



The following discussion and analysis as provided by the management of Ceres Capital Corp. operating as Reliable Energy Ltd. (the "Company") as of August 14, 2009 should be read in conjunction with the unaudited interim consolidated financial statements and related notes for the period ended June 30, 2009 and the audited financial statements and related notes for the year ended December 31, 2008.

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 the financial statements and in this discussion and analysis is the Canadian dollar, unless otherwise stated.

NON-GAAP MEASURES

Management's Discussion and Analysis 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 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.

BOE CONVERSION

Certain natural gas volumes have been converted to barrels of oil equivalent ("boe") using six thousand cubic feet (mcf) equal to one barrel (bbl) 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 regarding the Company set forth in this document, including management's assessment of the Company's future plans and operations, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond Reliable's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, the lack of availability of qualified personnel or management, stock market volatility and ability to access capital from internal and external sources. The Company'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 of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Reliable will derive there from. The Company does not intend and does not assume any obligation to update these forward-looking statements, except as required by law.

**OVERALL PERFORMANCE**

The Company continued to execute on its business plan during the quarter, focusing on establishing a significant land base on its Bakken play in the Kirkella area in southeast Saskatchewan and southwest Manitoba while commencing on the first stage of its planned drilling program.

Highlights in the quarter include:

- The Company achieved a 249% increase in production during the quarter 162% year-to-date, compared with 2008, the result of oil production from its Bakken discovery in Kirkella.
- The Company drilled 4 wells (3.95 net) during the quarter. Two exploratory wells were drilled with one placed on production and one abandoned. Two development wells were drilled and are currently undergoing completion operations.
- Capital expenditures for the quarter totaled \$3,245,674 and included drilling and completion activities of \$1,285,999 and land acquisitions of \$1,846,726. This compares with \$159,374 in 2008.
- The Company added a further 25,778 (net) acres of undeveloped land in the quarter along with an increase in lands under option of 3,294 (net) acres.
- The Company recorded a net loss of \$745,528 or \$0.006 per share compared with a loss of \$508,665 or \$0.013 per share in 2008. The increased loss was mainly due to higher staffing costs and the termination of a management consulting contract. Year to date, the Company has recorded net income of \$1,326,375 or \$0.010 per share compared with a loss of \$851,558 or \$0.022 per share in 2008. The increase in income was mainly the result of a future income tax recovery of \$2,560,750.

Activities by core area include:

Kirkella

The Company drilled four wells (3.95 net) in Kirkella during the quarter bringing our total to five (4.95 net) wells in 2009. One well, drilled in December 2008 is currently on production and average daily production for the quarter was 66 bbl/d (net). Of the four wells drilled during the second quarter one well, drilled into the Lodgepole formation, went on production on July 9 and averaged 13 bbl/d in July. Two Bakken development wells were drilled and are currently being completed while one exploratory Bakken well was abandoned.

In addition to its drilling program, the Company has been very active in acquiring lands in the Kirkella area and for the six months to date has added 32,800 acres of lands, bringing total lands acquired in the Kirkella area to 56,749 acres. The Company also has a further 22,588 acres of lands under option, through farm-in's and freehold leasing options.

Harmattan

Natural gas production averaged 119 mcf/day for the quarter, 127 mcf/day year-to-date. With the current instability around natural gas pricing, the Company has no plans for further exploration or development in this area.

Trochu Basin

The Company owns 9,600 acres (net) of lands in the Trochu Basin in south central Alberta and currently has no drilling plans in 2009.



SELECTED QUARTERLY INFORMATION

	Three months ended		
	June 30, 2009	Mar. 31, 2009	June 30, 2008
Financial			
Gross Revenue	\$ 411,581	\$ 201,562	\$ 93,533
Net Income (Loss)	(745,528)	2,071,903	(508,665)
Per share - basic	(0.006)	0.016	(0.013)
Cash flow used in operations	626,856	402,559	380,572
Capital expenditures	3,245,674	2,566,914	159,374
Total assets	12,245,979	11,647,294	1,876,609
Weighted average shares - basic	126,855,872	126,855,872	38,019,756
Operational			
Production (boe)	7,779	4,410	2,226
Lands			
Undeveloped land (net acres)	68,636	42,858	13,322
Lands under option (net acres)	22,588	19,294	-
Wells drilled			
Gross	4.0	1.0	-
Net	3.9	1.0	-

RESULTS OF OPERATIONS

OPERATIONS

	3 months ended June 30		6 months ended June 30	
	2009	2008	2009	2008
Production				
Natural gas - mcf	10,844	13,356	22,990	27,922
Crude oil – bbls	5,971	-	8,356	-
Total production - boe (6:1)	7,779	2,226	12,189	4,654
Gross sales revenue	411,581	\$ 93,533	\$ 613,143	\$ 184,937
Royalties	53,189	23,070	85,539	41,246
Operating expenses	69,629	53,110	141,233	122,293
Net operating revenue	288,763	17,353	386,371	21,398
Average price - \$/boe	52.91	42.02	50.30	39.74
Operating costs - \$/boe	8.95	23.86	11.59	26.28
Netback - \$/boe	37.12	7.80	31.70	4.60

