PRESS RELEASE
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CELTIC REPORTS 2006 FINANCIAL AND OPERATING RESULTS

Celtic Exploration Ltd. ("Celtic" or the "Company") has released its financial and operating results for the three months and twelve months ended December 31, 2006. Highlights are as follows:

FINANCIAL:

($ thousands, unless otherwise indicated)	Three months ended December 31,			Year ended December 31,		
	2006	2005	Change	**2006**	2005	Change
Revenue, net of royalties	**$ 33,091**	$ 26,647	24%	**$ 123,262**	$ 76,578	61%
Funds from operations	**$ 19,183**	$ 18,674	3%	**$ 78,541**	$ 56,969	38%
Funds from operations per share						
Basic ($/share)	**$ 0.60**	$ 0.65	-8%	**$ 2.57**	$ 2.05	25%
Diluted ($/share)	**$ 0.58**	$ 0.62	-6%	**$ 2.50**	$ 1.98	26%
Net earnings	**$ 6,599**	$ 7,062	-7%	**$ 35,231**	$ 18,264	93%
Earnings per share						
Basic ($/share)	**$ 0.21**	$ 0.24	-13%	**$ 1.15**	$ 0.66	74%
Diluted ($/share)	**$ 0.20**	$ 0.24	-17%	**$ 1.12**	$ 0.64	75%
Capital expenditures, net of dispositions	**$ 32,051**	$ 41,490	-23%	**$ 164,050**	$ 119,230	38%
Total assets				**$ 373,882**	$ 242,113	54%
Bank debt				**$ 101,800**	$ 41,700	
Working capital deficiency (surplus), excluding bank debt				**$ (3,564)**	21,726	
Bank debt, net of working capital				**$ 98,236**	$ 63,426	55%
Shareholders' equity				**$ 200,029**	$ 125,847	58%
Common shares issued and outstanding (thousands)						
Basic				**32,180**	28,973	11%
Diluted				**34,810**	31,229	11%

OPERATIONS:

	Three months ended December 31,			Year ended December 31,		
	2006	2005	Change	**2006**	2005	Change
Production						
Oil (bbls/d)	**3,290**	2,915	13%	**3,284**	2,524	30%
Natural gas (mcf/d)	**18,001**	13,071	38%	**16,072**	11,396	41%
Combined (BOE/d)	**6,290**	5,094	23%	**5,963**	4,423	35%
Production per million shares (BOE/d)	**196**	176	11%	**195**	159	23%
Realized sales prices, after financial derivatives						
Oil ($/bbl)	**$ 58.68**	$ 57.49	2%	**$ 63.78**	$ 58.91	8%
Natural gas ($/mcf)	**$ 10.10**	$ 12.51	-19%	**$ 9.71**	$ 9.63	1%
Operating netbacks ($/BOE)						
Oil and gas revenue, before financial derivatives	**$ 53.99**	$ 67.05	-19%	**$ 58.97**	$ 60.21	-2%
Realized gain (loss) on financial derivatives	**5.60**	(2.05)	-	**2.29**	(1.80)	-
Royalties	**(9.67)**	(12.02)	-20%	**(10.89)**	(10.98)	-1%
Production expense	**(13.38)**	(10.59)	26%	**(10.90)**	(9.51)	15%
Transportation and selling expense	**(0.75)**	(0.63)	19%	**(0.66)**	(0.72)	-8%
Operating netback	**$ 35.79**	$ 41.76	-14%	**$ 38.81**	$ 37.20	4%
Drilling activity						
Total wells	**10**	27	-63%	**83**	100	-17%
Working interest wells	**8.4**	15.3	-45%	**62.8**	68.1	-8%
Success rate on working interest wells	**65%**	76%	-14%	**74%**	74%	0%
Undeveloped land						
Gross acres				**323,821**	261,346	24%
Net acres				**235,308**	164,239	43%
Reserves						
Oil (mbbls)				**11,634**	10,527	11%
Natural gas (mmcf)				**88,327**	47,992	84%
Combined (mBOE)				**26,355**	18,526	42%
Reserve life index (years)				**11.5**	10.0	15%

2006 HIGHLIGHTS

The year ended December 31, 2006 was another successful year in the execution of the Company's growth strategy. Highlights for 2006 are as follows:

