Strong year-over-year results and disciplined cost management give us the ability to invest in growth and seize opportunities to build value.

The following Management's Discussion and Analysis ("MD&A") as provided by the management of Reliable Energy Ltd. ("Reliable" or the "Company") reports on the financial condition and the results of operations of Reliable for the three months and years ended December 31, 2009 and 2008 and should be read with the accompanying audited consolidated financial statements and related notes. This commentary is based on the information available as at, and is dated April 7, 2010.

Basis of Presentation

The financial data presented has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The reporting and measurement currency in this MD&A and in the consolidated financial statements is the Canadian dollar, unless otherwise stated.

Non-GAAP Measures

This MD&A contains the term "cash flow from" or "funds used in" operations. Cash flow from or funds used in operations and cash flow from and funds used in operations per share amounts are not measures that have any standardized meaning prescribed by Canadian GAAP and are considered non-GAAP measures, and as a result, should not be considered an alternative to or more meaningful than cash flow from/used for operating activities or net earnings as determined in accordance with Canadian GAAP as an indicator of the Company's performance. Therefore, these measures may not be comparable to similar measures presented by other issuers. These measures have been described and presented in this discussion and analysis in order to provide shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Management utilizes cash flow as a key measure to assess the ability of the Company to finance operating activities and capital expenditures. The terms "cash flow from operations" and "funds used in operations" as presented in the financial statements are used synonymously and are calculated by adding non-cash items (future taxes, stock-based compensation expense, and depletion, depreciation and accretion) to earnings or losses for the period. The Company also presents cash flow from or used in operations per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of earnings per share. The following table reconciles funds used in operations to cash flow from operating activities, which is the most directly comparable measure calculated in accordance with GAAP:

	Three Months Ended December 31,		Years Ended December 31,	
	2009	2008	**2009**	2008
	($)	*($)*	*($)*	*($)*
Cash flow from operating activities	**3,072,968**	85,189	**2,622,488**	(874,525)
Changes in non-cash working capital	**(2,565,140)**	(615,862)	**(3,378,426)**	(884,915)
Funds generated by (used in) operations	**507,828**	(530,673)	**(755,938)**	(1,759,440)

BOE Conversion

Certain natural gas volumes have been converted to barrels of oil equivalent ("boe") using six thousand cubic feet ("mcf") of gas equal to one barrel ("bbl") of oil unless otherwise stated. This conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Forward-Looking Information

Certain information in this MD&A constitutes forward-looking statements or information (collectively referred to herein as "forward-looking statements") within the meaning of applicable securities legislation. Forward-looking statements are usually identified by the words "believe", "anticipate", "expect", "plan", "estimate", "target", "continue", "could", "intend", "may", "potential", "predict", "should", "will", "objective", "project", "forecast", "goal", "guidance", "outlook", "effort", "seeks", "schedule", or expressions of a similar nature suggesting future outcome or statements regarding an outlook. In particular, forward-looking statements include:

- The Company anticipates that based on current liquidity, cash flow from operations and results of its exploration program, its capital expenditure requirements for the year may necessitate it going back to the capital markets during 2010 to secure additional equity or other forms of financing for further development and exploration drilling; and
- All of the statements under the heading "Outlook".

These forward-looking statements are subject to certain assumptions, including the assumption that the exploratory drilling program undertaken in the fourth quarter of 2009 will result in new discoveries that will require significant development drilling and equipping expenditures in 2010.

Forward-looking statements are not guarantees of future performance and the reader should not place undue reliance on these forward-looking statements as there can be no assurances that the assumptions, plans, initiatives or expectations upon which they are based will occur. In addition, forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by forward-looking statements. Such factors include, among others: general economic and business conditions; the price of and demand for oil and natural gas and their effect on the economics of oil and gas exploration; fluctuations in currency and interest rates and their effect on projected profitability of the Company's operations; the ability of the Company to implement its business strategy, including exploration and development plans; the impact of competition; the availability and cost of seismic, drilling and other equipment; the Company's ability to secure adequate transportation and markets for any oil or gas discovered; drilling and operating hazards and other difficulties inherent in the exploration for and production and sale of oil and natural gas; the availability and cost of financing; the success of any exploration and development undertaken; actions by governmental authorities; and, changes in government regulations and the expenditures required to comply with them (including, but not limited to, the changes in taxes or the royalty or other share of production taken by governmental authorities). Should one or more of these risks or uncertainties materialize, or should any of the Company's assumptions prove incorrect, actual results may vary in material respects from those projected in the forward-looking statements. Readers are cautioned that the foregoing list of risks, uncertainties and other factors is not exhaustive. Unpredictable or unknown factors not discussed could also have material adverse effects on forward-looking statements. The impact of any one factor on a particular forward-looking statement is not determinable with certainty as such factors are dependent on other factors, and the Company's course of action would depend on its assessment of the future considering all information then available. All forward-looking statements in this MD&A are expressly qualified in their entirety by these cautionary statements. Except as required by law, the Company assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change.

Material Assumptions on Forward-Looking Information

The Company's presentation of forward-looking information is based on internally generated budgets relating to drilling plans and related costs, expected results from drilling as well as estimated royalties, operating costs and administrative expenses. Reliable bases the commodity pricing for budget purposes on a range of publicly available pricing forecasts and also considers general economic conditions. The combination of these elements gives rise to expected financial results, inclusive of debt and working capital for the budget period.

Production and Sales Rates

During the first half of 2010, Reliable expects that production and sales of light crude oil and natural gas will average between 300 and 400 boe/d. There are many factors that could result in production levels being less than anticipated, including: greater than anticipated declines in existing production due to poor reservoir performance, mechanical failures or inability to access production facilities; the unanticipated encroachment of water or other fluids into the producing formation; and, the inability to drill, complete and tie-in wells on schedule due to a lack of oilfield services being available on a cost efficient basis, poor weather, the inability to negotiate surface access with the landowners, or regulatory delays in obtaining all necessary drilling and production approvals.

Production Mix

The Company anticipates that its 2010 product volume mix will be similar to 2009, and as a result, will approximate 97% light crude oil and 3% natural gas. This expectation may not be met if the wells are not drilled when expected (see "Drilling Program" below) or if the wells do not produce as expected (see "Production and Sales Rates" above).

Commodity Prices

For purposes of its forecast for 2010, the Company has assumed that the price it will receive for the sale of its crude oil will average CDN$76.50/bbl and that the natural gas price at AECO for spot delivery will average $5.00/mcf. There are many risks that may result in commodity prices being less than expected. The price of crude oil is set in U.S. dollars on the world market and is influenced by global supply and demand factors as well as exogenous events, such as terrorist activity in oil exporting countries. The current slowdown in economic growth due to recession in several of the world's major economies could further reduce both the demand and price for crude oil. The price of natural gas in North America is primarily related to the domestic supply and demand equation. Demand is primarily affected by heating requirements in winter and cooling requirements in summer, with warm winters and/or cool summers having a negative demand influence. Supplies are generally domestic and respond to prices, but an increase in the deliverability of global natural gas liquids into the North American market can also, at times, influence the supply situation.

