

**TEXALTA PETROLEUM LTD.  
INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2006  
Unaudited - Prepared by Management**



**NOTICE OF NO AUDITOR REVIEW OF  
INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

February 23, 2007

**To the Shareholders:**

Texalta is pleased to present the financial results for the period ending December 31, 2006.

Compared to the corresponding six month period last year, our revenue has improved by a factor of 330%, to a total of \$979,717. This increase reflects improved production and good prices for oil and gas.

In the upcoming six month period, we plan to complete three horizontal development wells, one at each of West Queensdale, Wordsworth and West Wildwood, which should significantly improve our financial situation by our year end at June 30<sup>th</sup>, 2007. The first of these wells at West Queensdale is currently drilling and early results should be available in the next few weeks.

Plans for further development drilling on our Saskatchewan properties are currently underway and we contemplate an additional three wells in the last half of this calendar year.

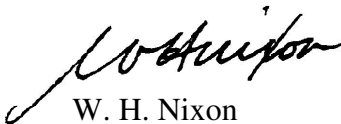
In Australia, seismic and associated gravity and magnetic work is underway which will lead to a completely revised interpretation of all geological data. These studies should be completed by April 2007 and will set the stage for definition of extensive seismic work and planning for wildcat drilling scheduled for next year.

From the foregoing, one can see that Texalta has a busy year ahead, one which should see significant development work add Shareholder value at a very significant rate.

If you have any questions regarding the information presented, please feel free to contact the undersigned.

Yours truly,

**TEXALTA PETROLEUM LTD.**



W. H. Nixon  
President & CEO

**TEXALTA PETROLEUM LTD.**  
**BALANCE SHEETS**

As at December 31, 2006 and June 30, 2006

(UNAUDITED)

(AUDITED)

	Dec 31 2006	June 30 2006
<b>Assets</b>		
Current Assets		
Cash and term deposits	\$ 2,831,545	\$ 1,471,231
Accounts receivable	531,939	235,449
	<u>3,363,484</u>	<u>1,706,680</u>
Property and equipment	2,822,026	1,941,661
	<u>\$ 6,185,510</u>	<u>\$ 3,648,341</u>
<b>Liabilities</b>		
Current Liabilities		
Bank loan and advances	\$ -	\$ -
Accounts payable and accrued liabilities	72,467	1,169,272
Income taxes payable	93,690	-
	<u>166,157</u>	<u>1,169,272</u>
Asset retirement obligation	122,090	116,090
Future income taxes	481,326	472,300
	<u>603,416</u>	<u>588,390</u>
<b>Shareholders' Equity</b>		
Contributed surplus	292,648	134,308
Share capital	5,961,482	2,414,891
Purchase warrants	18,070	205,030
Deficit	(856,263)	(863,550)
	<u>5,415,936</u>	<u>1,890,679</u>
	<u>\$ 6,185,510</u>	<u>\$ 3,648,341</u>

**TEXALTA PETROLEUM LTD.**  
**STATEMENTS OF INCOME (LOSS) AND DEFICIT**

For the Six Months Ended December 31, 2006 and 2005

(UNAUDITED) (UNAUDITED)

	For the Three Months ended Dec 31 2006	For the Three Months ended Dec 31 2005	For the Six Months ended Dec 31 2006	For the Six Months ended Dec 31 2005
Revenue				
Oil and gas sales	\$ 412,953	\$ 132,829	\$ 979,717	\$ 289,421
Less: royalties	(47,101)	(16,104)	(94,262)	(47,262)
Royalty income	5,909	6,336	9,071	12,009
Other income	14,812	4,446	23,379	4,446
	386,573	127,507	917,905	258,614
Expenses				
Operating	83,652	24,985	158,197	74,905
Stock based compensation	-	-	170,000	-
General and administrative	83,563	67,091	113,675	103,624
Depletion, depreciation and accretion	173,011	41,854	366,028	104,067
	340,226	133,930	807,900	282,596
Incomes (loss) before income taxes	46,347	(6,423)	110,005	(23,982)
Income taxes				
Current income taxes (recovery)	24,952		93,692	-
Future income taxes (recovery)	7,326	(3,818)	9,026	(12,967)
	32,278	(3,818)	102,718	(12,967)
Net income (loss)	14,069	(2,605)	7,287	(11,015)
Deficit, beginning of period	(870,332)	(846,999)	(863,550)	(838,589)
Deficit, end of period	\$ (856,263)	\$ (849,604)	\$ (856,263)	\$ (849,604)
Loss per share				
Basic	\$ 0.0006	\$ -	\$ 0.0003	\$ -
Diluted	\$ 0.0006	\$ -	\$ 0.0003	\$ -