- Accumulated over 39 sections of land at Kaybob South where the Company made a Montney natural gas new pool discovery at the end of 2005;
- Generated gross proceeds of $43.5 million by completing an equity financing that resulted in the issuance of 2.0 million common shares at a price of $13.15 per share and a flow-through share private placement that resulted in the issuance of 1.0 million common shares at a price of $17.25 per share;
- Drilled 83 (62.8 net working interest) wells during the year resulting in 24 (20.8 net) oil wells, 34 (25.3 net) natural gas wells and 3 (0.5 net) coal bed methane wells, for an overall success rate, based on net wells, of 74%;
- Reported earnings per share, diluted, of $1.12, an increase of 75% compared to $0.64 in 2005;
- Reported funds from operations per share, diluted, of $2.50, an increase of 26% from $1.98 in the previous year;
- Generated an average operating netback of $38.81 per BOE, up 4% from $37.20 per BOE in 2005;
- Increased average daily production by 35% to 5,963 BOE per day, up from 4,423 BOE per day in 2005 and achieved daily average production per million shares of 195 BOE per day, up 23% in 2006 compared to 159 BOE per day in the previous year;

- Increased proved plus probable reserves by 42% to 26.4 million BOE, up from 18.5 million BOE at December 31, 2005 and increased net undeveloped land holdings by 43% to 235,308 acres compared to 164,239 acres at December 31, 2005; and

- Improved the Company's net asset value per share at year-end to $12.25, an increase of 6% compared to $11.53 at December 31, 2005.

OPERATIONS

The year, 2006, was once again a rewarding year for Celtic. The oil and gas industry was faced with a significant slowdown due to declining commodity prices resulting in lower cash flows, however, Celtic continued to aggressively drill and add land to its prospect inventory. To achieve this, the Company benefited from its commodity price contracts whereby Celtic had locked in high natural gas prices at certain opportune times which resulted in Celtic achieving a netback of $38.81 per BOE in 2006. Also, the Company's product split which is approximately 50% light oil and liquids, along with lower than average royalties, enhanced the netback and associated cash flow.

After drilling two wells at Kaybob at the end of 2005, Celtic was able to tie-up 30 sections of land in 2006, most at 100% working interest. The Company drilled a total of 14 wells in 2006 on the Kaybob South pool and other Montney prospects in the Kaybob area. With up to six or seven BCF per section of recoverable natural gas on this prospect, the Company has proceeded to down-space the Kaybob South pool to three wells per section. This leaves the Company with a very prolific development program in 2007.

Celtic had significant success in its other core areas as well, with new pools being discovered both at Swan Hills and Bantry. In total, 83 wells were drilled with a success rate of 74% in 2006. Although service and land costs were substantially higher, the Company's finding and development costs remained competitive, compared to industry, at $16.40 per BOE before future development capital and $19.56 after future development capital. The all-in replacement cost gives Celtic a recycle ratio of 2.0 times which was achieved even after incurring over $20 million for land, which will generate further benefits in 2007. The reserve life index increased again in 2006 growing to 11.5 years, which for a growing junior company is a valuable attribute.

PRODUCTION

Oil and gas production in 2006 increased 35% to average 5,963 BOE per day compared to 4,423 BOE per day in 2005. Average production in the fourth quarter of 2006 was 6,290 BOE per day. Production per million shares outstanding in 2006 averaged 195 BOE per day, up 23% from 159 BOE per day in 2005.

Celtic's production is entirely based in Alberta and is divided into four core areas. In Southern Alberta, the Company's primary natural gas producing properties are located at Drumheller, Michichi and Richdale and its primary oil producing properties are located at Princess and Bantry. In East Central Alberta, the principal producing asset is a shallow natural gas property at Ashmont and Figure Lake. In Northern Alberta, the Company produces mainly light oil from Ogston, Otter and Utikuma Lake. In West Central Alberta, Celtic has both natural gas and light oil production at Kaybob South, Fox Creek, Swan Hills, Ferrier and Kakwa/Lator.

REVENUE

Revenue, after royalties, and after realized and unrealized gains or losses on financial derivatives, for the year ended December 31, 2006 was $123.3 million, an increase of 61% compared to $76.6 million in the previous year. For the three months ended December 31, 2006, revenue was $33.1 million, up 24% from the fourth quarter of 2005.