Canadian producers realize a Canadian dollar price for crude oil and natural gas, all of which are determined in large part by the U.S. dollar price for such products adjusted for the U.S. to Canadian dollar exchange rate. The exchange rate is influenced by many factors, which have and will continue to result in high volatility. Reliable has used a Canadian to U.S. dollar price exchange rate of $0.95 for its forecast pricing.

Royalty Rates

Reliable expects that royalty rates during the first six months of 2010 will average in the range of 16% to 20% of gross revenue. Total royalties are the combination of Crown royalties paid on Crown lands and freehold royalties paid on freehold lands. Crown royalties and freehold production or mineral taxes on Crown lands are also eligible for a royalty holiday that arises through drilling incentives granted by some of the provinces in which Reliable has operations. In addition, gross overriding royalties are payable on lands in which the Company has earned an interest by way of farm-in, whether the lands are Crown or freehold. Total royalties payable are a function of the mix between Crown and freehold lands as the rates are different.

During 2009, the Company's royalty mix was 47% Crown royalties, 18% freehold royalties and 35% overriding royalties, and the combined royalty rate was 17%. The actual combined royalty rate in any period will be a function of the mix between Crown, freehold and overriding production. Crown royalty rates are determined by the depth of the well, production rates and the price of crude oil or natural gas. As Crown, freehold and overriding royalties are calculated as a percentage of revenue, royalties will vary directly with revenue and tend to mitigate the risk of declining revenues from lower production levels and/or lower commodity prices.

Operating Costs

The Company expects operating costs to average in the range of $7.50 to $10.00/boe for the first six months of 2010.

General and Administrative ("G&A") Costs

Reliable anticipates that G&A expenses will remain constant for the first half of 2010. Risks that G&A costs will increase relate to higher than expected employee costs necessarily incurred by the Company to retain key employees in a competitive market, the need to hire more staff than originally anticipated and general cost inflation.

Cash Flow Used In Operations

The Company expects that cash flow used in operations will be approximately $2.5 million to $3.0 million for the first six months of 2010. This estimate is based on the assumptions as to production, commodity prices, royalty rates, operating costs and G&A costs discussed above. The risk that cash flow used in operations is less than expected is the aggregate of all risks affecting the individual components thereof.

Capital Expenditures

Reliable expects to incur between $7.0 million and $8.0 million for capital expenditures to June 30, 2010, excluding potential future acquisition activity. Reliable's capital expenditures will consist of costs for drilling, completions, equipment, tie-ins, land and seismic. This is based on the assumption that the Company drills 12 gross wells during the six-month period. The capital program during 2010 is flexible, depending on commodity prices. Increases in capital costs from budgeted amounts can occur for the following reasons: general cost inflation in the industry resulting from high utilization rates; poor weather that can delay activity and subject the Company to stand-by charges; and, problems encountered in drilling a well that can result in additional drilling time or, in some cases, losing the well entirely.

Drilling Program

The Company expects to drill between 9 and 12 gross wells during the first six months of 2010. The drilling program is a key assumption in the production estimates for the period discussed above. The risk that Reliable will not meet its drilling targets is attributable to the following: delays in accessing drilling sites due to extended road bans and/or unseasonable weather conditions; lack of access to drilling rigs and related equipment at sites; delays in obtaining landowner consent for surface access; and, delays in obtaining well licences and drilling permits.

Drilling Success

During 2010, the Company expects to add reserves from its drilling activities. In arriving at such expectations, Reliable undertakes a risking process where each well is assigned a probability of success and the expected reserves that would be added in a success case. The basis for such assessment is a combination of geological, geophysical and reservoir engineering analysis, including reviewing analog reserves in the area of interest. There are many risks that a well may not add the reserves anticipated, including: poor reservoir rock due to low permeability and/or low porosity that inhibits production; the non-existence of the targeted zone due to erosion; the lack of an effective reservoir seal, preventing the migration of hydrocarbons; presence of water in the zone; damage to the zone from the drilling process; and, competitive drainage from offsetting acreage not owned by the Company.

Developing Future Prospects

Reliable intends to continue generating and developing its own prospects and acquiring lands directly as well as through farm-ins as part of its business strategy. To do so requires that appealing opportunities become available within the timeframe suitable to the Company, that Reliable has the necessary human and financial resources to pursue and capture such opportunities, and that the Company is able to prevail over its competitors pursuing the same projects. Risks in achieving such growth plans relate to a lack of adequate staffing or capital, or to an overly competitive market where other industry participants are prepared to pay more for a prospect than what Reliable would consider prudent.

Tax Horizon

Reliable will not become cash taxable during the first six months of 2010 based on the foregoing assumptions. Liability for current income tax is a function of the amount of revenue and expenses recognized for tax purposes, including deductions for capital expenditures. As such, taxable income is affected by many factors, including: production levels; commodity prices; and, the level and classification for tax purposes of capital spending into one of several categories, with each being deductible at different rates. The liability for current income tax could be higher than expected if revenues exceed Reliable's budget, if capital spending is lower than expected, or if a greater proportion of capital spending is allocated to a lower deduction category.

Current Market Conditions

Management is aware that the current equity market conditions may not always be conducive to raising funds through treasury issues of common shares. However, the Company has the financial capability to continue its 2010 capital program through cash flow from operations, current working capital and unutilized credit facilities without the need to access capital markets.

General

Statements relating to "reserves" are also deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors and assumptions set forth above and elsewhere in this MD&A.

These factors should not be considered as exhaustive. The reader is cautioned that these factors and risks are difficult to predict and that the assumptions used in the preparation of such information, although considered reasonably accurate at the time of preparation, may prove to be incorrect. Accordingly, readers are cautioned that the actual results achieved will vary from the information provided herein and the variations may be material. Consequently, there are no representations by the Company that actual results achieved will be the same in whole or in part as those set out in the forward-looking information. Furthermore, the forward-looking statements contained in this MD&A are made as of the date hereof, and the Company undertakes no obligation, except as required by applicable securities legislation, to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

Selected Annual Information

Years Ended December 31,	2009	2008	2007
	($)	*($)*	*($)*
Financial			
Gross revenue	**2,459,399**	278,283	484,630
Net income (loss)	**25,730**	(1,892,197)	(4,524,907)
Per share – basic	**0.000**	(0.046)	(0.131)
Cash flow used in operations	**755,938**	1,759,440	1,269,197
Per share – basic	**0.005**	0.043	0.037
Capital expenditures	**14,340,796**	1,849,497	981,175
Total assets	**26,812,818**	11,977,491	2,502,583
Weighted average shares – basic *(#)*	**137,658,594**	41,113,427	34,464,318
Operational			
Production			
Light crude oil *(bbls/d)*	**89**	–	–
Natural gas *(mcf/d)*	**99**	119	231
Total *(boe/d)*	**106**	20	38
Total *(boe)*	**38,591**	7,234	13,857
Reserves			
Proved plus probable *(boe)* (1)	**556,000**	60,667	67,323
Lands			
Undeveloped *(net acres)*	**69,792**	22,518	2,960
Under option *(net acres)*	**9,564**	16,512	–
Wells drilled			
Gross (net) *(#)*	**21 (17.4)**	4 (2.9)	1 (1.0)

(1) Reserves are gross working interest reserves before royalty deductions.

(2) The selected annual information has been prepared in accordance with the accounting principles as contained in the notes to the consolidated financial statements for the years ended December 31, 2009, 2008 and 2007.