**TEXALTA PETROLEUM LTD.**  
**STATEMENTS OF CASH FLOWS**

For the Six Months Ended December 31, 2006 and 2005

(UNAUDITED) (UNAUDITED)

	For the Three months ended Dec 31 2006	For the Three months ended Dec 31 2005	For the Six months ended Dec 31 2006	For the Six months ended Dec 31 2005
<b>Operating activities</b>				
Net income	\$ 14,069	\$ (2,605)	\$ 7,287	\$ (11,015)
Add items not requiring an outlay of cash				
Depletion and depreciation	173,011	41,854	366,028	104,067
Stock based compensation	-	-	170,000	-
Future income taxes	7,326	(3,818)	9,026	(12,967)
Cash flow from operations	194,406	35,431	552,341	80,085
<b>Changes in current assets and liabilities</b>				
Accounts receivable	(346,430)		(296,490)	(40,115)
Prepaid Expenses	-	(99,273)	-	-
Income taxes payable	24,952	-	93,692	-
Accounts payable and accrued liabilities	(154,105)	(15,101)	(1,096,805)	(17,311)
	(281,177)	(78,943)	(747,262)	22,659
<b>Financing activities</b>				
Bank Loan	-	-	-	-
Payment of bank loans and advances	-	-	-	(257,943)
Shares issued	0	-	2,675,704	1,131,950
Share issue costs	-	(290)	(62,734)	(85,185)
Shares issued for debt	-	-	-	-
Contributed surplus	-	-	-	-
Normal course issuer bids	-	(6,250)	-	(11,890)
	0	(6,540)	2,612,970	776,932
<b>Investing activities</b>				
Acquisition of property and equipment	(271,267)	(44,329)	(505,395)	(49,143)
	(271,267)	(44,329)	(505,395)	(49,143)
Net cash inflow	(552,443)	(129,812)	1,360,314	750,448
Cash, beginning of period	3,383,989	880,260	1,471,231	0
Cash (bank overdraft), end of period	\$ 2,831,546	\$ 750,448	\$ 2,831,545	\$ 750,448

## NOTES TO FINANCIAL STATEMENTS

**DECEMBER 31, 2006**

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements of Texalta Petroleum Ltd. (the "Company") are presented in accordance with Canadian generally accepted accounting principles ("GAAP"). The interim financial statements have been prepared following the same accounting policies and methods of computation as the financial statements of the Company as at June 30, 2006. The interim financial statements contain disclosures, which are supplemental to the Company's annual financial statements. Certain disclosures, which are normally required to be included in the notes to the annual financial statements, have been condensed or omitted. The interim financial statements should be read in conjunction with the Company's financial statements and notes thereto for the year ended June 30, 2006.

### 2. PROPERTY AND EQUIPMENT

	December 31 2006	June 30 2006
Petroleum and natural gas properties	\$ 5,371,646	\$ 4,213,338
Asset retirement obligation	88,200	83,200
	<b>5,459,846</b>	4,296,538
Less: Accumulated depletion	<b>(2,861,380)</b>	(2,515,540)
	<b>2,598,465</b>	1,780,998
Automotive	18,692	18,692
Lease and well equipment	425,189	343,103
Less: Accumulated amortization	<b>(220,320)</b>	(201,132)
	<b>223,561</b>	160,663
	<b>\$ 2,822,026</b>	<b>\$ 1,941,661</b>

No general and administration costs were capitalized during the period ending December 31, 2006 and June 30, 2006.

### 3. RELATED PARTY TRANSACTIONS

The transactions with an affiliate are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. At December 31, 2006 the net amount due from affiliate was \$266,326.

