquiring, exploiting and exploring.

TriStar remains very well positioned with an extensive, resource based drilling inventory that has extremely attractive associated economics. This drilling inventory, which includes TriStar's Bakken, Southeast Saskatchewan conventional and Alberta Montney plays, represent future capital expenditures of over \$1.5 billion for long term development growth.

TriStar also has an extensive exploration opportunity set with over 750,000 net acres of undeveloped land and 3,000 square miles of 3D seismic. TriStar continues to evaluate this large opportunity set and assess various potential high impact exploration concepts along with potential farm-out opportunities to maximize value of this large land base.

Based on continued drilling success and commodity prices sustaining well above TriStar's initial budget parameters, the Company is revising upwards its 2008 capital expenditure budget to approximately \$365 million. This capital program will include the drilling of 250 (169.9 net) wells in 2008, which represents approximately 62 percent of the total capital expenditures. Southeast Saskatchewan will be allocated approximately 77 percent of TriStar's 2008 capital budget with the remaining expenditures split evenly between TriStar's remaining three core areas. This high quality, low risk development drilling program will be focused over 90 percent to light oil projects. In addition, TriStar is further positioning itself for continued successful growth of its Bakken resource play with the construction of key infrastructure.

Today, as a result of the successful execution of management's strategy, TriStar is well positioned to continue to grow its reserves, production and cash flow per share and has the following key attributes:

- | | |
|---|---|
| ✓ High Quality Assets: | High netback (Q2 operating netback, prior to hedging = \$67.73) light oil and natural gas reserves and production focused in four operating areas |
| ✓ Operatorship / High Working Interest: | More than 90 percent operated assets, and more than a 70 percent average working interest |
| ✓ Long Life Reserves: | Greater than 67 Mmboe proven plus probable; 9 year RLI |
| ✓ High Netback Production: | 2008 Estimated Exit of greater than 23,000 Boepd (75% light oil) |
| ✓ Extensive Drilling Inventory: | More than 1,800 locations identified
Greater than a four year drilling inventory
Greater than 750,000 net acres of undeveloped land |
| ✓ Strong Balance Sheet: | Debt to run rate cash flow ratio of less than one times |
| ✓ Shares Outstanding: | 112.1 mm (Basic)
117.6 mm (Fully Diluted) |

On behalf of the Board of Directors,



Brett Herman
President and Chief Executive Officer

August 11, 2008

Forward-Looking Statements

This document contains forward-looking statements. More particularly, this document contains statements concerning anticipated exploration and development activities, planned capital expenditures for 2008 and TriStar's projected exit rates of production for 2008.

The forward-looking statements contained in this document are based on certain key expectations and assumptions made by TriStar, including expectations and assumptions concerning the application of regulatory and royalty regimes, prevailing commodity prices and exchange rates, 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 and the sufficiency of budgeted capital expenditures in carrying out planned activities.

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 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 document 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 industry standard 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 11, 2008. 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 months ended June 30, 2008 and audited consolidated financial statements as at and for the years ended December 31, 2007 and 2006. 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 pursuant to which TriStar acquired certain oil and gas properties from StarPoint Energy Trust and Acclaim Energy Trust.

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, realized hedging gains and losses, 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 these measures 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 operating activities, is as follows:

	Three Months ended June 30, 2008	Three Months ended June 30, 2007	Six Months ended June 30, 2008	Six Months ended June 30, 2007
<i>(\$ thousands)</i>				
Cash flow from operations (as defined above)	96,848	13,931	170,348	25,342
Changes in non-cash working capital	(8,602)	(395)	(9,680)	(4,845)
Cash flow from operating activities	88,246	13,536	160,668	20,497

TriStar's 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. More particularly, this MD&A contains statements concerning the anticipated impact on the Company of changes to the Alberta royalty structure and the anticipated means of financing the Company's capital budget and acquisitions in 2008.

The forward-looking statements are based on certain key expectations and assumptions made by the Company, including expectations and assumptions concerning the application of regulatory and royalty regimes and expected cash flow and capital expenditures.

Although the Company 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 the Company 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, 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 this MD&A and in the Company'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 MD&A are made as of the date hereof and the Company 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.

Significant Transactions

Plan of Arrangement with Bulldog Resources Inc.

On February 7, 2008, TriStar acquired all of the issued and outstanding common shares of Bulldog Resources Inc. ("Bulldog") pursuant to a plan of arrangement under the Business Corporations Act (Alberta) (the "Bulldog Transaction").

Under the terms of the arrangement, TriStar issued 0.59 common shares of TriStar for each Bulldog common share outstanding, for a total of 16.8 million TriStar common shares. TriStar has accounted for the acquisition using the purchase method of accounting.

Plan of Arrangement with Arista Energy Limited

On January 18, 2008, TriStar acquired all of the issued and outstanding common shares of Arista Energy Limited ("Arista") pursuant to a plan of arrangement under the Business Corporations Act (Alberta) (the "Arista Transaction").

Under the terms of the arrangement, TriStar paid consideration of approximately \$215 million, consisting of cash and net debt assumed, for all issued and outstanding common shares of Arista. TriStar has accounted for the acquisition using the purchase method of accounting.

Concurrently, TriStar issued 16.9 million common shares at \$12.15 per common share for gross proceeds of approximately \$205 million. A portion of the proceeds from this equity financing were used to fund the Arista Transaction.

Acquisition of Kinwest Corporation

On January 8, 2008, TriStar closed the acquisition of all of the issued and outstanding shares of Kinwest Corporation ("Kinwest") through the issuance of 8.0 million Common Shares to the shareholders of Kinwest. TriStar has accounted for the acquisition using the purchase method of accounting.

Results of Operations

Production

	Three Months ended June 30, 2008	Three Months ended June 30, 2007	Six Months ended June 30, 2008	Six Months ended June 30, 2007
Daily Production				
Crude oil and natural gas liquids (<i>Bbls per day</i>)	15,228	3,371	14,418	3,195
Natural gas (<i>Mcf per day</i>)	30,621	9,419	32,778	8,033
Total (<i>Boepd</i>)	20,332	4,941	19,882	4,534
% Natural Gas	25%	32%	27%	30%

For the three months ended June 30, 2008, TriStar averaged 20,332 Boepd as compared to 4,941 Boepd in the second quarter of 2007, a 311 percent increase. Production was comprised of 15,228 Bbls per day of crude oil and natural gas liquids ("NGL") and 30,621 Mcf per day of natural gas.

For the six months ended June 30, 2008, TriStar averaged 19,882 Boepd as compared to 4,534 Boepd in the first half of 2007, a 339 percent increase. Production was comprised of approximately 14,418 Bbls per day of crude oil and NGL and 32,778 Mcf per day of natural gas.

Production from corporate acquisitions are only included from the date of closing. Similarly, production from the divestiture of non-core assets is included only until the date of close of these transactions.

Production for the quarter was divided between the following areas:

Area	Three Months ended June 30, 2008			
	Crude Oil and NGL <i>Bbls per day</i>	Natural Gas <i>Mcf per day</i>	Total <i>Boepd</i>	%
Alberta	4,849	27,705	9,467	47
Saskatchewan	10,379	2,916	10,865	53
Total	15,228	30,621	20,332	100

During the quarter, the Company drilled 34 (24.2 net) wells, achieving a 97 percent success rate.

Pricing

Crude oil prices continued to rise in the second quarter of 2008 as compared to 2007 as WTI reached a high of US\$140.21 per Bbl during the quarter. Tight supply/demand fundamentals along with increasing geopolitical concerns continue to drive the world crude markets as WTI averaged US\$123.92 in the second quarter of 2008 after averaging US\$64.94 per Bbl in the second quarter of 2007, a 91 percent increase. The Canadian dollar averaged \$0.99 per US dollar in the second quarter of 2008 relative to \$0.91 per US dollar in the second quarter of 2007. Edmonton mixed sweet averaged \$126.51 in the second quarter of 2008, as compared to \$73.75 per Bbl in the second quarter of 2007, a 72 percent increase.

Natural gas prices averaged \$9.70 per Mcf for AECO daily spot, \$9.72 for AECO monthly, and US\$11.36 per Mmbtu for NYMEX daily gas in the second quarter of 2008. In the second quarter of 2007, natural gas prices averaged \$7.09 per Mcf for AECO daily spot, \$7.08 for AECO monthly, and US\$7.53 per Mmbtu for NYMEX daily gas. Fluctuating North American supply/demand forecasts along with volatile international natural gas prices, which affect the global flow of liquified natural gas, continue to cause significant price volatility in North American natural gas prices.