Financial and Operating Results of Oil and Gas Activities

Production, Revenue and Price

	Three Months Ended December 31,		Years Ended December 31,	
	2009	2008	**2009**	2008
Production				
Light crude oil *(bbls/d)*	**195**	–	**89**	–
Natural gas *(mcf/d)*	**54**	75	**99**	119
Total production *(boe/d)*	**204**	13	**106**	20
Total production *(boe)*	**18,750**	1,151	**38,591**	7,234
	($)	*($)*	*($)*	*($)*
Revenue				
Light crude oil	**1,368,545**	–	**2,349,758**	–
Natural gas	**19,033**	37,651	**109,641**	278,283
Gross revenue	**1,387,578**	37,651	**2,459,399**	278,283
Royalties	**265,614**	6,120	**427,355**	62,111
Operating expenses	**196,735**	55,475	**415,292**	225,728
Net operating revenue	**925,229**	(23,944)	**1,616,752**	(9,556)
Average Prices				
Light crude oil *($/bbl)*	**76.37**	–	**72.15**	–
Natural gas *($/mcf)*	**3.82**	5.45	**3.03**	6.41
Total sales price *($/boe)*	**74.00**	32.71	**63.73**	38.47
Operating costs *($/boe)*	**10.49**	48.20	**10.76**	31.20
Netback *($/boe)*	**49.35**	(20.80)	**41.89**	(1.32)

For the fourth quarter of 2009, revenue totaled $1,387,578 on sales volumes of 204 boe/d compared to $37,651 and 13 boe/d for the same period in 2008. The 3,585% revenue gain resulted from a 1,529% increase in sales volumes with the Company benefiting from strong crude oil pricing. For the three months ended December 31, 2009, the Company's realized sales price for light crude oil was $76.37/bbl, while the natural gas sales price averaged $3.82/mcf compared to $5.45/mcf in the same period last year. During the final three months of 2009, Reliable's product volume mix was 96% light crude oil and 4% natural gas.

For the year ended December 31, 2009, revenue was $2,459,399 on sales volumes of 106 boe/d compared to $278,283 and 20 boe/d a year ago. The 784% revenue increase resulted from the commencement of oil production at Kirkella, which totaled 32,566 bbls. During 2009, the Company's realized sales price for light crude oil and natural gas was $72.15/bbl and $3.03/mcf, respectively, compared to $6.41/mcf received the prior year.

At Kirkella, Manitoba, the first oil well was placed on production commencing March 5, 2009. Subsequent wells were placed on-stream in the third and fourth quarters of 2009. Production averaged 195 bbl/d (net) during the three-month period and 89 bbls/d (net) for the year ended December 31, 2009.

During the three months ended December 31, 2009, production volumes from the Harmattan, Alberta area decreased 28% to 54 mcf/d (net) from 75 mcf/d (net) in the same period last year and down 44% from the third quarter of 2009 as a result of shutting in production due to low natural gas prices. For the year ended December 31, 2009, Harmattan production volumes were down 17% to 99 mcf/d (net) from 121 mcf/d (net) in 2008.

Royalties

	Three Months Ended December 31, 2009	2008	Years Ended December 31, 2009	2008
	($)	*($)*	*($)*	*($)*
Crown royalties	**172,806**	–	**201,597**	–
Freehold royalties	**55,460**	6,120	**77,305**	62,111
Overriding royalties	**37,348**	–	**148,453**	–
Total royalties	**265,614**	6,120	**427,355**	62,111
Total royalties *($/boe)*	**14.16**	5.31	**11.08**	8.59
Percent of revenue *(%)*	**19.1**	16.3	**17.4**	22.3

For the fourth quarter of 2009, the Company recorded total royalties of $265,614 or 19.1% of revenue versus $6,120 or 16.3% of revenue for the same period in 2008. The increase in royalty rate was due to the introduction of oil production and a year-over-year improvement in commodity pricing. During the year ended December 31, 2009, total royalties were $427,355 or 17.4% of revenue compared to $62,111 or 22.3% of revenue a year ago. Reliable's Crown royalties have increased relative to the mix of total royalties, which is reflective of the increase of production from Crown leases, primarily in the Kirkella area.

At Kirkella, current production is subject to the Manitoba Crown royalty, federal Crown royalty, freehold royalty and a sliding scale overriding royalty. The Manitoba government grants a royalty holiday for new wells drilled. The amount of the holiday is determined based on the depth drilled, the proximity of the well to other wells cased for production from the same or lower formations and the price of crude at the Enbridge Cromer Terminal. The federal Crown royalties are calculated on the same basis as the provincial Crown, but have no royalty holiday and are subject to a minimum 12.5% of production. Overriding royalties are calculated on a 5% to 15% sliding scale basis for oil. Freehold royalties are calculated at approximately 15% of production. At Kirkella, royalties for the fourth quarter totaled $263,171, consisting of provincial Crown: $59,890; federal Crown: $112,916; freehold: $53,017; and, overriding royalties: $37,348. For the year, total royalties for the area were $407,506, consisting of provincial Crown: $88,681; federal Crown: $112,916; freehold: $57,456; and, overriding royalties: $148,453.

Production from the Harmattan region is subject to freehold royalties ranging from 15% to 35%. The royalty incurred during the three months ended December 31, 2009 totaled $2,443 or 13% of revenue. For the year, royalties were $19,849 or 18% of revenue. For the three months and year ended December 31, 2009, there was no freehold mineral tax incurred as all Harmattan wells were producing below the minimum mineral tax threshold.

Operating Expenses

	Three Months Ended December 31, 2009	2008	Years Ended December 31, 2009	2008
	($)	*($)*	*($)*	*($)*
Kirkella	**157,922**	–	**262,032**	–
Harmattan	**37,133**	52,998	**141,133**	218,823
Other	**1,680**	2,477	**12,127**	6,905
Total operating expenses	**196,735**	55,475	**415,292**	225,728
Total operating expenses *($/boe)*	**10.49**	48.20	**10.76**	31.20

For the fourth quarter of 2009, the Company's operating expenses totaled $196,735 or $10.49/boe compared to $55,475 or $48.20/boe in the same period last year. During the year ended December 31, 2009, operating expenses were $415,292 or $10.76/boe versus $225,728 or $31.20/boe in 2008.

Operating expenses at Kirkella consist primarily of transportation costs for oil as well as transportation and disposal of produced water, which combined to total 46% of total operating costs. For the three months and year ended December 31, 2009, operating costs at Kirkella were $157,922 or $8.80/boe and $262,032 or $8.05/boe, respectively.

During the final quarter of 2009, operating costs at Harmattan were $37,133 or $44.79/boe. For the year ended December 31, 2009, operating costs totaled $141,133 or $23.42/boe. Expenses in the Harmattan area were lower for both the three-month period and year ended December 31, 2009 primarily due to decreased direct supervision costs in the 2009 periods and higher maintenance costs incurred during 2008.

Other operating expenses incurred during 2009 related primarily to lease rental costs in the Trochu Basin area.