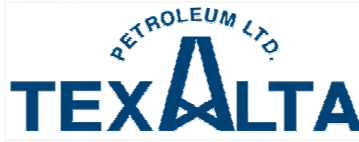
### 4. SHARE CAPITAL

#### a) Authorized:

Unlimited number of Class A common voting shares  
Unlimited number of Class B non-voting shares  
Unlimited number of Class C preferred, non-voting, non-cumulative shares

#### b) Issued, Class A shares

	December 31 2006		June 30 2006	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of period	25,258,961	\$2,414,891	16,928,462	\$ 1,797,548
Tax effect of flow through shares				(407,500)
Shares repurchased and cancelled			(158,000)	(17,195)
Options exercised	456,404	61,664	381,000	53,820
Flow through shares issued			7,546,333	950,850
Warrants exercised	7,502,000	2,812,660	561,166	176,345
Shares issued for PNG Leases	1,500,000	735,000		
Share issue costs		(62,733)		(138,977)
Balance, end of period	34,717,365	\$ 5,961,482	25,258,961	\$2,414,891



## Management's Discussion & Analysis ("MD&A") Six months ended December 31, 2006

### Q2

The MD&A is management's opinion about Texalta Petroleum Ltd.'s ("Texalta", the "Company" or the "Corporation") operating and financial results for the three-month period December 31, 2006, based on information available as of February 23, 2006 (the "Report Date").

This MD&A should be read in conjunction with the audited financial statements and notes thereto for the year ended June 30, 2006.

Texalta is actively engaged in the exploration, acquisition and development of prospective oil and natural gas properties, primarily in Saskatchewan and Alberta. The Company is a reporting issuer in Alberta and British Columbia, trading on the TSX Venture Exchange under the symbol TEX.A.

*The information in this MD&A contains forward-looking statements. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those currently anticipated. By their nature, forward-looking statements involve inherent risks and uncertainties, both general and specific. Risks exist that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements, as a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, the risks associated with oil and natural gas exploration, production, marketing and transportation; market fluctuations, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers and ability to access sufficient capital from internal and external sources; and our anticipation of and success in managing the risks implied by the foregoing. As a consequence of the foregoing, actual results may differ materially from those anticipated in the forward-looking statements.*

## OPERATIONS SUMMARY

### South East Saskatchewan, Canada

The Company's main focus is in south east Saskatchewan where it is the operator and 47.5 % working interest holder of the Wordsworth project area. In May 2006, the Company drilled a highly successful horizontal well at Wordsworth. Texalta is also a major working interest holder in the West Queensdale project, on which there are currently 12 producing wells and a new horizontal drilling project underway. In addition, Texalta holds significant working interests in prospects in the South Wildwood, West Wildwood, Willmar North, East Carlyle, Wauchope, and South Queensdale areas of southeast Saskatchewan.

### **West Queensdale**

At West Queensdale, the drilling operations on the first of two horizontal wells were finished on November 25, 2006. The HZ 1A9-25 / 4A2-25-6-2 W2 well reached 1845 m. The open hole completed section is in the interval from 1431 m to 1845 m. Production of oil and associated gas is currently 120 boe/d. As a result of the proximity of this well to the 8-25, which is tied in to the processing facility at 8-26-6-2 W2, this new well was tied in immediately to allow for

gathering and sales of the associated gas and eliminated transportation costs. The next horizontal drilling project at 4A9-25/2D15-25-6-2 W2 has been licenced and will spud during the last part of February 2007.

### **Wordsworth**

In May 2006 Texalta (47.5% working interest) as operator drilled the Texalta et al Wordsworth East HZ 2A2-23/3A11-14-7-3 W2 horizontal well on the Wordsworth project area that resulted in a new pool discovery.

The originally planned follow up well has been delayed by negotiations with an adjoining leaseholder. Texalta now intends to drill the next Wordsworth horizontal well on an alternate location and expects licence approval by mid March 2007 and drilling to begin shortly thereafter.

### **Wildwood**

Texalta is currently surveying and obtaining licence to drill on its prospect in the West Wildwood area of south east Saskatchewan. At West Wildwood the Texalta partnership has 800 acres of crown and freehold mineral leases upon which there is extensive seismic coverage.

The planned project at involves drilling a horizontal well from a surface location about 1100 meters southwest of an abandoned oil well that had a 7-metre thick pay zone. Detailed seismic interpretation indicates a southwest-to-northeast-trending structural feature of more than 1 mile in length with the abandoned oil well at the north end.