The combined average product price received for oil and gas sales, adjusted for realized gains or losses on financial derivatives for the year ended December 31, 2006 was $61.26 per BOE, an increase of 5% compared to the previous year. For the three months ended December 31, 2006, the average adjusted product price received was $59.59 per BOE, down 8% from the average adjusted price received in the fourth quarter of 2005.

OIL OPERATIONS

Oil production for the year ended December 31, 2006 averaged 3,284 bbls per day, an increase of 30% compared to the previous year. For the three months ended December 31, 2006, average oil production was 3,290 bbls per day, up 13% from the fourth quarter of 2005.

The average price received for oil sales, after realized financial derivatives, for the year ended December 31, 2006 was $63.78 per bbl, an increase of 8% compared to the previous year. For the three months ended

December 31, 2006, the average oil price received was $58.68 per bbl, up 2% from the average price received in the fourth quarter of 2005.

For the year ended December 31, 2006, average oil royalties were 21.0% of sales, after financial derivatives (20.5% of sales, before financial derivatives). In the previous year, average oil royalties were 18.0% of sales, after financial derivatives (17.0% of sales, before financial derivatives). Celtic participated in various royalty incentive programs in 2006 and 2005, resulting in lower royalties for both years.

Transportation and selling expenses for oil production in 2006 averaged $0.54 per bbl compared to $0.61 per bbl in 2005. The lower per unit cost in 2006 reflects the smaller percentage of oil production that was trucked in contrast to the previous year.

For the year ended December 31, 2006, production expenses were $12.30 per bbl. In the previous year, production expenses were $10.93 per bbl. The higher per unit production expense in 2006 reflects the broad based increase in service costs in the oil services industry and higher electricity prices resulting in higher power costs incurred to operate oil handling facilities.

The breakdown of oil netbacks for 2006 and 2005 is summarized in the following table:

Oil Netback				
Years ended December 31	**2006**		2005	
	bbls/d	$/bbl	bbls/d	$/bbl
Daily average production	**3,284**		**2,524**	
Sales price		65.43		62.06
Loss on financial derivatives		(1.65)		(3.15)
Royalties		(13.40)		(10.58)
Production expense		(12.30)		(10.93)
Transportation and selling expense		(0.54)		(0.61)
Oil netback		**37.54**		**36.79**

NATURAL GAS OPERATIONS

Natural gas production for the year ended December 31, 2006 averaged 16,072 mcf per day, an increase of 41% compared to the previous year. For the three months ended December 31, 2006, average natural gas production was 18,001 mcf per day, up 38% from the fourth quarter of 2006.

The average price received for natural gas sales, after realized financial derivatives, for the year ended December 31, 2006 was $9.71 per mcf, an increase of 1% compared to the previous year. For the three months ended December 31, 2006, the average natural gas price received was $10.10 per mcf, down 19% from the average price received in the fourth quarter of 2005.

For the year ended December 31, 2006, average natural gas royalties were 13.4% of sales, after financial derivatives (15.3% of sales, before financial derivatives). In the previous year, average natural gas royalties were 19.9% of sales. Celtic participated in various royalty incentive programs in 2006 and 2005, resulting in lower royalties for both years.

Transportation and selling expenses for the year ended December 31, 2006 were $0.13 per mcf, an improvement of 13% compared to $0.15 per mcf for the previous year.

For the year ended December 31, 2006, production expenses were $1.53 per mcf. In the previous year, production expenses were $1.27 per mcf.

The breakdown of natural gas netbacks for 2006 and 2005 is summarized in the following table:

Natural Gas Netback				
Years ended December 31	**2006**		2005	
	mcf/d	$/mcf	mcf/d	$/mcf
Daily average production	**16,072**		**11,396**	
Sales price		8.52		9.63
Gain (loss) on financial derivatives		1.19		-
Royalties		(1.30)		(1.92)
Production expense		(1.53)		(1.27)
Transportation and selling expense		(0.13)		(0.15)
Natural gas netback		**6.75**		**6.29**

INTEREST EXPENSE

The Company has a committed term credit facility. The authorized borrowing amount under this facility is $115.0 million. Interest is payable monthly for borrowings through direct advances. Under the credit facility, borrowings through the use of bankers' acceptances are also available. Interest expense for the year was $4.0 million at an average rate of 5.6% compared to $1.1 million at an average rate of 4.2% in 2005.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the year ended December 31, 2006 were $2.0 million or $0.91 per BOE compared to $1.9 million or $1.19 per BOE in 2005. General and administrative expenses are reduced by overhead recovered on Company operated properties. In addition, salaries relating to geological and geophysical personnel are capitalized.