Operating Netback

	Three Months Ended December 31, 2009	2008	Years Ended December 31, 2009	2008
	($/boe)	($/boe)	($/boe)	($/boe)
Gross revenue	**74.00**	32.71	**63.73**	38.47
Royalty expenses	**14.16**	5.31	**11.08**	8.59
Operating expenses	**10.49**	48.20	**10.76**	31.20
Operating netback	**49.35**	(20.80)	**41.89**	(1.32)

For the fourth quarter and year ended December 31, 2009, Reliable recorded an operating netback of $49.35/boe and $41.89/boe, respectively.

At Kirkella, the Company's operating netback increased due to Bakken oil production, which contributed $52.87/boe for the quarter and $51.59/boe for the year.

Year-over-year operating netbacks recorded at the Company's Harmattan property decreased in the 2009 three-month and year-end periods to $(24.78)/boe and $(8.52)/boe, respectively, due to decreased production volumes and lower commodity prices.

General and Administrative ("G&A") Expenses

	Three Months Ended December 31, 2009	2008	Years Ended December 31, 2009	2008
	($)	($)	($)	($)
Salaries and management consulting	**170,762**	348,187	**1,047,237**	831,379
Legal	**37,241**	9,952	**112,137**	26,508
Computer services and subscriptions	**38,758**	26,211	**150,522**	118,457
Accounting and audit fees	**36,817**	599	**105,045**	39,032
Investor relations	**24,064**	5,399	**126,219**	24,443
Other professional services	**68,292**	50,689	**254,839**	155,355
Travel and business entertainment	**24,251**	47,920	**57,945**	62,850
General office expenses	**122,016**	34,876	**420,065**	283,074
	522,201	523,833	**2,274,009**	1,541,098
Recoveries	**(97,184)**	(10,378)	**(169,317)**	(19,598)
Total G&A expenses	**425,017**	513,455	**2,104,692**	1,521,500

For the quarter ended December 31, 2009, total G&A expenses decreased to $425,017 from $513,455 recorded during the same period of 2008. The 17% decrease was primarily due to lower salaries and management consulting expenses, which were down $177,425 or 51% from last year due to management bonuses paid in 2008. Year-over-year increases in certain G&A expenses included:

- Legal expenses increased $27,289 resulting from fees associated with both the establishment of a credit facility with a Canadian chartered bank and preparation of employment contracts for senior management;
- Investor relations costs rose $18,665, representing the services of an investor relations firm and attendance at an investor symposium during the quarter;
- Accounting and audit fees increased $36,218 resulting from higher audit and review fees, income tax preparation and preparation for International Financial Reporting Standards; and
- General office expenses increased $87,140 due to a correction in 2008 of costs relating to the reverse takeover of Ceres Capital Corp. and augmented by higher costs in 2009 relating to the loss of two office space sub-rentals, production of the annual report, increased insurance costs and a generally higher level of activity in 2009.

For the year ended December 31, 2009, G&A expenses increased to $2,104,692 from $1,521,500 in 2008. The 38% year-over-year increase was primarily due to higher staffing costs (up $215,808), including a one-time charge associated with the termination of a consulting contract totaling $180,000. Additionally, other professional fees increased $99,484 resulting from land consulting services, increased audit/review fees of $66,013 associated with quarterly reviews and additional tax services, higher investor relations costs of $101,776 and legal fees of $85,629.

Interest and Financing Expenses

	Three Months Ended December 31, **2009**	2008	Years Ended December 31, **2009**	2008
	($)	*($)*	*($)*	*($)*
Interest on convertible debentures	**32,160**	31,288	**127,303**	123,007
Interest and line of credit fees	**37,500**	–	**37,500**	
Penalty – issue of debentures	**–**	–	**–**	60,000
Taxes on unexpended flow-through share obligations	**(64,381)**	(23,937)	**165,725**	151,063
Total interest and financing expenses	**5,279**	7,351	**330,528**	334,070
Total interest and financing expenses *($/boe)*	**0.28**	6.39	**8.56**	46.18

Taxes on unexpended flow-through share obligations decreased to a credit of $64,381 in the quarter and increased to $165,725 for the year ended December 31, 2009 compared to a credit of $23,937 and a charge of $151,063, respectively, in 2008. These costs represent a form of interest or tax on the balance of funds that were raised through the issue of flow-through shares, which have been renounced to shareholders under the look-back rule but have not yet been spent on qualifying expenditures. The credits in the fourth quarter of both 2009 and 2008 were the result of adjustments in interest accrued resulting from lower than expected interest rates.

Depletion, Depreciation and Accretion (“DD&A”)

	Three Months Ended December 31, **2009**	2008	Years Ended December 31, **2009**	2008
	($)	*($)*	*($)*	*($)*
Depletion and depreciation	**532,979**	27,044	**853,292**	153,048
Accretion expense	**5,990**	3,982	**20,784**	15,412
Loss (gain) on settlement of retirement obligations	**–**	–	**(122)**	1,946
Stock-based compensation	**27,800**	47,800	**880,900**	47,800
Total DD&A	**566,769**	78,826	**1,754,854**	218,206
Total DD&A *($/boe)*	**30.23**	68.48	**45.47**	30.16

The provision for depletion is based on independent estimates of proved reserves. Depletion expense was significantly higher in 2009 due to the addition of new wells that were brought on-stream partially offset by lower natural gas production volumes. Depreciation of non-resource assets is calculated on a straight-line basis at various rates between 20% and 45%. During 2009, the Company’s asset retirement obligation increased to $727,330, which represents the fair value of the future abandonment costs for oil and gas property acquired, wells drilled and facilities constructed. The increase consisted of:

- Accretion expense of $20,784;
- Additional obligations incurred on wells drilled during the year of $450,000;
- Adjustments to previously estimated costs of $11,000; and
- Liabilities settled totaling $(8,697).

Impairment Expense

Management has determined that there was no impairment of Reliable’s petroleum and natural gas assets as at December 31, 2009 and 2008. The impairment test was based on independent evaluations and management’s estimates of the Company’s proved plus probable oil and gas reserves.

Income Taxes

As at December 31, 2009, the Company had various tax pools estimated at $18,250,284 and the future benefit has been recorded as an asset to the balance sheet. Due to the uncertainty surrounding realization of this asset, a valuation allowance has been recorded for the full amount of the asset.

The Company recorded a future income tax recovery of $2,560,750 (2008 – $172,575). The recovery was due to the reversal of the valuation allowance recorded in previous years triggered by the renunciation of capital expenditures related to the flow-through shares issued in 2008.

Under the flow-through share agreements entered into during 2008, the Company was required to incur eligible expenditures of $8,739,760 prior to December 31, 2009. These expenditures were renounced to the flow-through share investors effective December 31, 2008. At December 31, 2009, the Company had satisfied these flow-through share expenditure obligations.

In December 2009, Reliable issued 9,350,000 flow-through common shares at $0.43 per share for total proceeds of $4,020,500. Under the terms of the flow-through agreement, the Company is committed to spend $4,020,500 on qualified exploration expenditures by December 31, 2010. These expenditures were renounced to the flow-through share investors effective December 31, 2009. At December 31, 2009, $3,869,130 remained to be incurred on eligible expenditures.