TriStar's average realized price for its crude oil and NGL was \$112.20 per Bbl in the second quarter while its realized natural gas price was \$9.91 per Mcf.

	Three Months ended June 30, 2008	Three Months ended June 30, 2007	Six Months ended June 30, 2008	Six Months ended June 30, 2007
Average Benchmark Prices				
Crude oil – WTI (<i>US\$ per Bbl</i>)	123.92	64.94	110.84	61.53
Crude oil – Edmonton Par Price (<i>\$ per Bbl</i>)	126.51	73.75	112.32	70.81
Natural gas – AECO-C Daily Spot (<i>\$ per Mcf</i>)	9.70	7.09	8.59	7.24
Natural gas – AECO-C Monthly (<i>\$ per Mcf</i>)	9.72	7.08	8.61	7.25
Exchange rate – (<i>US\$/CDN\$</i>)	0.99	0.91	0.99	0.88

	Three Months ended June 30, 2008	Three Months ended June 30, 2007	Six Months ended June 30, 2008	Six Months ended June 30, 2007
TriStar Average Realized Prices Prior to Hedging				
Crude oil and NGL – (<i>\$ per Bbl</i>)	112.20	64.45	101.37	62.58
Natural gas – (<i>\$ per Mcf</i>)	9.91	7.23	8.76	7.36
Boe – (<i>\$ per Boe</i>)	98.97	57.75	87.96	57.13

Revenues

For the three months ended June 30, 2008, TriStar recorded \$155.5 million in crude oil and NGL sales (net of a \$1.5 million reduction of revenue related to the SemCanada Crude Company ("SemCanada") creditor protection filing, as further described under "Contractual Obligations - Working Capital") and \$27.6 million in natural gas sales, a 685 percent and 345 percent increase, respectively, over the second quarter of 2007 when TriStar recorded \$19.8 million of crude oil and NGL sales and \$6.2 million of natural gas sales.

For the six months ended June 30, 2008, TriStar recorded \$266.0 million in crude oil and NGL sales (net of a \$1.5 million reduction of revenue related to the SemCanada creditor protection filing, as further described under "Contractual Obligations - Working Capital") and \$52.3 million in natural gas sales, a 635 percent and 388 percent increase respectively over the six months ended June 30, 2007 when TriStar recorded \$36.2 million of crude oil sales and \$10.7 million of natural gas sales.

	Three Months ended June 30, 2008	Three Months ended June 30, 2007	Six Months ended June 30, 2008	Six Months ended June 30, 2007
<i>(\$ thousands)</i>				
Revenues by Product				
Crude oil and NGL	155,491	19,770	266,014	36,185
Realized hedging gains (losses) on crude oil and NGL	(20,835)	266	(28,513)	1,474
Natural gas	27,616	6,195	52,260	10,696
Realized hedging gains (losses) on natural gas	(414)	106	(279)	182
Total revenues (net of hedging)	161,858	26,337	289,482	48,537

Royalty Expenses

Royalties for the quarter ended June 30, 2008 were \$35.7 million or 19.5 percent of revenue (before effects of hedging) as compared to \$4.9 million or 18.8 percent for the corresponding quarter in 2007. Royalties in the six months ended June 30, 2008 were \$62.1 million or 19.5 percent of revenue as compared to \$9.0 million or 19.1 percent in the six months ended June 30, 2007. 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).

On October 25, 2007 the Alberta provincial government announced its response to the Alberta Royalty Review Panel's recommendations which were announced on September 18, 2007. On April 10, 2008, the Alberta provincial government announced certain changes to its new Alberta Royalty Framework as a result of certain "unintended consequences" with respect to Deep Oil and Deep Gas drilling. It is expected that numerous changes will be made to the current royalty structure effective January 1, 2009. TriStar expects that the revised royalty program will generally have a negative impact on Alberta conventional oil and gas production and future drilling economics. TriStar has significant production in the province of Saskatchewan and production in Alberta that is not subject to crown royalties, mitigating the effect on TriStar's corporate royalties.

Operating Expenses

Operating expenses were \$19.6 million or \$10.62 per Boe in the quarter ended June 30, 2008 as compared to \$4.8 million or \$10.57 per Boe in the second quarter of 2007. Growing production volumes in southeast Saskatchewan have strained the area's infrastructure. This has resulted in increased oil emulsion trucking costs in the first half of 2008. Operating expenses were \$38.2 million or \$10.56 per Boe in the six months June 30, 2008 as compared to \$9.1 million or \$11.13 per Boe in the six months ended June 30, 2007. While the initial expansion of the major oil gathering system, Enbridge Pipelines (Saskatchewan) was completed in June 2008 and is expected to alleviate some trucking costs in the near term, the continual expansion of the Bakken play is expected to continue to put pressure on infrastructure in the region going forward.

Transportation Expenses

Transportation expenses were \$2.5 million or \$1.33 per Boe in the quarter ended June 30, 2008 as compared to \$0.3 million or \$0.65 per Boe in the second quarter of 2007. Increased transportation costs in the quarter are reflective of the infrastructure issues described above and the growing relative percentage of the Company's production derived from its Southeast Saskatchewan core area. Transportation expenses are reflective of the location of TriStar's properties, transportation rates and the location where the product is sold. Transportation expenses were \$4.4 million or \$1.22 per Boe in the six months ended June 30, 2008 as compared to \$0.7 million or \$0.79 per Boe in the six months ended June 30, 2007.

Operating Netbacks

Operating netbacks were \$56.24 per Boe for the quarter ended June 30, 2008 as compared to \$36.52 per Boe for the quarter ended June 30, 2007 and \$51.06 for the six months ended June 30, 2008 as compared to \$36.30 for the six months ended June 30, 2007.

Netbacks

<i>(\$ per Boe, unless otherwise noted)</i>	Three Months ended June 30, 2008	Three Months ended June 30, 2007	Six Months ended June 30, 2008	Six Months ended June 30, 2007
Total production (<i>Boepd</i>)	20,332	4,941	19,882	4,534
Crude oil and natural gas liquids (<i>\$/Bbl</i>)	112.20	64.45	101.37	62.58
Realized hedging gains/(losses) (<i>\$/Bbl</i>)	(14.87)	0.87	(10.81)	2.55
Natural gas (<i>\$/Mcf</i>)	9.91	7.23	8.76	7.36
Realized hedging gains/(losses) (<i>\$/Mcf</i>)	(0.15)	0.12	(0.05)	0.13
Average Price Prior to Hedging	98.97	57.75	87.96	57.13
Realized gain/(loss) on financial instruments (hedging)	(11.49)	0.83	(7.96)	2.02
Royalties, net	(19.29)	(10.84)	(17.16)	(10.93)
Operating	(10.62)	(10.57)	(10.56)	(11.13)
Transportation	(1.33)	(0.65)	(1.22)	(0.79)
Operating Netback	56.24	36.52	51.06	36.30
Operating Netback (prior to hedging)	67.73	35.69	59.02	34.28

General and Administrative Expenses

During the second quarter of 2008, general and administrative (“G&A”) expenses, net of recoveries and capitalized amounts, were \$3.2 million (\$1.73 per Boe) as compared to the quarter ended June 30, 2007 where G&A expenses were \$1.2 million or \$2.67 per Boe. G&A, net of recoveries, for the six months ended June 30, 2008 was \$5.9 million (\$1.63 per Boe) as compared to \$2.1 million or \$2.55 per Boe for the six months ended June 30, 2007. The absolute increase in G&A expenses relative to previous periods reflects the growth of TriStar, primarily as a result of the acquisition of Real Resources Inc., which closed on August 16, 2007. The reduction of G&A expenses per Boe is a reflection of the increased efficiency achieved as a result of such growth.

<i>(\$ thousands)</i>	Three Months ended June 30, 2008	Three Months ended June 30, 2007	Six Months ended June 30, 2008	Six Months ended June 30, 2007
General and administrative expenses	6,445	2,409	12,277	4,257
Recoveries	(1,354)	(433)	(2,694)	(811)
Capitalized general and administrative expenses	(1,881)	(777)	(3,668)	(1,353)
Total net general and administrative expenses	3,210	1,199	5,915	2,093

Interest Expense

Interest expense was \$3.4 million or \$1.82 per Boe in the quarter as compared to \$1.0 million or \$2.31 per Boe in the quarter ended June 30, 2007. Interest expense was \$7.0 million or \$1.92 per Boe in the six months ended June 30, 2008 as compared to \$1.9 million or \$2.32 per Boe in the six months ended June 30, 2007. The absolute amount of interest costs in the second quarter of 2008 increased primarily as a result of an increased level of bank debt held by the Company as a result of the growth of TriStar.