STOCK BASED COMPENSATION EXPENSE

For the year ended December 31, 2006, stock based compensation expense was $1.1 million, compared to $0.8 million in 2005. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions.

DEPLETION, DEPRECIATION AND AMORTIZATION

The Company follows the full cost method of accounting whereby all costs relating to the exploration and development of oil and gas reserves are capitalized. These capitalized costs along with estimated future capital expenditures to be incurred in order to develop proved reserves, are depleted and depreciated on a unit of production basis using estimated proved oil and gas reserves as evaluated by independent engineers. Depreciation of furniture and office equipment is provided using the declining balance method at a rate of 25%. Estimated future costs relating to asset retirement obligations are provided for on a unit of production basis and the provision is included in depletion, depreciation and amortization.

Depletion, depreciation and amortization expense for the period ended December 31, 2006 was $43.4 million or $19.96 per BOE, compared to the previous year's amount of $28.9 million or $17.89 per BOE.

CEILING TEST

The Company performed a ceiling test calculation at December 31, 2006 in accordance with the CICA full cost accounting guidelines. As a result of the calculation, Celtic was not required to record an impairment loss. In addition, based on the calculation in the previous year conducted at December 31, 2005, there was no impairment loss required.

TAXES

For the year ended December 31, 2006, Celtic provided for a provision of future income taxes in the amount of $11.9 million. This amount differs from the expected provision for income taxes of $16.2 million based on the statutory combined income tax rate of 34.5% due to the differences between the resource allowance deduction and non-deductible Crown charges and non-taxable Provincial tax credits ("Alberta Royalty Tax Credit" or "ARTC") and the recognition of a benefit of $4.0 million related to substantively enacted changes to the federal income tax rate and resource related deductions from income. These changes, which will be phased in over the next four years, will result in a lower corporate income tax rate, provide for the deduction of crown royalties and eliminate the resource allowance deduction. An analysis of the income tax provision is included in the notes to the financial statements.

At December 31, 2006, Celtic had estimated unused income tax deductions available of approximately $222.0 million.

Net Earnings and Funds from Operations
Net earnings for the year ended December 31, 2006 was $35.2 million ($1.15 per share, basic and $1.12 per share, diluted). During the same period, funds from operations were $78.5 million ($2.57 per share, basic and $2.50 per share, diluted).

Capital Expenditures
Celtic is committed to future growth through its strategy to augment strategic oil and gas acquisitions with exploitation upside, and at the same time, implement a full cycle exploration and development program. Since the Company began active oil and gas operations in September 2002, Celtic has completed several corporate and property acquisitions in order to establish a cash flow platform and an inventory of exploration and development prospects from which the Company can grow through the drill bit. Examples of where Celtic has successfully employed its strategy to acquire an initial position in an area and subsequently expand the area making it core to the Company include Fox Creek, Ashmont, Princess/Bantry and Swan Hills.

During the year ended December 31, 2006, Celtic incurred $173.7 million on exploration and development activity, $0.5 million on property acquisitions and received net proceeds of $10.1 million from property dispositions. Drilling and completion operations accounted for $104.9 million and equipment and facility expenditures were $45.1 million. The balance of $23.7 million was spent on land and seismic, building the Company's inventory of prospects for future drilling. Approximately 53% of net wells drilled were development and 47% were exploratory.

Undeveloped Land
As at December 31, 2006, Celtic owned 235,308 net acres of undeveloped land, representing a 43% increase compared to 164,239 net acres at the end of 2005. Approximately 17% of the Company's undeveloped land position is subject to expiry in 2007, if not developed. Celtic holds an average working interest of 73% in its undeveloped lands.

In 2006, Celtic incurred $20.2 million at Alberta Crown land sales acquiring 68,950 net acres of petroleum and natural gas rights at an average cost of $293 per acre; compared to an industry average of $325 per acre. Of major significance was Celtic's acquisition of highly prospective Montney rights at Kaybob South. At December 31, 2006, Celtic owned a 100% interest in 25,280 acres (39.5 sections) of land at Kaybob South.