Cash Flow and Net Income (Loss)

	Three Months Ended December 31,		Years Ended December 31,	
	2009	2008	**2009**	2008
	($)	($)	($)	($)
Net income (loss)	**(67,476)**	(615,176)	**25,730**	(1,892,197)
Non-cash charges:				
DD&A	**538,969**	31,026	**873,954**	170,406
Interest and financing charges	**8,535**	7,663	**32,803**	89,072
Unrealized commodity contracts	**–**	1,000	**–**	–
Stock-based compensation	**27,800**	47,800	**880,900**	47,800
Future income taxes	**–**	(2,986)	**(2,560,750)**	(172,575)
Retirement obligations settled	**–**	–	**(8,575)**	(1,946)
Funds generated by (used in) operations	**507,828**	(530,673)	**(755,938)**	(1,759,440)

During the fourth quarter of 2009, funds generated by operations totaled $507,828 or $0.003 per basic share versus $530,673 or $0.011 per basic share used in operations in the comparable period of 2008. The 196% improvement was due to an increase in net operating revenues resulting from new oil production at Kirkella that more than offset increased G&A costs for the period. For the year ended December 31, 2009, funds used in operations totaled $755,938 or $0.005 per basic share compared to $1,759,440 or $0.043 per basic share in 2008.

The Company recorded a net loss of $67,476 or $0.000 per basic share during the fourth quarter of 2009 compared to $615,176 or $0.012 per basic share in the same period a year ago. For the year ended December 31, 2009, Reliable recorded net income of $25,730 or $0.000 per basic share versus a net loss of $1,892,197 or $0.046 per basic share in 2008.

Capital Expenditures

	Three Months Ended December 31,		Years Ended December 31,	
	2009	2008	**2009**	2008
	($)	($)	($)	($)
Land acquisitions	**760,715**	414,644	**5,080,375**	414,644
Geological and geophysical	**2,864,779**	135,993	**3,282,793**	316,575
Drilling and completions	**3,657,861**	453,170	**6,264,635**	1,066,435
Equipping and tie-ins	**438,883**	–	**818,589**	11,238
Corporate assets	**7,312**	–	**33,404**	1,605
Funds received from joint venture partner	**(1,600,000)**	–	**(1,600,000)**	–
Allowance for future restoration expenditures	**347,000**	39,000	**461,000**	39,000
Total capital expenditures	**6,476,550**	1,042,807	**14,340,796**	1,849,497

For the final quarter of 2009, land acquisition expenditures totaled $760,715 (2008 – $414,644) as the Company added approximately 5,362 net acres of undeveloped lands, primarily at Kirkella (and after taking effect of the joint venture with Crescent Point Energy Corp. ("Crescent Point")). This compares with approximately 10,600 acres added at Kirkella in the same period of 2008. Geological and geophysical expenditures were $2,864,779 (2008 – $135,993) resulting from the shooting of 300 kilometres of 2-D and 40 square kilometres of 3-D seismic along with the purchase of 30 square kilometres of 3-D trade seismic data. During the period, drilling and completions expenditures totaled $3,657,861 (2008 – $453,170) that involved the drilling of 15 gross (12.1 net) wells. Of the 15 wells, 8 gross (6.9 net) wells were successful and 7 gross (5.2 net) wells were classified as either dry or a near miss, requiring further evaluation, for an overall 57% success rate. In the comparative quarter of 2008, the Company drilled 2 gross (1.9 net) wells of which 1 gross (0.9 net) well was successful and 1 gross (0.9 net) well was dry for a 50% net success rate. Funds received from a joint venture partner totaled $1,600,000 and related to funds advanced to Reliable under the terms of the Crescent Point joint venture agreement at Kirkella.

Land acquisitions expenditures totaled $5,080,375 for the year ended December 31, 2009 (2008 – $414,644) as Reliable added over 47,000 net acres of land, primarily in Kirkella. Geological and geophysical expenditures were $3,282,793 (2008 – $316,575) and included seismic data acquired in the fourth quarter along with an additional 110 kilometres of 2-D trade seismic data acquired during the year. Drilling and completions expenditures totaled $6,264,635 (2008 – $1,066,435), which involved the participation in 21 gross (17.4 net) wells. Of the 21 wells, 12 gross (10.1 net) wells were completed and placed on production, while the remaining 9 gross (7.3 net) wells were classified as either dry or a near miss, requiring further evaluation. During 2008, the Company drilled 4 gross (2.5 net) wells of which 1 gross (0.95 net) well was cased, while the remaining 3 gross (1.55 net) wells were unsuccessful.

Drilling Activity

	Exploration		Development		Total	
	Gross	Net	Gross	Net	Gross	Net
	(#)	*(#)*	*(#)*	*(#)*	*(#)*	*(#)*
Three Months Ended December 31, 2009						
Light crude oil	**11**	**8.2**	**4**	**3.9**	**15**	**12.1**
Natural gas	**–**	**–**	**–**	**–**	**–**	**–**
Total wells	**11**	**8.2**	**4**	**3.9**	**15**	**12.1**
Success rate *(%)*		**36**		**100**		**57**
Average working interest *(%)*		**75**		**98**		**81**
Three Months Ended December 31, 2008						
Light crude oil	2	1.9	–	–	2	1.9
Natural gas	–	–	–	–	–	–
Total wells	2	1.9	–	–	2	1.9
Success rate *(%)*		50		–		50
Average working interest *(%)*		95		–		95
Year Ended December 31, 2009						
Light crude oil	**15**	**11.5**	**6**	**5.9**	**21**	**17.4**
Natural gas	**–**	**–**	**–**	**–**	**–**	**–**
Total wells	**15**	**11.5**	**6**	**5.9**	**21**	**17.4**
Success rate *(%)*		**40**		**100**		**57**
Average working interest *(%)*		**77**		**98**		**83**
Year Ended December 31, 2008						
Light crude oil	3	2.2	1	0.3	4	2.5
Natural gas	–	–	–	–	–	–
Total wells	3	2.2	1	0.3	4	2.5
Success rate *(%)*		33		–		25
Average working interest *(%)*		73		30		63

Liquidity and Capital Resources

Liquidity

The Company's liquid assets are comprised of cash, short-term deposits and accounts receivable from the sale of petroleum products, and joint venture billings from industry partners. Reliable confirms that the cash and short-term deposits are maintained on demand with the Company's banker and represent minimal liquidity risk to the Company. In view of the current economic climate, Reliable has made an assessment of accounts receivable and reports that 66% of amounts outstanding at December 31, 2009 have been received and the balance is expected within existing payment terms. The majority of the remaining accounts receivable relate to GST and joint venture billings with industry partners. The Company believes that minimal exposure exists with these particular accounts and sufficient security exists to recover amounts due to the Company in the event of default.

Management of the Company's liquidity involves the careful use of its liquid assets along with anticipated cash flows and access to debt and equity markets to fund growth in future exploration and development drilling activities.

On October 2, 2009, the Company completed a private placement for a total of $5,200,100 that included an investment of $4,825,000 by Crescent Point, representing 19.9% of the issued and outstanding shares of Reliable. The balance of the offering was taken up by directors, management, employees and consultants of the Company. The placement was completed at $0.15 per share and resulted in the issue of 34,667,334 shares of Reliable.