The Company's effective interest rates for the three and six months ended June 30, 2008 were 4.8 percent and 5.0 percent, respectively.

Stock-Based Compensation Expenses

The Company's stock-based compensation expense for the quarter ended June 30, 2008 was \$1.4 million or \$0.76 per Boe as compared to the quarter ended June 30, 2007 of \$0.3 million or \$0.69 per Boe. The Company's stock-based compensation expense for the six months ended June 30, 2008 was \$2.7 million or \$0.75 per Boe as compared to the six months ended June 30, 2007 of \$0.7 million or \$0.87 per Boe. The stock-based compensation expense was calculated utilizing a fair value assessment methodology. These amounts are net of amounts capitalized to property and equipment when they are related to drilling, production and acquisitions, which amount to \$1.0 million for the quarter ended June 30, 2008 or \$0.53 per Boe (2007 - \$0.2 million or \$0.50 per Boe). For the six months ended June 30, 2008, the capitalized amounts were \$1.9 million or \$0.52 per Boe (2007 - \$0.5 million or \$1.01 per Boe).

Depletion, Depreciation and Accretion Expenses

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, 2008 was \$60.4 million or \$32.63 per Boe as compared to the quarter ended June 30, 2007 which was \$13.3 million or \$29.59 per Boe. Depletion, depreciation and accretion expense in the six months ended June 30, 2008 was \$118.0 million or \$32.62 per Boe as compared to the six months ended June 30, 2007 which was \$24.3 million or \$29.63 per Boe.

Taxes

For the quarter ended June 30, 2008, TriStar recorded a capital and current tax expense of \$0.6 million, comprised of a capital tax expense of \$2.7 million and a current tax reduction of \$2.1 million, and a future income tax reduction of \$17.8 million as compared to the quarter ended June 30, 2007 when the Company recorded \$0.3 million of capital and current tax expense and a future income tax reduction of \$1.0 million. For the six months ended June 30, 2008, TriStar recorded a capital tax expense of \$1.5 million, and a future income tax reduction of \$18.6 million as compared to the six months ended June 30, 2007 when the Company recorded \$0.4 million of capital tax expense and a future income tax reduction of \$1.3 million. The capital tax expense is comprised of the Saskatchewan Capital Tax and Resource Surcharge. The current tax recovery reflects the continued recovery of the current tax liability recorded in the purchase price equation pursuant to the acquisition of Bulldog.

As at June 30, 2008, TriStar had approximately \$610 million of tax pools available to offset future taxable income.

Net Income (Loss) and Comprehensive Income

Net loss for the quarter ended June 30, 2008 was \$55.2 million compared to a net income of \$2.0 million during the same period in 2007. Net loss for the six months ended June 30, 2008 was \$61.3 million compared to a net loss of \$0.08 million during the same period in 2007. The net loss in the quarter includes the unrealized loss of \$108.1 million (before tax) on the Company's financial derivative contracts recognized in the quarter.

Basic and diluted net loss per share for the quarter ended June 30, 2008 were \$0.50 per share. This is compared to basic and diluted net income per share of \$0.07 per share for the same period in 2007. Basic and diluted net loss per share for the six months ended June 30, 2008 were \$0.59 per share. This is compared to a net loss of \$nil per share basic and diluted for the same period in 2007.

Other comprehensive income for the quarter ended June 30, 2008 included a charge of \$0.05 million, net of tax, (2007 - \$0.5 million) 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 new accounting standards for financial instruments at that date. This resulted in a total comprehensive loss of \$55.3 million for the quarter ended June 30, 2008, and a total comprehensive loss of \$61.4 for the six months ended June 30, 2008. This is compared to total comprehensive income of \$1.6 million for the quarter ended June 30, 2007 and a total comprehensive loss of \$1.2 million for the six months ended June 30, 2007.

Risk Management - Financial Instruments

TriStar enters into commodity price derivative contracts that provide downside price protection in order to protect acquisition economics and 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, 2008, the fair value of the financial derivative contracts was a liability of \$166.0 million. The fair values represent the market price to buy out TriStar's contracts at June 30, 2008 and may be different from what will eventually be realized.

WTI averaged US\$123.92 per Bbl in the second quarter of 2008 up from US\$97.70 per Bbl in the first quarter of 2008 and was US\$140.00 as at June 30, 2008 as compared to US\$101.58 as at March 31, 2008. Although this increase had an overall positive impact on TriStar's revenue, this has resulted in a loss recorded on TriStar's derivative contracts. For the quarter ended June 30, 2008, the Company had a net unrealized loss on its financial derivative contracts of \$108.1 million before taxes, in addition to the after-tax amortized gain of \$0.05 million (pre-tax: \$0.06 million) from the adoption of new GAAP standards on January 1, 2007, for a net pre-tax unrealized loss on financial instruments of \$108.1 million.

The following tables summarizes TriStar's commodity risk management positions as at June 30, 2008:

Oil Contracts

<i>Term</i>	<i>Type</i>	<i>Volume (Bbl/d)</i>	<i>Price</i>	<i>Index</i>
Jan. 1, 2007 – Dec. 31, 2008	Costless Collar	250	60.00 – 75.00	WTI
Jan. 1, 2008 – Dec. 31, 2009	Costless Collar	500	65.00 – 76.30	WTI
Jan. 1, 2008 – Dec. 31, 2009	Costless Collar	500	65.00 – 76.15	WTI
Jan. 1, 2008 – Dec. 31, 2009	Costless Collar	500	67.00 – 76.70	WTI
Jan. 1, 2008 – Dec. 31, 2009	Costless Collar	500	70.00 – 75.52	WTI
Jan. 1, 2008 – Dec. 31, 2009	Costless Collar	500	65.00 – 73.25	WTI
Jan. 1, 2008 – Dec. 31, 2008	Costless Collar	250	80.00 – 97.05	WTI
Jan. 1, 2008 – Dec. 31, 2009	Costless Collar	250	75.00 – 96.05	WTI
Jan. 1, 2008 – Dec. 31, 2009	Costless Collar	250	75.00 – 102.00	WTI
Jan. 1, 2008 – Dec. 31, 2009	Costless Collar	250	75.00 – 100.00	WTI
Jan. 1, 2008 – Dec. 31, 2009	Costless Collar	250	80.00 – 100.00	WTI
Jan. 1, 2008 – Dec. 31, 2009	Costless Collar	250	75.00 – 100.00	WTI
Jan. 1, 2008 – Dec. 31, 2009	Costless Collar	250	80.00 – 100.00	WTI
Feb. 1, 2008 – Dec. 31, 2009	Oil Put	500	75.00	WTI
Mar. 1, 2008 – Dec. 31, 2009	Oil Put	500	80.00	WTI
Jan. 1, 2007 – Dec. 31, 2008	Oil Swap	250	68.35	WTI
Apr. 1, 2007 – Dec. 31, 2009	Oil Swap	250	C\$76.60	C\$WTI
Jan. 1, 2008 – Dec. 31, 2009	Oil Swap	250	C\$78.20	C\$WTI
Apr. 1, 2008 – Dec. 31, 2008	Oil Swap	500	C\$100.20	C\$WTI

The fair value of the oil costless collars, puts and swap contracts at June 30, 2008 was a liability of \$163.5 million.

Natural Gas Contracts

<i>Term</i>	<i>Type</i>	<i>Volume (GJ/d)</i>	<i>Price</i>	<i>Index</i>
Apr. 1, 2008 – Sep. 30, 2008	Costless Collar	1,500	7.50 – 8.67	AECO Monthly
Apr. 1, 2008 – Oct. 31, 2008	Costless Collar	2,000	7.50 – 8.45	AECO Monthly
Apr. 1, 2008 – Sep. 30, 2008	Gas Swap	1,500	8.07	AECO Monthly
Apr. 1, 2008 – Oct. 31, 2008	Gas Swap	2,000	8.00	AECO Monthly

The fair value of the natural gas collars and swap contracts as at June 30, 2008 was a liability of \$2.5 million.