### **Georgina Basin, Northern Territory, Australia**

Exploration Permits No's 103 and 104 covering 5.5 million acres in the Georgina Basin, Northern Territory ("N.T."), Australia, were granted effective November 21, 2006 to Texalta 50 % and its Australian partners 50 %.

Texalta subsequently purchased the 50 % interest held by its Australian partners by issuance of 1,500,000 shares of the corporation which will be held in Escrow for a period of one year from the date of issue and Warrants for the purchase of an additional 1,500,000 shares at a price of \$1.75 expiring on December 15, 2008. Texalta now holds 100 % interest these two permits.

Both permits have a term of five years from date of grant and entail a work program comprising reprocessing of existing seismic, additional seismic and the drilling of structural test wells.

Preliminary seismic reprocessing activity has commenced which will identify the most optimal locations for new seismic activity. The Northern Territory Geological Survey in a presentation entitled "Onshore Hydrocarbon Potential – 2006" has already identified several seismic based leads with potential oil pools in the 70 to 230 million barrel range and Texalta will now focus on following up these leads with detailed seismic reprocessing as required under the year one work program. Copies of both permits together with a copy of the Northern Territory geological presentation are available on our website a [www.texalta.com](http://www.texalta.com).

President & CEO William Nixon traveled to Darwin, Australia in early February 2007 to meet with N.T. Government representatives and industry professionals with respect to planning out the next steps in the work program on the Permits.

## SUMMARIES

<b>Selected Annual Information</b> (Expressed in Canadian \$)	<b>Year ended June 30 2006</b>	<b>Year ended June 30 2005</b>	<b>Year ended June 30 2004</b>
Net Revenue	<b>638,549</b>	517,753	582,509
Income (loss) before other items	<b>(89,004)</b>	(236,466)	6,911
Net Loss	<b>(24,961)</b>	(131,427)	(8,579)
Basic	<b>\$ -</b>	(\$0.01)	\$ -
Diluted	<b>\$ -</b>	(\$0.01)	\$ -
Total Assets	<b>\$3,648,341</b>	\$1,530,084	\$1,477,415

<b>Selected Quarterly Results</b> Expressed in Canadian \$	<b>Q2</b>	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	<b>3 Months Ending 31-Dec 2006</b>	3 Months Ending 30-Sep 2006	3 Months Ending 30-Jun 2006	3 Months Ending 31-Mar 2006	3 Months Ending 31-Dec 2005	3 Months Ending 30-Sep 2005	3 Months Ending 30-Jun 2005	3 Months Ending 31-Mar 2005
Revenue (net of royalties)	<b>365,852</b>	531,332	273,677	106,258	127,507	131,107	118,753	120,960
Income (loss) (before tax & other items)	<b>46,347</b>	63,658	32,427	(97,449)	(6,423)	(17,559)	(130,099)	(53,752)
Basic	<b>\$0.0006</b>	\$ -	\$ -	\$ -	\$ -	\$ -	(\$0.01)	\$ -
Diluted	<b>\$0.0006</b>	\$ -	\$ -	\$ -	\$ -	\$ -	(\$0.01)	\$ -
Net Income (Loss)	<b>14,069</b>	(6,782)	37,998	(51,944)	(2,605)	(8,410)	(87,623)	(14,298)
Basic	<b>\$0.0006</b>	\$ -	\$ -	\$ -	\$ -	\$ -	(\$0.005)	\$ -
Diluted	<b>\$0.0006</b>	\$ -	\$ -	\$ -	\$ -	\$ -	(\$0.005)	\$ -

### Summary – Q2 Volume

<b>Oil and natural gas</b>	<b>Six-Months Ended December 31 2006</b>	<b>Six-Months Ended December 31 2005</b>
Average bbl per day - oil	<b>81</b>	23
Average boe per day - gas	<b>4</b>	3
<b>Total boe per day</b>	<b>85</b>	26
Average price per bbl - oil	<b>\$63</b>	\$70
<b>Total boe sales</b>	<b>15,540</b>	4,365