Also on October 2, 2009, Reliable executed a Joint Venture Agreement ("JVA") with Crescent Point centred on Reliable's core area at Kirkella in southeastern Saskatchewan/southwestern Manitoba. The JVA contemplates a contribution of land by both parties and cash advanced by Crescent Point of $1,600,000. Crescent Point contributed 8,503 acres to the joint venture, while Reliable contributed all its land, with the exception of certain lands on its Kirkella South No. 1 pool, and will operate the joint venture and retain a 75% working interest in the properties, subject to certain terms and conditions.

On October 23, 2009, the Company completed the acquisition of Element Energy Canada Ltd. ("Element"). Reliable issued 11,025,000 common shares at a deemed value of $0.15 per share and received 100% of the issued and outstanding shares of Element.

On December 22, 2009, the Company completed a brokered bought deal flow-through private placement in the amount of $4,020,500 at $0.43 per share.

Capital Resources

The Company exited 2009 with working capital of $1,994,017 compared to working capital of $7,213,163 at December 31, 2008. The reduction in working capital was the result of capital expenditures and funds used in operations (see "Cash Flow and Net Income (Loss)" and "Capital Expenditures" for more details).

In December 2009, Reliable entered into a credit facility agreement with a Canadian chartered bank to provide the Company with a $5,000,000 revolving operating loan, a $2,000,000 acquisition/development loan and certain related facilities having an aggregate limit of $150,000. All facilities are payable on demand. The operating line bears interest at the bank's prime rate plus 1.5% p.a. and the acquisition/development loan bears interest at the bank's prime rate plus 2.0% p.a. All facilities are secured by, among other things, a debenture over all the Company's assets. The credit facility will provide the Company the flexibility to effectively develop its Bakken oil play at Kirkella.

Reliable believes that with its working capital, unutilized credit facilities and expected cash flow from operations, the Company will have sufficient capital resources to fund its capital expenditure program for 2010. Management believes the potential exists to augment its capital resources with an offering of its shares during the year.

Sources and Uses of Cash

	Three Months Ended December 31,		Years Ended December 31,	
	2009	2008	**2009**	2008
	($)	*($)*	*($)*	*($)*
Cash – beginning of period	**630,841**	70,063	**8,396,051**	890,405
Cash flow from (used in) operations	**507,828**	(530,673)	**(755,938)**	(1,759,440)
Change in non-cash working capital				
Operating	**2,565,140**	615,862	**3,378,426**	884,915
Financing	**–**	(245,496)	**–**	(245,496)
Investing	**(54,053)**	(296,589)	**415,418**	191,297
Issue of common shares, net of issue costs	**8,821,853**	8,656,218	**8,787,898**	8,819,013
Acquisition of Ceres	**–**	1,130,473	**–**	1,130,473
Short-term deposits	**–**	–	**–**	295,381
Capital expenditures	**(6,129,550)**	(1,003,807)	**(13,879,796)**	(1,810,497)
Investment in Element	**1,540,277**	–	**1,540,277**	–
Cash – end of period	**7,882,336**	8,396,051	**7,882,336**	8,396,051

During the year, cash and cash equivalents decreased to $7,882,336 from $8,396,051 at December 31, 2008. The decrease is summarized below.

Cash used in operations totaling $755,938 was the result of:

- General administrative expenses of $2,104,692;
- Net interest expense of $259,423; and
- Improved net operating revenue of $1,608,177.

Funds received from changes in non-cash working capital totaled $3,636,977 and were due to:

- Funds used in operations improving $3,378,426 primarily as a result of an increase in accounts payable relating to general operating activities; and
- Funds relating to investing activities increasing $258,551 due to increased payables relating to capital expenditures on land purchases and drilling activities.

Share Capital

As at April 7, 2010, Reliable had 182,966,056 common shares,10,736,350 stock options and 5,641,590 common share purchase warrants issued and outstanding. A total of 10,150,000 stock options are outstanding to management, directors, employees and key consultants under the Company's stock option plan with exercise prices between $0.14 and $0.20 per share and with a weighted average remaining contract life of 46 months. The balance of 586,350 stock options is outstanding to various brokerage firms with an exercise price of $0.12 per share and with a weighted average remaining contract life of two months. In March 2010, the Company agreed to exchange 5,135,874 broker options into common share purchase warrants on the same terms and conditions as the broker options. Common share purchase warrants are exercisable at $0.12 per share with 2,435,196 warrants exercisable on or before June 11, 2010 and 2,700,678 warrants exercisable on or before June 23, 2010. In 2008, the Company issued 505,716 common share purchase warrants exercisable at $nil per share to members of management in recognition of deferred bonus plan obligations entered into in 2005 and 2006. These warrants are exercisable until December 24, 2013.

Off-Balance Sheet Arrangements

Reliable has various contractual obligations and commitments arising in the normal course of operations and financing activities. These obligations and commitments have been considered when assessing the cash requirements in the above discussion of future liquidity.

As at December 31, 2009, the Company was committed to future payments under an operating lease for office space through April 2011 totaling $274,000 (2010 – $205,500; 2011 – $68,500).

In December 2009, Reliable issued 9,350,000 flow-through common shares at $0.43 per share for total proceeds of $4,020,500. Under the terms of the flow-through agreement, the Company is committed to spend $4,020,500 on qualified exploration and development expenditures by December 31, 2010. These expenditures were renounced to the flow-through share investors effective December 31, 2009. As at December 31, 2009, a total of $3,869,130 remained to be incurred on eligible expenditures.

As at December 31, 2009 and 2008, the Company had no commodity contracts outstanding.

During the years ended December 31, 2009 and 2008, Reliable was not involved in any off-balance sheet transactions.

Related Party Transactions

Reliable has entered into transactions with the following related parties who provide management consulting services to the Company:

PEM Consulting – controlled by a previous officer of the Company

Max Consulting Ltd. – controlled by a previous officer of the Company

1119402 Alberta Ltd. – controlled by an officer of the Company

Time Exploration Ltd. – controlled by an officer of the Company

Ellis Land Inc. – controlled by an officer of the Company

Alan Blackie – a former consultant of the Company

	Three Months Ended December 31,		Years Ended December 31,	
	2009	2008	**2009**	2008
	($)	*($)*	*($)*	*($)*
Management consulting fees charged to:				
General and administrative				
General management	**22,800**	150,000	**126,767**	285,000
Finance	**37,365**	86,600	**147,465**	196,400
Engineering	**8,880**	68,000	**56,580**	122,000
Exploration	**–**	30,000	**70,870**	111,667
Land	**27,000**	–	**114,895**	–
	96,045	334,600	**516,577**	715,067
Operating expenses	**4,800**	15,000	**19,800**	69,000
Property and equipment	**35,520**	3,000	**69,120**	3,000

These transactions were in the normal course of business and valued at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Effective January 1, 2010, all management consulting agreements were terminated and replaced with executive employment agreements.

On June 23, 2009, the management consulting agreements with PEM Consulting and MAX Consulting Ltd. were terminated. The Company has recorded costs of $180,000 in relation to these terminations.

Reliable has retained the law firm of Parlee McLaws LLP ("Parlee") to provide legal services. Mr. James D. Thomson, Corporate Secretary of Reliable, is a partner of Parlee. During the year ended December 31, 2009, Reliable incurred $134,186 in costs with Parlee (2008 – $163,860). Services provided related to advice and counsel primarily in the areas of general legal, corporate governance matters, and banking and equity offerings. These services were billed at rates consistent with those charged to third parties. The Company expects to continue using the firm's services throughout 2010.