Fixed Strike, Foreign Exchange Contracts

The Company is exposed to fluctuations in the exchange rate between the Canadian dollar and the US dollar. Crude oil, and to a certain extent, natural gas prices are based upon reference prices denominated in US dollars, while the majority of the Company's expenses are denominated in Canadian dollars. When appropriate, the Company enters into agreements to fix the exchange rate of Canadian dollars to US dollars in order to manage the risk.

<i>Term</i>	<i>Type</i>	<i>Amount USD</i>	<i>Strike Price</i>	<i>Amount CDN</i>
May 1, 2008 – Dec. 31, 2009	Put	\$1,250,000	\$1.00	\$1,250,000
May 1, 2008 – Dec. 31, 2009	Call	\$2,500,000	\$1.00	\$2,500,000

The fair value of the foreign exchange contracts as at June 30, 2008 was an asset of \$0.02 million.

Capital Expenditures

During the quarter, the Company incurred \$91.6 million of capital expenditures, net of \$12.3 million of disposition proceeds, as compared to \$14.7 million spent for the three months ended June 30, 2007. The Company incurred \$694.0 million of capital expenditures during the six months ended June 30, 2008 as compared to \$101.0 million in the six months ended June 30, 2007. The following table details additions to the Company's property, plant and equipment for these periods:

<i>(\$ thousands)</i>	Three Months ended June 30, 2008	Three Months ended June 30, 2007	Six Months ended June 30, 2008	Six Months ended June 30, 2007
Drilling, development and production equipment	43,324	12,798	104,878	28,029
Land and seismic	18,989	1,862	59,988	2,335
Acquisitions ⁽¹⁾	38,164	(1,031)	538,065	68,668
Dispositions	(12,279)	-	(15,191)	-
Other - cash items ⁽²⁾	2,482	815	4,344	1,541
Other - non-cash items ⁽³⁾	896	228	1,876	453
Total	91,576	14,672	693,960	101,026

⁽¹⁾ Acquisitions include the amount allocated to property, plant and equipment for corporate and property acquisitions. This differs from the purchase price where there are allocations made to goodwill and other assets and liabilities, including asset retirement obligations.

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

⁽³⁾ Includes capitalized stock-based compensation expense.

The Company's current exploration and development budgeted capital program for 2008 (excluding acquisitions and dispositions) is approximately \$365 million, which is expected to be financed primarily through the Company's cash flow. The Company does not set a budget for acquisitions. The Company searches for opportunities that align with strategic parameters and evaluates each prospect on a case by case basis. The Company's acquisitions are expected to be financed through the Company's cash flow, bank debt and new equity issuances.

Goodwill

As a result of the adjustment of certain purchase price equations or acquisitions that occurred in prior periods, goodwill was reduced by \$7.5 million during the quarter ended June 30, 2008. Goodwill as at June 30, 2008 was \$241.9 million.

Shareholders' Equity

Share Capital

	Three Months ended June 30, 2008	Three Months ended June 30, 2007 ⁽¹⁾	Six Months ended June 30, 2008	Six Months ended June 30, 2007 ⁽¹⁾
Outstanding Common shares				
Weighted average outstanding Common shares				
Basic	110,109,657	28,351,370	104,588,862	25,903,601
Diluted ⁽²⁾	110,109,657	28,804,082	104,588,862	25,903,601
Outstanding Securities:				
Common shares	110,109,657	28,353,357	110,109,657	28,353,357
Common share options	3,270,900	1,066,688	3,270,900	1,066,688
Incentive shares	2,221,834	-	2,221,834	-
Performance shares	-	1,060,728	-	1,060,728

⁽¹⁾ Pursuant to the acquisition of Real Resources Inc., the number of outstanding shares of prior comparative periods has been adjusted by a factor of 0.4762 in order for the comparative outstanding share and per share amounts to be equivalent.

⁽²⁾ Due to the antidilutive effect of TriStar's net loss in the current period, the diluted number of shares is equivalent to the basic number of shares. The non-GAAP diluted weighted average shares outstanding for the three and six months ended June 30, 2008 was 114,018,236 and 108,218,928, respectively.

Contractual Obligations

Bank Facility

As at June 30, 2008, the Company had available a \$400.0 million credit facility. The Company's credit facility is with a syndicate of Canadian chartered banks 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. Subsequent to June 30, 2008, the Company increased its available credit facility to \$450.0 million.

Working Capital

The capital intensive nature of the Company's activities may create a negative working capital position in periods 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.

On July 22, 2008, SemCanada, a petroleum marketer for the Company, filed for creditor protection. As a result, it did not make payment on the July 25, 2008 settlement date for the June crude oil volumes marketed on behalf of its clients, amounting to approximately \$4.5 million for TriStar. Further, SemCanada suspended payment to its clients for July crude volumes shipped up to July 21, 2008, which TriStar estimates to be \$3.5 million. TriStar had an irrevocable standby letter of credit for \$1.5 million which was fully collected subsequent to July 21, 2008. Although not determinable at this time, as at June 30, 2008, the Company has recorded a reduction of revenue of \$1.5 million of the June 30, 2008 receivable amount, representing 50% of the amount outstanding after collecting funds from the letter of credit. The Company continues to monitor the matter and once it has further information, it will make necessary adjustments for impairment. There are no other material accounts receivable at June 30, 2008 that TriStar 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.

Forthcoming and Newly Adopted Accounting Policies

International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board (“AcSB”) confirmed the mandatory changeover date to International Financial Reporting Standards (“IFRS”) for Canadian profit-oriented publicly accountable entities (“PAEs”) such as TriStar.

The AcSB requires that IFRS compliant financial statements be prepared for annual and interim financial statements commencing on or after January 1, 2011. For PAEs with a December 31 year-end, the first unaudited interim financial statements under IFRS will be for the quarter ending March 31, 2011, with comparative financial information for the quarter ended March 31, 2010. The first audited annual financial statements will be for the year ending December 31, 2011, with comparative financial information for the year ended December 31, 2010. This also means that all opening balance sheet adjustments relating to the adoption of IFRS must be reflected in the January 1, 2010 opening balance sheet which will be issued as part of the comparative financial information in the March 31, 2011 unaudited interim financial statements.

TriStar intends to adopt these requirements as set out by the AcSB and other regulatory bodies. At this time, the impact of adopting IFRS cannot be reasonably quantified. During 2008, TriStar will continue to review the impact of IFRS on the Company and develop and put in place a plan on the changeover to IFRS. The actual conversion work will occur in 2009 and 2010, in anticipation of the preparation of the opening January 1, 2010 balance sheet that will be required for comparative figures for all periods ending in 2011.

Other Newly Adopted Accounting Policies

Effective January 1, 2008, the Company adopted Section 3862 Financial Instruments - Disclosures and Section 3863 Financial Instruments - Disclosure and Presentation. These disclosure standards were adopted prospectively and require entities to provide information enabling users of the financial statements to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and how the company manages those risks.

Effective January 1, 2008, the Company adopted Section 1535 Capital Disclosures, which requires companies to disclose their objectives, policies and processes for managing capital as well as compliance with any externally imposed capital requirements.

Business Conditions and Risks

The Company is engaged in the exploration, development, production and acquisition of crude oil and natural gas. TriStar's business is inherently risky and there is no assurance that hydrocarbon reserves will be discovered and economically produced. Financial risks associated with the petroleum industry include fluctuations in commodity prices, interest rates, and currency exchange rates. Operational risks include competition, environmental factors, reservoir performance uncertainties, a complex regulatory environment and safety concerns.

The Company minimizes its business risks by operating a large number of its properties. This enables TriStar to control the timing, direction and costs related to exploration and development opportunities. TriStar's geological focus is on areas in which the prospects are well understood by management. Technological tools are regularly used to reduce risk and increase the probability of success. The Company closely follows all government regulations and has an up-to-date emergency response plan that has been communicated to field operations by management. The Company also carries insurance coverage to protect itself against potential losses. Maintaining a highly motivated and talented staff of petroleum and natural gas professionals further minimizes the business risk.

TriStar relies on various sources of funding to support its growing capital expenditure program:

- Internally-generated cash flow provides a minimum level of funding on which the Company's annual capital expenditure program is based;
- Debt may be utilized to expand capital programs when appropriate; and
- New equity, if available on favorable terms, may be utilized to expand capital programs.