<b>Summary – Q2 Financial</b>	<b>Six-Months Ended December 31 2006</b>	<b>Six-Months Ended December 31 2005</b>
Oil sales & Natural gas sales	<b>\$979,717</b>	\$289,421
Royalty and other income	<b>32,450</b>	16,445
	<b>\$1,012,167</b>	\$305,876
Royalty expense	<b>-94,262</b>	-47,262
Operating expense	<b>-158,197</b>	-74,905
General & administrative expenses	<b>-113,675</b>	-103,624
Stock-based compensation	<b>-170,000</b>	-
Depletion, depreciation and accretion	<b>-366,028</b>	-104,067
Income (loss) before income taxes	<b>110,005</b>	-23,982
Current & Future income taxes (recovery)	<b>93,692</b>	-
Net income (loss)	<b>7,287</b>	-11,015

## **RESULTS OF OPERATIONS**

Gross revenues from oil and natural gas sales were **\$979,717** in the six month period ended December 31, 2006 [December 31, 2005 – \$289,421]. The 330% increase in revenue is a result of the addition of new horizontal oil wells on the Wordsworth and West Queensdale properties. Volume for the period was 356% greater than the comparative period in 2005. At West Queensdale, older wells continue natural declines however with the new drilling and plans for another three additional horizontal wells in early 2007, the Company should see continuing significant increases in production.

Royalty expense for the period ended December 31, 2006 was **\$94,262** [December 31, 2005 – \$47,262], which increased due to the royalties payable on the new production at Wordsworth and West Queensdale.

Royalty and other income in the period ended December 31, 2006 was **\$32,452** [December 31, 2005 – \$16,445]. The increase was mostly attributable to interest on cash term deposits and operator fees.

Operating expense was **\$158,197** for the period ended December 31, 2006 [December 31, 2005 – \$74,905] an increase due to transportation costs, processing fees and significant maintenance and safety improvements to the processing plant.

General and administrative expenses remained fairly constant at **\$113,675** for the period ended December 31, 2006 [December 31, 2005 – \$103,624].

The income before taxes for the period ended December 31, 2006 was **\$110,005** [December 31, 2005 – loss of \$23,982]. The realized a net gain after tax for the period December 31, 2006 of **\$7,287** [December 31, 2005 – loss of \$12,967]. Successful drilling projects have Increased production and sales which is the major factor in the net gain for the period.

## LIQUIDITY

At December 31, 2006, the Company had working capital of **\$3,197,327** [December 31, 2005 – \$747,682]. The positive working capital is a result of increased cash flow from oil and natural gas sales and proceeds from the exercise of options and warrants over the past fiscal year. Interest expense on bank debt was **\$Nil** for the period ended December 31, 2006 [December 31, 2005 – \$Nil]. The Company has no bank debt and has a standing credit facility of \$300,000 available for future needs.

### **Upcoming capital costs and proposed transactions include but not limited to:**

Potential drilling locations: at February 23, 2007			Well type and numbers			
Project areas	Location	Acreage	Horizontal	Vertical	Class	W.I.
Queensdale West	T6 2 W 2	1,280	3	-	D	30% (avg)
Queensdale West	T6 2 W 2		-	1	O	30% (avg)
Queensdale South	T6 1 W 2	320	-	1	W	50%
Willmar North	T6 2 W 2	160	-	1	W	50%
Wildwood West	T6 2 W 2	640	2	-	D	50%
Wordsworth	T7 3 W 2	4,960	-	1	W	47.5%
Wordsworth	T7 3 W 2		6	-	D	47.5%
Carlyle Deep	T8 2 W 2	320	-	1	W	57.5%
Wauchope	T7 31 W 1	480	-	1	W	50%
Alameda	T4 3 W 2	640	-			Royalty
	<b>Total</b>	<b>8,800</b>	<b>11</b>	<b>6</b>		

D = Development

O = Outpost Wildcat

W = New-Pool Wildcat

In Saskatchewan over the next several months, the Company plans to participate in one horizontal well at West Queensdale, one horizontal well at Wordsworth (47.5 percent working interest) and one horizontal well in West Wildwood. The order in which the balance of the projects will proceed is yet to be determined. The Company will also endeavor to expand its land holdings in each of these areas over the next year.

As of February 23, 2007, the Company had no bank debt, and had more than \$2.8 million on-hand to meet its capital obligations for the upcoming projects. The Company also expects that its cash flow will increase over the next year with the added revenue from upcoming drilling activities.

The Company may seek additional financing throughout the year if management decides to expand the current exploration and development program.

## OFF-BALANCE-SHEET ARRANGEMENTS

There were no Off-balance-sheet arrangements for the period ending December 31, 2006.