Looking ahead to 2007, Celtic will continue its internally generated, prospect-driven land acquisition strategy. This strategy will be complemented by third party farm-in arrangements in core exploration areas. Celtic's land acquisition strategy remains focused on building a significant base of high working interest operated prospects, ensuring the Company is in a position to control its capital expenditure program.

Drilling
During the year ended December 31, 2006, Celtic drilled 83 (62.8 net) wells compared to 100 (68.1 net) wells in the previous year, with an overall success rate of 74% on net wells drilled. The Company's average working interest in wells drilled during 2006 increased to 76% compared to an average working interest of 68% in 2005. The split between development drilling and exploratory drilling was 53% and 47%, respectively. The average depth of net wells drilled was 2,311 metres, 17% deeper than the average drilling depth of 1,967 metres in 2005.

Reserves
Celtic retains Sproule Associates Limited ("Sproule"), an independent qualified reserve evaluator to prepare a report on 100% of its oil and gas reserves. The Company has a Reserves Committee which oversees the selection, qualifications and reporting procedures of the independent engineering consultants. Reserves as at December 31, 2006 were determined using the guidelines and definitions set out under National Instrument 51-101 ("NI 51-101"). At December 31, 2006, Celtic's proved plus probable reserves were 26.4 million BOE, up 43% from 18.5 million BOE at the end of 2005.

The following table outlines the change in the Company's reserves year-over-year:

Reserves Reconciliation	Oil		Natural Gas		Combined	
	Total Proved mbbls	Proved + Probable mbbls	Total Proved mmcf	Proved + Probable mmcf	Total Proved mBOE	Proved + Probable mBOE
Balance, December 31, 2005	6,267	10,527	29,012	47,992	11,103	18,526
Technical revisions	(107)	(1,182)	(3,909)	(9,812)	(759)	(2,817)
Discoveries	467	719	6,366	9,645	1,527	2,326
Extensions	1,106	1,628	12,009	19,354	3,108	4,854
Improved recoveries	393	1,393	13,509	30,229	2,645	6,431
Economic factors	(99)	(168)	(452)	(754)	(174)	(294)
Dispositions	(59)	(85)	(1,670)	(2,461)	(337)	(495)
Net additions	1,701	2,305	25,853	46,201	6,010	10,005
Production	(1,198)	(1,198)	(5,866)	(5,866)	(2,176)	(2,176)
Balance, December 31, 2006	**6,770**	**11,634**	**48,999**	**88,327**	**14,937**	**26,355**
Percentage increase in reserves	8%	11%	69%	84%	35%	42%

The Company created value for its shareholders in 2006 increasing the net present value of proved plus probable reserves, discounted at 10% before tax, to $470.6 million, up 21% from $389.0 million at December 31, 2005. In addition, the quality of reserves improved resulting in a reserve life index of 11.5 years compared to 10.0 years at December 31, 2005. At December 31, 2006, proved plus probable reserves were 44% oil and 56% natural gas.

The following table outlines a summary of the Company's reserves at December 31, 2006:

Summary of Reserves							
				Q4 2006	Reserve	NPV	NPV
	Oil	Gas	Combined	Production	Life Index	10% BIT	per BOE
As at December 31, 2006	mbbls	mmcf	mBOE	BOE/d	Years	$ thousands	$/BOE
Proved producing	6,174	29,099	11,024	6,290	4.8	254,471	23.08
Total proved	6,770	48,999	14,937	6,290	6.5	309,602	20.73
Total proved plus probable	11,634	88,327	26,355	6,290	11.5	470,559	17.85

Oil and gas selling prices have steadily increased over the past five years and current futures contracts indicate that prices will be higher in future years compared to historical averages.

Sproule is forecasting WTI oil prices to average US$62.11 per bbl over the next five years, 40% higher than the average price of US$44.24 per bbl over the past five years. Similarly for natural gas, Henry Hub NYMEX natural gas prices are forecasted to average US$7.80 per mmbtu over the 2007 to 2011 period, an increase of 27% from the average price of US$6.12 per mmbtu during the 2002 to 2006 period.