The Company is exposed to commodity price and market risk for its principal products of petroleum and natural gas. Commodity prices are influenced by a wide variety of factors, most of which are beyond TriStar's control. To manage this risk, the Company has entered into a number of financial derivative contracts for hedging purposes. These derivative contracts included contracts related to oil and gas prices, as well as foreign exchange rates. The Company may also from time to time, enter into fixed physical contracts. The Company continues to monitor the cost and associated benefit of these instruments and contracts as well as debt levels and utilization rates on bank lines and will utilize these derivatives and contracts when warranted.

Inflation risks subject the Company to potential erosion of product netbacks. For example, increasing domestic prices for oil and natural gas production equipment and services can inflate the costs of operations.

The supply of service and production equipment at competitive prices is critical to the ability to add reserves at a competitive cost and produce them in an economic and timely fashion. In periods of increased activity, these services and supplies can become difficult to obtain. The Company attempts to mitigate this risk by developing strong long-term relationships with suppliers and contractors and maintaining an appropriate inventory of production equipment.

Demand for crude oil and natural gas produced by the Company exists within Canada and the United States; however, crude oil prices are affected by worldwide supply and demand fundamentals while natural gas prices are primarily affected by North American supply and demand fundamentals. Demand for natural gas liquids is influenced mainly by the demand for petrochemicals in North American and off-shore markets. TriStar mitigates these risks as follows:

- Crude oil production is of a high quality mitigating its exposure to adverse quality differentials;
- Natural gas production is generally connected to a mature pipeline infrastructure that operates with minimal interruptions;
- Exploration efforts target high-quality oil and liquids-rich natural gas reserves;
- Sale arrangements vary in term and pricing structure creating a diverse portfolio that minimizes risk of exposure to any one market; and
- Financial instruments may be used where appropriate to manage commodity price volatility.

Disclosure Control

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 design 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.

Internal Controls Over Financial Reporting

The Company's CEO and CFO have designed or caused to be designed under their supervision internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

The Company's CEO and CFO are required to cause the Company to disclose any change in the Company's internal controls over financial reporting that has occurred during the period that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting. No changes in the Company's internal controls over financial reporting were identified during the three months ended June 30, 2008, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Additional Information

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

Summary of Quarterly Results

<i>(\$ thousands except per share and Boepd amounts)</i>	Three months ended June 30, 2008	Three months ended Mar 31, 2008	Three months ended Dec 31, 2007	Three months ended Sep 30, 2007
Production revenue (net of hedging)	183,107	135,167	85,419	53,578
Net income (loss)	(55,212)	(6,058)	(11,414)	(5,418)
Per share – basic ⁽¹⁾	(0.50)	(0.06)	(0.17)	(0.11)
Per share – diluted ⁽¹⁾	(0.50)	(0.06)	(0.17)	(0.11)
Production (<i>Boepd</i>)	20,332	19,431	14,769	10,120
Cash flow from operations ⁽²⁾	96,848	73,500	43,503	26,735
Per share – basic ⁽¹⁾	0.88	0.74	0.64	0.56
Per share – diluted ⁽¹⁾	0.88	0.74	0.64	0.56
Cash flow from operating activities ⁽³⁾	88,246	72,422	40,007	25,005
Per share – basic ⁽¹⁾	0.80	0.73	0.58	0.52
Per share – diluted ⁽¹⁾	0.80	0.73	0.58	0.52
Total assets	1,938,167	1,892,336	1,169,530	1,160,068
Total net debt ⁽⁴⁾	303,585	317,315	223,398	246,690

<i>(\$ thousands except per share and Boepd amounts)</i>	Three months ended June 30, 2007	Three months ended Mar 31, 2007	Three months ended Dec 31, 2006	Three months ended Sep 30, 2006
Production revenue (prior to hedging)	25,965	20,916	18,846	18,084
Net income (loss)	2,023	(2,101)	1,786	1,126
Per share – basic ⁽¹⁾	0.07	(0.09)	0.08	0.04
Per share – diluted ⁽¹⁾	0.07	(0.09)	0.08	0.04
Production (<i>Boepd</i>)	4,941	4,121	3,919	3,424
Cash flow from operations ⁽²⁾	13,931	11,411	10,725	11,021
Per share – basic ⁽¹⁾	0.49	0.49	0.48	0.50
Per share – diluted ⁽¹⁾	0.48	0.49	0.46	0.48
Cash flow from operating activities ⁽³⁾	13,536	6,961	12,626	12,371
Per share – basic ⁽¹⁾	0.49	0.30	0.57	0.57
Per share – diluted ⁽¹⁾	0.48	0.30	0.55	0.55
Total assets	453,337	441,661	351,974	330,821
Total net debt ⁽⁴⁾	77,665	77,058	63,247	44,844

⁽¹⁾ Pursuant to the acquisition of Real Resources Inc., the shares outstanding for each quarter prior to the one ending September 30, 2007 have been converted on a 0.4762 to 1 basis to reflect the exchange of each share of TriStar Oil & Gas Ltd.

⁽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.

⁽⁴⁾ "Total net debt" is calculated as bank loan and current liabilities less current assets, excluding financial derivative contracts and related current future income taxes.



Consolidated Financial Statements

As at and for the

three and six months ended June 30, 2008

(unaudited)

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

(\$ thousands)	June 30, 2008	December 31, 2007
Assets		
Current assets		
Accounts receivable	110,273	59,749
Taxes receivable	3,200	-
Other current assets	5,705	6,481
Fair value of financial instruments (note 11)	1,852	2,916
Future income taxes	31,259	6,000
	<u>152,289</u>	<u>75,146</u>
Property and equipment (notes 4, 5)	1,543,057	965,485
Goodwill (note 4)	241,899	126,293
Fair value of financial instruments (note 11)	922	2,606
	<u>1,938,167</u>	<u>1,169,530</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	150,243	91,025
Fair value of financial instruments (note 11)	118,137	24,250
	<u>268,380</u>	<u>115,275</u>
Asset retirement obligations (note 7)	28,226	22,650
Long-term debt (note 6)	272,520	198,603
Fair value of financial instruments (note 11)	50,613	20,218
Future income taxes	226,095	121,947
	<u>845,834</u>	<u>478,693</u>
Shareholders' Equity		
Share capital (notes 4, 8)	1,153,211	694,934
Contributed surplus (note 8)	10,992	6,414
Accumulated other comprehensive income (note 8)	92	182
Retained earnings	(71,962)	(10,693)
	<u>1,092,333</u>	<u>690,837</u>
Total liabilities and shareholders' equity	<u>1,938,167</u>	<u>1,169,530</u>

Commitments (note 12)

Contingencies (note 13)

See accompanying notes to consolidated financial statements.

TriStar Oil & Gas Ltd.

Consolidated Statements of Operations, Comprehensive Income (Loss) and Retained Earnings (Deficit)

For the three and six months ended June 30, 2008 and 2007

(unaudited)

(\$ thousands)	Three Months ended June 30, 2008	Three Months ended June 30, 2007	Six Months ended June 30, 2008	Six Months ended June 30, 2007
Revenues				
Petroleum and natural gas sales	183,107	25,965	318,274	46,881
Royalties	(35,687)	(4,875)	(62,109)	(8,968)
	147,420	21,090	256,165	37,913
Realized gain (loss) on financial instruments (note 11)	(21,249)	372	(28,792)	1,656
Unrealized loss on financial instruments (note 11)	(108,078)	733	(129,472)	(1,695)
	18,093	22,195	97,901	37,874
Expenses				
Operating	19,640	4,752	38,223	9,135
Transportation	2,465	292	4,415	652
General and administration	3,210	1,200	5,915	2,093
Depletion, depreciation and accretion	60,377	13,304	118,039	24,316
Stock-based compensation	1,411	311	2,699	711
Interest	3,372	1,037	6,954	1,904
	90,475	20,896	176,245	38,811
Earnings (loss) before taxes	(72,382)	1,299	(78,344)	(937)
Taxes				
Capital and current taxes	636	250	1,518	443
Future income tax expense (reduction)	(17,806)	(974)	(18,593)	(1,302)
	(17,170)	(724)	(17,075)	(859)
Net income (loss)	(55,212)	2,023	(61,269)	(78)
Other comprehensive income (loss)				
Amortization of fair value of financial instruments	(45)	(451)	(91)	(1,092)
Comprehensive income (loss)	(55,257)	1,572	(61,360)	(1,170)
Retained earnings				
Retained earnings (deficit), beginning of period	(16,750)	4,117	(10,693)	6,218
Retained earnings (deficit), end of period	(71,962)	6,140	(71,962)	6,140
Earnings (loss) per share (note 8)				
Basic	(0.50)	0.07	(0.59)	0.00
Diluted	(0.50)	0.07	(0.59)	0.00
Weighted average number of shares (note 8)				
Basic	110,109,657	28,351,370	104,588,862	25,903,601
Diluted	110,109,657	28,804,082	104,588,862	25,903,601

See accompanying notes to consolidated financial statements.