Critical Estimates

Management is required to make judgements and use estimates in the application of generally accepted accounting principles that have significant impact on the financial results of the Company. The following discussion outlines the accounting policies and practices that are critical to determining Reliable's financial results.

Full Cost Accounting

Reliable follows the Canadian Institute of Chartered Accountants' ("CICA") guideline on full cost accounting in the oil and gas industry to account for oil and gas properties. Under this method, all costs associated with the acquisition of, exploration for and development of crude oil and natural gas reserves are capitalized and costs associated with production are expensed. The capitalized costs are depreciated, depleted and amortized using the unit-of-production method based on estimated proved reserves. Reserves estimates can have a significant impact on earnings as they are a key component in the calculation of DD&A. A downward revision in a reserves estimate could result in a higher DD&A charge to earnings. In addition, if capitalized costs are determined to be in excess of the calculated ceiling, which is based largely on reserves estimates, the excess must be written off as an expense charged against earnings. In the event of a property disposition, proceeds are normally deducted from the full cost pool without recognition of a gain or loss unless there is a change in the DD&A rate of 20% or greater.

Asset Retirement Obligations

The Company records a liability for the fair value of its legal obligations associated with the retirement of long-lived assets in the period in which it is incurred, normally when the asset is purchased or developed. On recognition of the liability, there is a corresponding increase in the carrying value of the related asset and the asset retirement obligation. The total amount of the asset retirement obligation is an estimate based on the Company's net ownership in all wells and facilities, the estimated cost to abandon and reclaim the wells and facilities, the estimated timing of those cash flows, changes in environmental regulations and the discount rate used to calculate the present value of those cash flows. These estimates are subject to measurement uncertainty and any change in these estimates would impact the asset retirement liability.

Reserves Determination

The proved crude oil and natural gas reserves that are used in determining Reliable's depletion rates, the magnitude of the borrowing base available to the Company from its lender and the ceiling test are based on management's best estimates, and are subject to uncertainty. Through the use of geological, geophysical and engineering data, the reservoirs and deposits of crude oil and natural gas are examined to determine quantities available for future production, given existing operations and economic conditions and technology. The evaluation of recoverable reserves is an ongoing process impacted by current production, continuing development activities and changing economic conditions as reflected in crude oil and natural gas prices. Consequently, the reserves are estimated, which are subject to variability. To assist with the reserves evaluation process, the Company employs the services of independent oil and gas reservoir engineers.

Income Taxes

The determination of Reliable's income and other tax liability requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from the liability estimated or recorded.

Other Estimates

The accrual method of accounting will require management to incorporate certain estimates, including revenues, royalties, production costs and capital expenditures as at a specific reporting date but for which actual revenue and royalties have not yet been received, and estimates on capital projects that are in progress or recently completed where actual costs have not been received at a specific reporting date.

Changes in Accounting Policy

Except as discussed in this section, please refer to the Company's accounting disclosures as described in the MD&A of Reliable Energy Ltd. as at December 31, 2008. The following disclosures to the financial statements are in effect as of January 1, 2009.

In January 2009, the Accounting Standards Board of Canada ("AcSB") issued Section 1601 – "Consolidated Financial Statements" that replaces the existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements. This standard is effective on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. The Company does not expect the adoption of this standard to have a material impact on its results of operations or financial position.

On January 20, 2009, the Emerging Issues Committee ("EIC") issued a new abstract EIC 173 – "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". This abstract concludes that an entity's own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial assets and liabilities. This abstract is to apply to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this abstract did not impact the Company's financial statements.

Future Accounting Policy Changes

Business Combinations

In December 2008, the CICA issued Section 1582 – "Business Combinations". This section is effective January 1, 2011 and applies prospectively to business combinations for which the acquisition date is during the first annual reporting period beginning on or after January 1, 2011 for the Company. Early adoption is permitted. This section replaces Section 1581 – "Business Combination" and harmonizes the Canadian standards with International Financial Reporting Standards.

International Financial Reporting Standards

In February 2008, the AcSB confirmed that the transition date to International Financial Reporting Standards ("IFRS") from Canadian GAAP will be January 1, 2011 for publicly accountable enterprises. The Company will be required to report its results in accordance with IFRS starting in 2011, with comparative IFRS information for the 2010 fiscal year. Any adjustments resulting from a change in policy will be applied retroactively, with corresponding adjustments to opening retained earnings. Reliable is currently evaluating the impact of these new standards. The implementation of IFRS may result in a significant impact on the Company's accounting policies, measurement and disclosure.

Reliable's IFRS implementation project consists of three phases.

- Initial diagnostic – Identifying areas that may be impacted by the transition to IFRS. The potential impact on the Company's financial reporting and overall difficulty of the conversion effort for each area was evaluated.
- Impact analysis, evaluation and solution development – Selecting IFRS accounting policies, quantifying the impact on the opening IFRS balance sheet from the adoption of IFRS policies and the development of draft IFRS financial statements.
- Implementation and review – Updating Reliable's information systems and procedures to prepare IFRS financial statements.

Reliable has completed the initial diagnostic phase and the subsequent phases were underway at year-end.

Based on existing IFRS, the areas that have the potential for the most significant financial impact on the Company's financial statements are the methodology for asset impairment testing, the absence of a comparable standard to full cost accounting and the accounting for decommissioning obligations. The exemptions to full restatement available under IFRS are also being considered. IFRS requires the Company to conduct an asset impairment test upon implementation. The test for impairment under IFRS requires the use of a discounted cash flow model to determine fair value, whereas Canadian GAAP uses an undiscounted cash flow model to determine impairment and then a discounted cash flow model to quantify the impairment. Market factors such as discount rates and commodity prices will affect the evaluation of impairment. Depending on these factors on the date of adoption, the Company may have an asset impairment loss. However, IFRS permits subsequent recovery of such write-downs in future periods to the extent that fair value increases.

The absence of a full cost standard equivalent in IFRS may lead to certain exploration and development costs currently capitalized under Canadian GAAP being reclassified to opening deficit on the balance sheet. For entities using the full cost method, the International Accounting Standards Board has issued an exemption from full retrospective application of IFRS for the measurement of oil and gas assets at the transition date. In relation to oil and gas assets, IFRS only provides guidance in the exploration and evaluation ("E&E") phase, up to the point when technical feasibility and commercial viability of extracting the resource can be demonstrated. Accounting for E&E activities under IFRS is congruent with Canadian GAAP, but expenditures beyond this phase must be considered within the IFRS capitalization criteria for property, plant and equipment ("PP&E") and/or intangible assets. Reliable is currently evaluating if the Company's development expenditures meet the recognition criteria for PP&E and the potential impact on the measurement of PP&E.

Depletion of oil and gas assets under Canadian GAAP is calculated under the unit-of-production method using remaining proved reserves. Similar guidance does not exist under IFRS. Reliable is evaluating the Company's depletion policy to possibly include proved and probable reserves if this more accurately reflects the usage of resource assets. In addition, IFRS requires that significant parts of an asset are recognized and depreciated separately, whereas this is not specifically required under Canadian GAAP. No material components requiring separate depreciation were initially identified, and therefore, minimal impact is anticipated for this in the Company's financial statements.