During 2006, the Company's capital expenditures, net of dispositions, resulted in proved plus probable reserve additions (before technical revisions) of 12.8 million BOE, resulting in finding, development and acquisition ("FD&A") costs of $12.79 per BOE ($15.27 per BOE including future capital expenditures required to develop reserves). After technical revisions, FD&A costs were $16.40 per BOE ($19.56 per BOE including future capital expenditures required to develop reserves). The recycle ratio is a measure for evaluating the effectiveness of a company's re-investment program. The ratio measures the efficiency of capital investment. It accomplishes this by comparing the operating netback per BOE to that years' reserve FD&A cost per BOE. Since incorporation, Celtic has successfully achieved a recycle ratio of 2.3 times on a proved plus probable basis.

The following table provides detailed calculations relating to FD&A costs and recycle ratios for 2006 and 2005:

Finding, Development and Acquisition Costs	Year ended December 31, 2006	Year ended December 31, 2005	Cumulative since incorporation
Proved Reserves			
Capital expenditures ($ 000's)	164,050	119,230	424,608
Change in future capital costs required to develop reserves ($ 000's)	18,811	7,211	30,852
Total capital costs ($ 000's)	182,861	126,441	455,460
Reserve additions, before revisions (mBOE)	6,769	5,147	21,579
FD&A cost, before revisions and future capital ($/BOE)	**24.24**	**23.16**	**19.68**
FD&A cost, before revisions, including future capital ($/BOE)	**27.01**	**24.57**	**21.11**
Reserve additions, including revisions (mBOE)	6,010	5,631	20,792
FD&A cost, including revisions, before future capital ($/BOE)	**27.3**	**21.17**	**20.42**
FD&A cost, including revisions and future capital ($/BOE)	**30.43**	**22.45**	**21.91**
Operating netback ($/BOE)	**38.81**	**37.2**	**34.21**
Recycle ratio - proved	**1.3**	**1.7**	**1.6**
Proved plus Probable Reserves			
Capital expenditures ($ 000's)	164,050	119,230	424,608
Change in future capital costs required to develop reserves ($ 000's)	31,690	13,856	53,598
Total capital costs ($ 000's)	195,740	133,086	478,206
Reserve additions, before revisions (mBOE)	12,822	9,360	36,333
FD&A cost, before revisions and future capital ($/BOE)	**12.79**	**12.74**	**11.69**
FD&A cost, before revisions, including future capital ($/BOE)	**15.27**	**14.22**	**13.16**
Reserve additions, including revisions (mBOE)	10,005	9,089	32,210
FD&A cost, including revisions, before future capital ($/BOE)	**16.4**	**13.12**	**13.18**
FD&A cost, including revisions and future capital ($/BOE)	**19.56**	**14.64**	**14.85**
Operating netback ($/BOE)	**38.81**	**37.2**	**34.21**
Recycle ratio - proved plus probable	**2**	**2.5**	**2.3**

Celtic's 2006 capital investment program replaced 2006 production by a factor of 2.8 times on a proved basis and 4.6 times on a proved plus probable basis.

NET ASSET VALUE

Celtic's net asset value at December 31, 2006, discounting the present value of reserves at 10% before tax, increased to $426.4 million ($465.5 million using an 8% discount rate, before tax), up 18% from $360.2 million at December 31, 2005. On a per share basis, net asset value increased 6% to $12.25 per share ($13.37 per share using an 8% discount rate, before tax). The present value of petroleum and natural gas ("P&NG") reserves were determined by Sproule in their year-end evaluation report. Undeveloped land at December 31, 2006 was valued at an average price of $140 per acre.

The components of net assets value are summarized in the following table:

Net Asset Value At December 31	2006 Forecast Prices 8% Discount Rate $ thousands	2006 Forecast Prices 10% Discount Rate $ thousands	2005 Forecast Prices 10% Discount Rate $ thousands
Present value of P&NG reserves, discounted, before tax	509,732	470,559	389,030
Undeveloped land	32,949	32,949	19,709
Bank debt, net of working capital	(98,236)	(98,236)	(63,426)
Proceeds from exercise of stock options	21,097	21,097	14,849
Net asset value	**465,542**	**426,369**	**360,162**
Diluted common shares outstanding (thousands)	34,810	34,810	31,229
Net asset value per share ($/share)	**13.37**	**12.25**	**11.53**

Market Capitalization

The Company's total capitalization increased 30% to $586.9 million at December 31, 2006. Market value of common shares represented 76% of total capitalization, while debt and working capital represented 17% of total capitalization.