TriStar Oil & Gas Ltd.

Consolidated Statements of Cash Flows

For the three and six months ended June 30, 2008 and 2007

(unaudited)

	Three Months ended June 30, 2008	Three Months ended June 30, 2007	Six Months ended June 30, 2008	Six Months ended June 30, 2007
(\$ thousands)				
Operating activities				
Net income (loss)	(55,212)	2,023	(61,269)	(78)
Unrealized loss (gain) on financial instruments	108,078	(733)	129,472	1,695
Depletion, depreciation and accretion	60,377	13,304	118,039	24,316
Stock-based compensation	1,411	311	2,699	711
Future income taxes	(17,806)	(974)	(18,593)	(1,302)
	96,848	13,931	170,348	25,342
Change in non-cash working capital	(8,602)	(395)	(9,680)	(4,845)
	88,246	13,536	160,668	20,497
Financing activities				
Issuance of share capital	-	-	205,031	50,620
Share issue costs	-	(101)	(10,297)	(2,781)
Increase (decrease) in bank loan	104	(1,515)	53,439	14,627
	104	(1,616)	248,173	62,466
Investing activities				
Capital expenditures	(64,711)	(15,468)	(169,210)	(31,842)
Acquisitions, net of cash acquired	(37,704)	-	(214,345)	(56,197)
Proceeds from dispositions	12,279	1,031	15,191	1,031
Change in non-cash working capital	1,786	2,517	(40,477)	4,045
	(88,350)	(11,920)	(408,841)	(82,963)
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, 2008

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. These financial statements and the notes thereto should be read in conjunction with TriStar's audited consolidated financial statements as at and for the year ended December 31, 2007.

2. Principles of consolidation

As at June 30, 2008, the consolidated financial statements include the accounts of TriStar, TOG Partnership, Vortex Energy Corporation, TriStar BR Incorporated, TriStar BR Partnership, TriStar KW Corporation, 1369645 Alberta Limited and 1284827 Alberta Limited.

3. Changes in accounting policy

Effective January 1, 2008, the Company adopted Section 3862 *Financial Instruments - Disclosures* and Section 3863 *Financial Instruments - Disclosure and Presentation*. These disclosure standards were adopted prospectively and require entities to provide information enabling users of the financial statements to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and how the company manages those risks.

Effective January 1, 2008, the Company adopted Section 1535 *Capital Disclosures*, which requires companies to disclose their objectives, policies and processes for managing capital as well as compliance with any externally imposed capital requirements.

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the mandatory changeover date to International Financial Reporting Standards ("IFRS") for Canadian profit-oriented publicly accountable entities ("PAEs") such as TriStar.

The AcSB requires that IFRS compliant financial statements be prepared for annual and interim financial statements commencing on or after January 1, 2011. For PAEs with a December 31 year-end, the first unaudited interim financial statements under IFRS will be for the quarter ending March 31, 2011, with comparative financial information for the quarter ended March 31, 2010. The first audited annual financial statements will be for the year ending December 31, 2011, with comparative financial information for the year ended December 31, 2010. This also means that all opening balance sheet adjustments relating to the adoption of IFRS must be reflected in the January 1, 2010 opening balance sheet which will be issued as part of the comparative financial information in the March 31, 2011 unaudited interim financial statements.

TriStar intends to adopt these requirements as set out by the AcSB and other regulatory bodies. At this time, the impact of adopting IFRS cannot be reasonably quantified. During 2008, TriStar will continue to review the impact of IFRS on the Company and develop and put in place a plan on the changeover to IFRS. The actual conversion work will occur in 2009 and 2010, in anticipation of the preparation of the opening January 1, 2010 balance sheet that will be required for comparative figures for all periods ending in 2011.

TriStar Oil & Gas Ltd.

Notes to the Consolidated Financial Statements

As at and for the three and six months ended June 30, 2008

4. Business combinations

Acquisition of Bulldog Resources Inc.

On February 7, 2008, TriStar acquired all of the issued and outstanding common shares of Bulldog Resources Inc. ("Bulldog"). Under the terms of the arrangement, TriStar issued 0.59 common shares of TriStar for each Bulldog common share outstanding, for a total of 16.8 million TriStar common shares.

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

(\$ thousands)

Consideration	
Common shares issued	188,962
Transaction costs	1,400
	<hr/>
	190,362
<hr/>	
Net assets received, at estimated fair value	
Property and equipment	218,635
Working capital	(21,000)
Goodwill	36,175
Fair value of financial instruments	997
Asset retirement obligations	(1,553)
Future income taxes	(42,892)
	<hr/>
	190,362

The results of operations include net revenue from this transaction effective February 8, 2008.

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

TriStar Oil & Gas Ltd.

Notes to the Consolidated Financial Statements

As at and for the three and six months ended June 30, 2008

Acquisition of Arista Energy Limited

On January 18, 2008, TriStar acquired all of the issued and outstanding common shares of Arista Energy Limited ("Arista"). Under the terms of the Arrangement, TriStar paid consideration of \$215 million (net of transaction costs), consisting of cash and net debt assumed, for all issued and outstanding common shares of Arista.

Concurrently, TriStar issued 16.9 million Common Shares at \$12.15 per common share for gross proceeds of approximately \$205 million. A portion of the proceeds from this equity financing were used to fund the acquisition of Arista. This acquisition has been accounted for using the purchase method of accounting, as follows:

(\$ thousands)

Consideration	
Cash	167,485
Transaction costs	2,600
	<hr/>
	170,085
<hr/>	
Net assets received, at estimated fair value	
Property and equipment	196,270
Working capital	(36,450)
Goodwill	62,549
Bank loan	(11,522)
Fair value of financial instruments	1,518
Asset retirement obligations	(1,313)
Future income taxes	(40,967)
	<hr/>
	170,085
	<hr/>

The results of operations include net revenue from this transaction effective January 19, 2008.

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

TriStar Oil & Gas Ltd.

Notes to the Consolidated Financial Statements

As at and for the three and six months ended June 30, 2008

Acquisition of Kinwest Corporation

On January 8, 2008, TriStar acquired all of the issued and outstanding common shares of Kinwest Corporation ("Kinwest") for consideration of 8.0 million TriStar Common Shares and the assumption of Kinwest's net debt. This acquisition has been accounted for using the purchase method of accounting, as follows:

(\$ thousands)

Consideration	
Common shares issued	78,251
Transaction costs	400
	<hr/>
	78,651
	<hr/>
Net assets received, at estimated fair value	
Property and equipment	82,486
Working capital	1,713
Goodwill	17,482
Bank loan	(8,957)
Asset retirement obligations	(1,741)
Future income taxes	(12,332)
	<hr/>
	78,651

The results of operations include net revenue from this transaction effective January 9, 2008.

The above amounts are estimates, which were made by management at the time of the preparation of these 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, 2008	December 31, 2007
Petroleum and natural gas assets	1,776,658	1,082,855
Administrative assets	1,678	1,040
	<hr/>	<hr/>
	1,778,336	1,083,895
Less accumulated depletion and depreciation	(235,279)	(118,410)
	<hr/>	<hr/>
	1,543,057	965,485

At June 30, 2008, the calculation of the depletion expense excluded unproved property and undeveloped land cost of \$388.7 million (2007: \$54.5 million). Unused seismic costs of \$31.3 million (2007: \$nil) were also excluded. Future development costs of \$166.7 million (2007: \$24.0 million) were included in the depletion calculation.

During the three months ended June 30, 2008, the Company capitalized \$1.9 million (2007: \$0.8 million) of general and administrative costs and \$1.4 million (2007: \$0.2 million) of stock-based compensation expense, including a tax effect of \$0.4 million (2007: \$0.1 million), relating to exploration, development and acquisition activities. During the six months ended June 30, 2008, the Company capitalized \$3.7 million (2007: \$1.4 million) of general and administrative costs and \$2.6 million (2007: \$0.5 million) of stock-based compensation expense, including a tax effect of \$0.7 million (2007: \$0.3 million), relating to exploration and development activities.