Canadian GAAP includes specific guidance with respect to asset retirement obligations, whereas under International Accounting Standards ("IAS"), asset retirement obligations are included under IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets". The threshold for recognition of a provision under IFRS is lower than under Canadian GAAP. In addition, IFRS requires the use of the current market based discount rate to be applied to the liability at each reporting date rather than the historical rate used when the liability was initially set up. The impact of these differences has not yet been evaluated.

IFRS 1 provides the framework for the first time adoption of IFRS and specifies that an entity shall apply the principles under IFRS retrospectively. However, both optional and mandatory exceptions to retrospective application are provided under IFRS. Evaluation of the exemptions is currently underway.

Financial Instruments Disclosures

In May 2009, the CICA amended Section 3862 – "Financial Instruments – Disclosures" to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. These amendments were effective for Reliable on December 31, 2009.

Controls and Procedures

Disclosure Controls

Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company is accumulated and communicated to management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), to allow timely decisions regarding required disclosure. Reliable's CEO and CFO have concluded, based on their evaluation as of the end of the period covered by the Company's annual filings, that the Company's disclosure controls and procedures are effective to provide reasonable assurance that material information related to the issuer is made known to them by others within the Company.

Internal Controls Over Financial Reporting

Management has assessed the effectiveness of the Company's internal controls over financial reporting as defined by National Instrument 52-109. The assessment was based on the framework in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations. Management concluded that the Company's internal controls over financial reporting were effective as of December 31, 2009. No changes were made to the Company's internal controls over financial reporting during the year ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

It should be noted that while Reliable's CEO and CFO believe that the Company's internal controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that these controls will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Risk Factors

The reader should consider each of the following factors as well as the other information contained in this report in evaluating the Company's business and future prospects. Crude oil and natural gas exploration involves a high degree of risk and there is no assurance that expenditures made on future exploration or development activities by the Company will result in new discoveries. The risks and uncertainties described below are not the only ones the Company is faced with. Additional risks and uncertainties not presently known may also impair the Company's business operations. If any of the following risks occur, the Company's business and financial results could be harmed. This could have a negative impact on the valuation of the Company's common stock. The reader should also refer to the other information set forth in this report, including the Company's annual consolidated financial statements and the accompanying notes.

- Limited operating history and no certainty of future profitability.
- Fluctuations in both crude oil and natural gas pricing could have both a positive and a detrimental impact on the Company's operations and valuation.
- Volatile product market demand.

- Transportation interruptions.
- Government regulations and taxes.
- Environmental and safety concerns.
- Ability to raise capital.
- Management of future growth and expansion.
- Ability to continue to secure lands for exploration and development.
- Weather.

The Company mitigates these risks by diligent management of those factors that it can control, including the engagement of highly qualified and experienced professionals, use of the latest technology and a focus on low cost reserves.

Reliable carries insurance coverage to protect itself against potential losses due to accidental destruction of assets, well blowouts and environmental damages. The Company also follows all government regulations and has an emergency response plan in place.

Supplemental Quarterly Information

Three Months Ended	Dec. 31	Sep. 30	Jun. 30	Mar. 31
	($)	*($)*	*($)*	*($)*
2009				
Gross revenue	**1,387,578**	**458,678**	**411,581**	**201,562**
Net income (loss)	**(67,476)**	**(1,233,169)**	**(745,528)**	**2,071,903**
Per share – basic	**(0.000)**	**(0.010)**	**(0.006)**	**0.016**
Funds generated by (used in) operations	**507,828**	**(234,351)**	**(626,856)**	**(395,096)**
Per share – basic	**0.003**	**(0.002)**	**(0.005)**	**(0.003)**
Capital expenditures	**6,129,550**	**1,937,658**	**3,245,674**	**2,566,914**
Working capital (deficiency)	**1,994,017**	**(1,834,804)**	**337,205**	**4,209,735**
Total assets	**26,812,818**	**11,665,158**	**12,245,979**	**11,647,294**
Shareholders' equity	**17,458,271**	**7,019,841**	**7,399,910**	**8,145,438**
Production				
Light crude oil *(bbls/d)*	**195**	**66**	**66**	**27**
Natural gas *(mcf/d)*	**54**	**83**	**95**	**117**
Total *(boe/d)*	**204**	**80**	**82**	**47**
Total *(boe)*	**18,750**	**7,547**	**7,779**	**4,410**
2008				
Gross revenue	37,651	55,695	93,533	91,404
Net income (loss)	(615,176)	(425,463)	(508,665)	(342,893)
Per share – basic	(0.012)	(0.011)	(0.013)	(0.009)
Funds generated by (used in) operations	(530,673)	(397,929)	(379,116)	(449,776)
Per share – basic	(0.011)	(0.010)	(0.010)	(0.012)
Capital expenditures	1,003,807	388,384	159,374	258,932
Working capital (deficiency)	7,213,163	(1,038,048)	(437,884)	116,262
Total assets	11,977,491	2,061,986	1,876,609	2,126,590
Shareholders' equity	8,668,240	(784,089)	(530,156)	(24,280)
Production				
Light crude oil *(bbls/d)*	–	–	–	–
Natural gas *(mcf/d)*	75	93	147	162
Total *(boe/d)*	13	16	25	27
Total *(boe)*	1,151	1,429	2,226	2,428

Note: The selected quarterly information has been prepared in accordance with the accounting principles as contained in the notes to the consolidated financial statements for the years ended December 31, 2009 and 2008.

Outlook

Looking at the Company's achievements in 2009 compared with its guidance, it is clear that Reliable "did what we said we were going to do" and exited the year at 333 boe/d versus guidance of 250 to 300 boe/d. The Company completed an aggressive fourth quarter exploration and development program, drilling four development and 11 exploration wells for a 100% and 36% success rate, respectively, compared to guidance of 75% and 25%, respectively. This resulted in four new discoveries that the Company plans to develop in the coming year. At the same time, management is satisfied that its 2008 flow-through share expenditure, through prudent allocation, has resulted in significant upside for the Company.

During 2010, the Company's strategy is to continue devoting significant resources towards exploring for new reserves balanced with prudent development of Reliable's existing discoveries, resulting in increased production and cash flow, while proving the size and value of its new reserves.

The capital expenditure budget for 2010 totals $16.5 million with funds being allocated as follows:

- $11.9 million to drilling 10 gross (7.5 net) exploration wells and 29 gross (22.0 net) development wells;
- $1.3 million for the construction of a central battery and water disposal system on the Kirkella South No. 1 pool, which will improve operational efficiency and reduce operating costs; and
- $3.3 million has been allocated to acquire additional lands at Kirkella as well as shooting or acquiring additional seismic data, thereby further improving the Company's chances for success on both its exploration and development drilling programs.

During 2010, the Company expects to average 560 boe/d of production and to exit the year at approximately 900 boe/d. As a result, Reliable anticipates it will generate approximately $9.1 million in cash flow, which combined with cash on hand and unutilized credit facilities, will fund the majority of the 2010 budget.

Additional Information

Additional information relating to Reliable Energy Ltd. can be accessed on the Company's website at www.reliableenergy.ca or under the Company's public filings found at www.sedar.com.

John Newman
Vice President, Finance & Chief Financial Officer

April 7, 2010