At December 31, 2006, the Company had $101.8 million outstanding on its credit facility. Total debt, including working capital surplus was $98.2 million, representing approximately 1.3 times 2006 funds from operations and approximately 1.0 times forecasted 2007 funds from operations.

Source of Funds

Investment funding for capital expenditures incurred in 2006 was provided by proceeds from equity financings, bank debt and cash provided by operating activities.

In May 2006, Celtic completed the issuance of 2.0 million common shares by way of private placement, at a price of $13.15 per share and in September 2006, the Company issued 1.0 million common shares on a flow-through basis by way of private placement, at a price of $17.25 per share. These equity offerings resulted in gross proceeds of $43.5 million.

The Company has in place a committed term credit facility with Canadian financial institutions. The maximum amount available to be drawn under this facility at December 31, 2006 was $115.0 million. At December 31, 2006, Celtic had drawn $101.8 million, leaving sufficient unused credit lines available to fund on-going capital expenditures. The maximum amount available under this credit facility may increase after the Company's lenders complete their annual review in April 2006.

In order to fund all capital expenditures incurred in 2006, the Company augmented its equity financing and bank borrowings by generating $81.6 million in cash provided by operating activities for the year ended December 31, 2006.

Celtic expects to fund future capital expenditures through the use of a combination of cash provided by operating activities and bank debt, supplemented by new equity share offerings, as required.

Share Information

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at December 31, 2006, there were 32.2 million common shares outstanding. There were no preferred shares outstanding. As at December 31, 2006, directors, employees and consultants have been granted options to purchase 2.6 million common shares of the Company at an average exercise price of $8.02 per share. Detailed information regarding the Company's stock options outstanding is contained in the notes to the financial statements. The Company's common shares trade on the Toronto Stock Exchange under the symbol "CLT".

Advisory Regarding Forward-Looking Statements

Certain information with respect to Celtic contained herein, including management's assessment of future plans and operations, contains forward-looking statements. These forward-looking statements are based on assumptions and are subject to numerous risks and uncertainties, certain of which are beyond Celtic's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency exchange rate fluctuations, imprecision of reserve estimates, environmental risks, competition from other explorers, stock market volatility and ability to access sufficient capital. As a result, Celtic's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur. In addition, the reader is cautioned that historical results are not necessarily indicative of future performance.

2007 Forecast

Celtic is optimistic about its future prospects. The Company was successful in establishing a production base during the early months since commencing operations that provides a cash flow stream that can be re-invested in Celtic's ongoing exploration and development activity. Celtic is opportunity driven and is confident that it can continue to grow the Company's production base by building on its current inventory of development prospects and by adding new exploration prospects. Celtic will endeavour to maintain a high quality product stream that on a historical basis receives a superior price with reasonably low production costs. In addition, the Company takes advantage of royalty incentive programs in order to further increase netbacks. Celtic will continue to focus its exploration efforts in areas of multi-zone potential for light gravity crude oil and liquids-rich natural gas.

Celtic's Board of Directors has approved a capital expenditure budget in the amount of $140 million for 2007. This capital spending will be financed by funds from operations, bank credit lines and a flow-through share equity offering completed in February 2007.

After forecasting risked production discoveries, timing of production on-stream dates resulting from the Company's planned capital expenditures for 2007 and estimated decline rates on existing volumes, Celtic expects production in 2007 to average between 8,300 and 8,700 BOE/d (46% oil and 54% gas). This represents a 39% to 46% increase from average production of 5,963 BOE/d in 2006.

Political turmoil in major oil producing regions around the world continues to remain in the headlines and could potentially put a strain on stable world oil supply in the future. However, high oil prices recorded in 2006 may have affected world oil demand negatively and the move by nations around the world to curtail carbon emissions may lead to the development of other energy sources resulting in a slower growth for the demand for oil. As a result of these and other factors, Celtic expects oil prices to be lower in 2007 compared to 2006. Natural gas demand in North America was considerably lower in 2006 compared to the previous year, primarily due to milder weather causing lower heating demand and industrial demand destruction as a result of high prices realized towards the end of 2005. However, natural gas prices in 2007 should benefit from the reduced supply resulting from a slow down in natural gas drilling in Canada during the past few months. The Company's commodity price assumptions for 2007 are US$62.00 per barrel for WTI oil, US$7.50 per mmbtu for natural gas and a US/Canadian exchange rate of US$0.855. These prices compare to 2006 average prices of US $66.22 per barrel for WTI oil, US $7.26 per mmbtu for NYMEX natural gas and a US/Canadian exchange rate of US $0.882.