TriStar Oil & Gas Ltd.

Notes to the Consolidated Financial Statements

As at and for the three and six months ended June 30, 2008

6. Bank loan

At June 30, 2008, the Company had available a \$400.0 million credit facility, which was subsequently increased to \$450.0 million. 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, 2008 was 4.8 percent and 5.0 percent, respectively.

7. Asset retirement obligations

The total future asset retirement obligations ("ARO") 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 \$84.9 million as at June 30, 2008. 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, 2008	December 31, 2007
ARO, beginning of period	22,650	6,089
Liabilities acquired (net of dispositions)	3,511	14,340
Liabilities incurred	896	1,249
Accretion expense	1,169	972
ARO, end of period	28,226	22,650

8. Shareholders' equity

The corporate acquisition of Real Resources Inc. (the "Real acquisition") has been accounted for as a reverse takeover. As a result the number of outstanding shares of prior comparative periods has been reduced by being multiplied by 0.4762, in order for the comparative share and per share amounts to be equivalent.

- a) Share capital – authorized
 - i) An unlimited number of voting common shares of TriStar ("Common Shares").
 - ii) The Company is authorized to issue four classes of preferred shares designated as First Preferred Shares, Second Preferred Shares, Third Preferred Shares and Fourth Preferred Shares, each class issuable in series (collectively, the "Preferred Shares"). There were no Preferred Shares outstanding during the period.

TriStar Oil & Gas Ltd.

Notes to the Consolidated Financial Statements

As at and for the three and six months ended June 30, 2008

b) Share capital – issued and outstanding

The following table reconciles the Company's share capital movements:

(\$ thousands, except share amounts)	Six months ended June 30, 2008	
	Number of shares	Amount
Common Shares		
Balance, beginning of period	68,462,492	694,934
Issued for cash	16,875,000	205,031
Issued on acquisitions (note 4)	24,772,165	267,213
Tax effect on flow-through expenses renounced	-	(2,720)
Share issue costs (net of tax effect)	-	(11,247)
Total share capital, end of period	110,109,657	1,153,211

c) Per share amounts

Due to the antidilutive effect of TriStar's net loss in the current period, the diluted number of shares is equivalent to the basic number of shares.

d) Stock-based compensation

The Company has an employee stock option plan under which employees and directors are eligible to receive option grants ("Stock Options") and Common Share incentives ("Incentive Shares"). The total aggregate amount of Stock Options and Incentive Shares that can be issued cannot exceed ten percent of the outstanding Common Shares. The Company accounts for its stock-based compensation using the fair value method. The fair value of the Stock Options and Incentive Shares is charged to earnings over three years on a straight-line basis.

Stock Options granted under the plan have a term of five years to expiry and vest over three years. The fair value of each Stock Option 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 the Stock Options is three years. The risk-free interest rate used to fair value the Stock Options is 4.25 percent and the expected volatility is 35 percent.

The weighted average exercise price for outstanding options as at June 30, 2008 was \$8.68.

The following table reconciles Stock Option activity:

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Balance, beginning of period	3,155,050	1,028,592	2,695,800	995,258
Granted	146,850	38,096	607,100	71,430
Cancelled	(31,000)	-	(32,000)	-
Balance, end of period	3,270,900	1,066,688	3,270,900	1,066,688
Weighted average exercise price (\$)	8.68	14.37	8.68	14.37
Exercisable, end of period	-	-	-	-

Incentive Shares are earned annually in equal amounts over three years from the date of grant. Upon being earned, the Incentive Shares are converted into Common Shares and issued from treasury at no cost to the Incentive Shareholder. The fair value of Incentive Shares is deemed to equal the stock price on the date of grant. During the three months ended June 30, 2008, 119,750 Incentive Shares were granted and 28,666 Incentive Shares were cancelled. As at June 30, 2008, there were 2,221,834 Incentive Shares outstanding and none were convertible to Common Shares.

TriStar Oil & Gas Ltd.

Notes to the Consolidated Financial Statements

As at and for the three and six months ended June 30, 2008

e) Contributed surplus

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

(\$ thousands)	June 30, 2008	December 31, 2007
Balance, beginning of period	6,414	1,611
Stock-based compensation expense arising from:		
Stock Options	1,313	3,185
Incentive Shares	3,265	2,328
Performance Shares	-	527
Reclass to share capital upon conversion:		
Performance Shares	-	(1,383)
Escrowed shares	-	146
Balance, end of period	10,992	6,414

f) Accumulated other comprehensive income

The adoption of new accounting policies regarding financial instruments on January 1, 2007 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, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Balance, beginning of period	137	1,445	182	-
Change in accounting policy	-	-		2,086
Amortization of fair value of financial instruments, net of tax	(45)	(450)	(90)	(1,091)
Balance, end of period	92	995	92	995

g) Flow-through shares

On March 16, 2007, TriStar issued 1,700,000 (809,540 after the effect of the Real acquisition) flow-through Common Shares at a price of \$6.00 (\$12.60 after the effect of the Real acquisition) 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 was recorded when the qualifying expenditures were renounced to shareholders in the first quarter of 2008. As at June 30, 2008, \$8.1 million of expenditures related to this \$10.2 million flow-through share obligation had been incurred.

TriStar Oil & Gas Ltd.

Notes to the Consolidated Financial Statements

As at and for the three and six months ended June 30, 2008

9. Supplemental cash flow information

(\$ thousands)	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Income and other taxes paid	14	175	709	175
Interest paid, net of interest income	3,047	973	7,459	1,840

10. Financial risk management

a) Credit risk

Credit risk is the risk of financial loss to a Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from joint venture partners and petroleum and natural gas marketers. At June 30, 2008 the Company's receivables consisted of 56% of revenue from petroleum and natural gas marketers, 44% of trade and other receivables.

Receivables from petroleum and natural gas marketers are collected on the 25th day of each month following production. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with large purchasers.

Joint venture receivables are normally collected within one to three months of the joint venture bill being issued to the partner. The Company attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditures prior to expenditure. However, the receivables are from participants in the petroleum and natural gas sector and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. Further risks exist with joint venture partners as disagreements occasionally arise, increasing the risk of non-collection. The Company does not typically obtain collateral from petroleum and natural gas marketers or joint venture partners. However, the Company does have the ability to withhold production from joint venture partners in the event of non-payment.

On July 22, 2008, SemCanada, a petroleum marketer for the Company, filed for creditor protection. As a result, it did not make payment on the July 25, 2008 settlement date for the June crude oil volumes marketed on behalf of its clients, amounting to approximately \$4.5 million for TriStar. Further, SemCanada suspended payment to its clients for July crude volumes shipped up to July 21, 2008, which TriStar estimates to be \$3.5 million. TriStar had an irrevocable standby letter of credit for \$1.5 million which was fully collected subsequent to July 21, 2008. Although not determinable at this time, as at June 30, 2008, the Company has recorded a reduction of revenue of \$1.5 million of the June 30, 2008 receivable amount, representing 50% of the amount outstanding after collecting funds from the letter of credit. The Company continues to monitor the matter and once it has further information, it will make necessary adjustments for impairment. There are no other material accounts receivable at June 30, 2008 that TriStar deemed uncollectible.

b) Liquidity risk

Liquidity risk relates to the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities. The financial liabilities on the balance sheet consist mainly of accounts payable and bank debt. The Company anticipates it will continue to have adequate liquidity to fund its financial liabilities through its future cash flows and available credit facility (see note 6). The Company has had no defaults or breaches on its bank debt or any of its financial liabilities.

TriStar Oil & Gas Ltd.

Notes to the Consolidated Financial Statements

As at and for the three and six months ended June 30, 2008

c) Market risk

Market risk is the risk that changes in market prices, such as currency risk, commodity price risk and interest rate risk will affect the Company's net earnings, future cash flows, the value of financial instruments, or the fair value of its assets and liabilities.

Although the Company generally does not sell or transact in foreign currency, the United States dollar influences the price of petroleum and natural gas sold in Canada. Furthermore, exchange rate fluctuations can affect the fair value of future cash flow from derivative petroleum and natural gas contracts. In the first quarter of 2008, the Company entered into a foreign exchange rate hedge to mitigate a portion of this risk as described in note 11.