## **TRANSACTIONS WITH RELATED PARTIES**

At December 31, 2006, the net amount due from an affiliate was **\$266,326** [December 31, 2005 net amount due from the affiliate was \$120,119]. This amount relates to drilling and completion costs on joint venture properties of which the affiliate is the operator. During the six month period management fees were charged by the affiliate in the amount of **\$42,000** [December 31, 2005 – \$42,000]. The affiliate is the operator of certain properties in which the Company has a joint venture interest and is a corporation controlled by an officer and director of the Company. The transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The management fee is reviewed at the end of each fiscal year.

## **CHANGES IN ACCOUNTING POLICIES**

There were no changes in accounting policies or initial of new policies. Details of the Company's significant accounting policies are included in Note 2 to the June 30, 2006 financial statements. As stated on Form 52-109F2 Certification of Interim Filings, there have been no changes in the issuer's internal control over financial reporting during the period. There were no critical accounting estimates.

## **SHARE CAPITAL**

### **Issued Shares Summary:**

<b>Opening balance of issued shares as at July 1, 2005</b>	<b>16,928,462</b>
Private placement dated September 15, 2005	7,546,333
Exercise of options	381,000
Exercise of warrants	561,166
NCIB – shares returned to treasury	(158,000)
<b>Closing balance as at June 30, 2006</b>	<b>25,258,961</b>
Exercise of warrants	7,502,000
Exercise of options	456,404
<b>Closing balance as at September 30, 2006</b>	<b>33,217,365</b>
December 15, 2006 Issuance of Shares to purchase 50% interest in Australian Permits (Held in Escrow until December 15, 2007)	1,500,000
<b>Closing balance as at December 31, 2006</b>	<b>34,717,365</b>

### **Outstanding:**

Options at an average exercise price of \$0.23	2,500,000
Warrants at \$0.20 expiring September 15, 2007	237,800
December 15, 2006 Warrants at \$1.75 expiring December 15, 2008	1,500,000
<b>Fully diluted as at Report Date February 23, 2007</b>	<b>37,455,165</b>

As of the Report Date, the trading value of the shares was \$0.43 and the market value of issued equity was \$ 14,928,467.

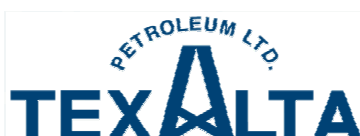
## STOCK OPTIONS

As of the Report Date there were 2,500,000 stock options issued to directors, officers, and one consultant. The options are exercisable one-for-one at an average price of \$0.23 for a total average value of \$575,000.

Expiry date	# of options	Exercise price	Exercised	Cancelled	Expired	Outstanding
March 6, 2009	616,696	\$0.10	-	-	-	616,696
November 29, 2009	668,700	\$0.15	-	-	-	668,700
October 1, 2010	1,214,604	\$0.45	-	-	-	1,214,604
						<b><u>2,500,000</u></b>

Subsequent to the end of the six month period ending December 31, 2006, on January 29, 2007 the Company initiated a Normal Course Issuer Bid that will expire on January 28, 2008. Texalta may acquire up to 1,735,868 Class A shares under the Bid, which amount represented 5% of Texalta's outstanding Class A shares at the time the NCIB was initiated.

Texalta made the normal course issuer bid as it believes the current market price for its Class A shares does not reflect the underlying value of the Company's shares. Successful exploration and development are the best value generators in the oil and gas business, however repurchasing of undervalued shares also advances this objective by reducing the equity base and spreading profits over fewer shares.



8228 Elbow Drive S.W.  
Calgary, Alberta T2V 1K4  
Canada

Telephone: (403) 255-8380  
Fax: (403) 255-8007

### OFFICERS

**William H. Nixon**  
*President & CEO*

**Susan L. White**  
*Secretary-Treasurer*

### DIRECTORS

*\*Member, Audit Committee*

**William H. Nixon\***  
*Petroleum Geologist*  
Texalta Petroleum Ltd.  
Calgary, AB

**Dr. Peter A. Hiron**  
*Physician*  
Sault Ste. Marie, ON

**Hugh S. Klaassen\***  
*Consulting Engineer*  
Edmonton, AB

**Richard C. Brown\***  
*Petroleum Geologist*  
Calgary, AB

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E-mail:  
[texalta@texalta.com](mailto:texalta@texalta.com)