After giving effect to the aforementioned production and commodity price assumptions and taking into effect commodity risk price management contracts in place (as outlined in detail in the notes to the financial statements), funds from operations for 2007 is forecasted to be approximately $100.2 million or $3.00 per share ($2.90 per share, diluted) and net earnings is forecasted to be approximately $10.7 million or $0.32 per share ($0.31 per share, diluted). Changes in forecasted commodity prices and variances in production estimates can have a significant impact to estimated funds from operations and net earnings. Please refer to the advisory regarding forward-looking statements shown above.

Bank debt, net of working capital, is estimated to reach $123.7 million by the end of 2007 or approximately 1.2 times forecasted 2007 funds from operations.

Celtic's capital expenditure budget for 2007 will see the Company participate at high working interests in the drilling of approximately 75 to 85 wells during the year. Celtic continues to pursue property acquisitions that would complement its existing asset base and completion of such acquisitions would be over and above the Company's planned capital expenditure budget.

Celtic is excited about the growth prospects being generated in the Company and remains optimistic about the Company's ability to deliver continued per share growth in production, funds from operations and earnings. Given the Company's strong inventory of drilling locations, we look forward to continued growth in 2007.

NON-GAAP FINANCIAL MEASUREMENTS

This document contains the terms "funds from operations" and "operating netbacks" which do not have a standardized meaning prescribed by Canadian GAAP and therefore may not be comparable with the calculation of similar measures by other companies. Funds from operations and operating netbacks are used by Celtic as key measures of performance. Funds from operations and operating netbacks are not intended to represent operating profits nor should they be viewed as an alternative to cash flow provided by operating activities, net earnings or other measures of financial performance calculated in accordance with GAAP. The reconciliation between net earnings and funds from operations can be found in the statement of cash flows included in the audited financial statements. Operating netbacks are determined by deducting royalties, production expenses and transportation and selling expenses from oil and gas sales revenue. The Company calculates funds from operations per share using the same method and shares outstanding which are used in the determination of earnings per share.

OTHER MEASUREMENTS

All dollar amounts are referenced in Canadian dollars, except when noted otherwise. Where amounts are expressed on a barrel of oil equivalent ("BOE") basis, natural gas volumes have been converted to oil equivalence at six thousand cubic feet per barrel. The term BOE may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet per barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. References to oil in this discussion include crude oil and natural gas liquids (“NGLs”). NGLs include condensate, propane, butane and ethane.

CRITICAL ACCOUNTING ESTIMATES

Management is required to make judgments, assumptions and estimates in the application of generally accepted accounting principles that have a significant impact on the financial results of the Company.

Capitalized costs relating to the exploration and development of oil and gas reserves, along with estimated future capital expenditures required in order to develop proved reserves, are depleted and depreciated on a unit-of-production basis using estimated proved reserves.

The carrying value of property, plant and equipment is reviewed at least annually for impairment. Impairment occurs when the carrying value of the assets is not recoverable by the future undiscounted cash flows. The cost recovery ceiling test is based on estimates of proved reserves, production rates, oil and gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements could be material.

Liability recognition for asset retirement obligations associated with oil and gas well sites and facilities are determined using estimated costs discounted based on the estimated life of the asset. These capitalized costs are amortized on a unit-of-production basis, consistent with depletion and depreciation. Over time, the liability is accreted up to the actual expected cash outlay to perform the abandonment and reclamation.

In order to recognize stock based compensation expense, the Company estimates the fair value of stock options granted using assumptions related to interest rates, expected life of the option, volatility of the underlying security and expected dividend yields. These assumptions may vary over time.

The determination of the Company’s income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded on Celtic’s financial statements.

ADDITIONAL INFORMATION

Additional information relating to Celtic, including the Company’s Annual Information Form (“AIF”) is filed on SEDAR and can be viewed on their website at www.sedar.com. The Company expects to mail out its Annual Report to shareholders on March 27th, 2007. Celtic’s Annual & Special Meeting of Shareholders is scheduled for April 24th, 2007, at 3:00 PM, to be held at the Metropolitan Centre, 333 Fourth Avenue S.W., Calgary, Alberta.

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