Commodity prices for crude oil, natural gas liquids ("NGL") and natural gas are impacted by not only the relationship between the Canadian and US currencies, as described above, but also due to political events, meteorological conditions, disruptions in supply and changes in demand. 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, as described in note 11. The Company's risk management activities are conducted pursuant to the Company's risk management policies approved by the Board of Directors. The Company's other assets and liabilities are generally not affected by changes in currency rates.

The Company is exposed to interest rate risk on its outstanding bank debt which has a floating interest rate, potentially affecting future cash flows. At June 30, 2008 the Company did not have any interest rate swaps or hedges in place.

The Company uses a non-GAAP measure, cash flow from operations, as a measure of current operating efficiency. Cash flow from operations represents cash flow from operating activities prior to changes in non-cash working capital. For the three months ended June 30, 2008, the sensitivity of cash flow from operations to changes in TriStar's realized crude oil and NGL prices, natural gas prices, and bank interest rate would have been as follows. An increase by \$1.00 per bbl in the realized price for crude oil and NGL would have resulted in approximately \$0.6 million additional cash flow from operations. An increase by \$0.10 per thousand cubic feet in the realized price for natural gas would have resulted in approximately \$0.2 million additional cash flow from operations. An increase by 0.1% to the bank interest rate would have resulted in approximately \$0.1 million less cash flow from operations. However, the above sensitivity results for crude oil and NGL and for natural gas should not be extrapolated further without considering TriStar's hedge portfolio, royalty parameters and potential price-related effects on the results of the period.

d) Capital management

The Company's policy is to maintain a strong capital base for the objectives of maintaining financial flexibility and to sustain the future development of the business. The Company manages its capital structure and makes adjustments relative to changes in economic conditions and the Company's risk profile. In order to maintain the capital structure, the Company may from time to time issue shares and adjust its capital spending to manage current and projected debt levels. The Company monitors its net debt levels and working capital in order to assess capital and operating efficiency.

The Company considers its capital structure to include shareholders' equity, working capital and long-term debt. The Company's share capital is not subject to external restrictions, however its credit facility is based on its petroleum and natural gas reserves.

TriStar Oil & Gas Ltd.

Notes to the Consolidated Financial Statements

As at and for the three and six months ended June 30, 2008

11. 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

At June 30, 2008, the following table presents a reconciliation of the change in the unrealized amounts from January 1, 2008 to June 30, 2008:

(\$ thousands)

	Fair value	Total unrealized gain/(loss)
Balance, beginning of period	(38,946)	-
Unrealized loss on financial instruments	(129,600)	(129,600)
Additions	2,570	-
Amortization of fair value of financial instruments	-	128
Balance, end of period	(165,976)	(129,472)

TriStar Oil & Gas Ltd.

Notes to the Consolidated Financial Statements

As at and for the three and six months ended June 30, 2008

Commodity contracts

Commodity contracts outstanding as at June 30, 2008 are as follows:

Oil contracts

<i>Term</i>	<i>Type</i>	<i>Volume (Bbl/d)</i>	<i>Price (\$US/Bbl)</i>	<i>Index</i>
Jan. 1, 2007 – Dec. 31, 2008	Costless Collar	250	60.00 – 75.00	WTI
Jan. 1, 2008 – Dec. 31, 2009	Costless Collar	500	65.00 – 76.30	WTI
Jan. 1, 2008 – Dec. 31, 2009	Costless Collar	500	65.00 – 76.15	WTI
Jan. 1, 2008 – Dec. 31, 2009	Costless Collar	500	67.00 – 76.70	WTI
Jan. 1, 2008 – Dec. 31, 2009	Costless Collar	500	70.00 – 75.52	WTI
Jan. 1, 2008 – Dec. 31, 2009	Costless Collar	500	65.00 – 73.25	WTI
Jan. 1, 2008 – Dec. 31, 2008	Costless Collar	250	80.00 – 97.05	WTI
Jan. 1, 2008 – Dec. 31, 2009	Costless Collar	250	75.00 – 96.05	WTI
Jan. 1, 2008 – Dec. 31, 2009	Costless Collar	250	75.00 – 102.00	WTI
Jan. 1, 2008 – Dec. 31, 2009	Costless Collar	250	75.00 – 100.00	WTI
Jan. 1, 2008 – Dec. 31, 2009	Costless Collar	250	80.00 – 100.00	WTI
Jan. 1, 2008 – Dec. 31, 2009	Costless Collar	250	75.00 – 100.00	WTI
Jan. 1, 2008 – Dec. 31, 2009	Costless Collar	250	80.00 – 100.00	WTI
Feb. 1, 2008 – Dec. 31, 2009	Oil Put	500	75.00	WTI
Mar. 1, 2008 – Dec. 31, 2009	Oil Put	500	80.00	WTI
Jan. 1, 2007 – Dec. 31, 2008	Oil Swap	250	68.35	WTI
Apr. 1, 2007 – Dec. 31, 2009	Oil Swap	250	C\$76.60	C\$WTI
Jan. 1, 2008 – Dec. 31, 2009	Oil Swap	250	C\$78.20	C\$WTI
Apr. 1, 2008 – Dec. 31, 2008	Oil Swap	500	C\$100.20	C\$WTI

The fair value of the oil costless collar, put and swap contracts at June 30, 2008 was a liability of \$163.5 million.

Natural gas contracts

<i>Term</i>	<i>Type</i>	<i>Volume (GJ/d)</i>	<i>Price (\$/GJ)</i>	<i>Index</i>
Apr. 1, 2008 – Sep. 30, 2008	Costless Collar	1,500	7.50 – 8.67	AECO Monthly
Apr. 1, 2008 – Oct. 31, 2008	Costless Collar	2,000	7.50 – 8.45	AECO Monthly
Apr. 1, 2008 – Sep. 30, 2008	Gas Swap	1,500	8.07	AECO Monthly
Apr. 1, 2008 – Oct. 31, 2008	Gas Swap	2,000	8.00	AECO Monthly

The fair value of the natural gas collars and swap contracts as at June 30, 2008 was a liability of \$2.5 million.

Fixed strike, foreign exchange contracts

<i>Term</i>	<i>Type</i>	<i>Amount</i>		<i>Strike Price</i>	<i>Amount CDN</i>
		<i>USD</i>			
May 1, 2008 – Dec. 31, 2009	Put	\$1,250,000		\$1.00	\$1,250,000
May 1, 2008 – Dec. 31, 2009	Call	\$2,500,000		\$1.00	\$2,500,000

The fair value of the foreign exchange contracts as at June 30, 2008 was an asset of \$0.02 million.

TriStar Oil & Gas Ltd.

Notes to the Consolidated Financial Statements

As at and for the three and six months ended June 30, 2008

12. Commitments

At June 30, 2008, the Company had the following lease commitment for office space:

(\$ thousands)

2008	1,772
2009	3,544
2010	3,544
2011	3,544
2012	3,590
Thereafter	11,449

13. Contingencies

The Company is involved in litigation and claims arising in the normal course of operations and believes that such claims will not materially affect the Company's financial position or reported results of operations.

Corporate Information

Directors

James Bertram ^{(1) (2)}
Paul Colborne, Chairman ⁽²⁾
Dallas L. Droppo ⁽³⁾
Richard N. Edgar ^{(3) (4)}
Brett Herman ⁽²⁾
Martin Hislop ⁽⁴⁾
Robert B. Michaleski ⁽⁴⁾
James M. Pasieka ⁽¹⁾
Rob Peters ⁽¹⁾

⁽¹⁾ Compensation committee

⁽²⁾ Environment, Health & Safety committee

⁽³⁾ Reserves committee

⁽⁴⁾ Audit committee

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

Mike Wihak
Vice President, Operations

Filippo Angelini
Controller

James M. Pasieka
Corporate Secretary

Head Office

Fifth Avenue Place, East Tower
Suite 800, 425 - First Street SW
Calgary, Alberta T2P 3L8
Telephone: (403) 268-7800
Facsimile: (403) 218-6075
www.tristaroilandgas.com

Auditor

KPMG LLP

Bankers

BMO Bank of Montreal
Canadian Imperial Bank of Commerce
The Bank of Nova Scotia
The Toronto-Dominion Bank

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:

Olympia Trust Company
Suite 2300, 125 Ninth Avenue SE
Calgary, Alberta T2G 0P6
Telephone: (403) 261-0900
Facsimile: (403) 265-1455
www.olympiatrust.com

Stock Exchange

Toronto Stock Exchange
Trading Symbol "TOG"