REVENUES

	3 months ended June 30		6 months ended June 30	
	2009	2008	2009	2008
Average realized prices				
Natural gas (\$/mcf)	\$ 2.828	\$ 9.2434	\$ 3.761	\$ 8.6940
Crude oil (\$/bbl)	67.03	-	65.40	-
Revenues				
Natural gas	24,554	93,533	72,333	184,937
Crude oil	387,027	-	540,810	-
	\$ 411,581	\$ 93,533	\$ 613,143	\$ 184,937

**Kirkella**

The first oil well in the Kirkella field went on production on March 5, 2009. Production averaged 66 bbl/d (net) for the quarter.

Harmattan

Production volumes were down 19% compared to the second quarter of 2008, 18% year-to-date. The average sales price for natural gas was \$2.83/mcf compared to \$9.24/mcf in the second quarter of 2008.

ROYALTIES

	3 months ended June 30		6 months ended June 30	
	2009	2008	2009	2008
Crown royalties	\$ -	\$ -	\$ -	\$ -
Overriding and freehold royalties	53,189	23,070	85,539	41,246
Total	53,189	23,070	85,539	41,246
As a percentage of revenue	12.9%	24.7%	14.0%	22.3%
Royalties per boe	\$ 6.84	\$ 10.36	\$ 7.01	\$ 8.86

Kirkella

Current production is subject to the Manitoba crown 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, whether it is exploration or development and the proximity of the well to other wells producing from the same formation. As a result of the royalty holiday, the crown royalty for the quarter was \$nil.

Overriding royalties for the quarter totaled \$47,915 and are calculated on a 5% - 15% sliding scale basis for oil. The effective rate for the quarter, based on production was 12%.

There were no freehold royalties incurred during the quarter.

Harmattan

Production on the Harmattan properties is subject to freehold royalties ranging from 15% to 35%. The royalty incurred this quarter totalled \$5,274 or 21% of revenue. There was no freehold mineral tax incurred as all wells are producing below the minimum mineral tax threshold.

OPERATING EXPENSES

	3 months ended June 30		6 months ended June 30	
	2009	2008	2009	2008
Kirkella	\$ 41,204	\$ -	\$ 55,829	\$ -
Harmattan	28,373	52,960	79,083	119,183
Other	52	150	6,321	3,110
Total operating expenses	\$ 69,629	\$ 53,110	\$ 141,233	\$ 122,293
Operating expenses per boe	8.95	23.86	11.59	26.28

Operating expenses at Kirkella are mainly transportation costs for oil and water disposal along with normal production costs.

Expenses in the Harmattan area are lower this year mainly due to lower direct supervision costs and higher maintenance costs in 2008. Other expenses in 2009 relate mainly to lease rental costs in the Trochu area.

**NETBACK INFORMATION** *(per boe)*

	3 months ended June 30		6 months ended June 30	
	2009	2008	2009	2008
Revenue	\$ 52.91	\$ 42.02	\$ 50.30	\$ 39.74
Royalty expense	6.84	10.36	7.01	8.86
Operating expense	8.95	23.86	11.59	26.28
Operating netback	\$ 37.12	\$ 7.80	\$ 31.70	\$ 4.60

Operating netback increased \$29.32/boe or 376% for the quarter, \$27.10 /boe or 589% year-to-date. The increase is due to oil production from the Kirkella property which contributed \$49.89/boe, \$49.67 year-to-date. The netback for Harmattan and the Company's other properties decreased by \$12.83/boe for the quarter, \$10.42 year-to-date, due to lower volumes and lower gas prices.

GENERAL AND ADMINISTRATIVE EXPENSES

	3 months ended June 30		6 months ended June 30	
	2009	2008	2009	2008
Salaries and management consulting	\$ 443,607	\$ 156,801	\$ 677,652	\$ 335,827
Legal	33,949	4,761	42,504	11,515
Computer services and subscriptions	32,789	22,428	72,897	58,965
Accounting and audit fees	25,341	9,600	48,978	19,200
Investor relations	35,907	1,737	71,315	10,447
Other professional services	104,279	51,330	121,702	54,516
Travel and business entertainment	18,423	5,808	28,046	8,474
General office expenses	133,015	75,837	213,610	146,978
	827,310	328,302	1,276,704	645,922
Recoveries	(19,222)	(3,220)	(40,825)	(6,220)
Total	\$ 808,088	\$ 325,082	\$ 1,235,879	\$ 639,702

For the quarter ended June 30, 2009, general and administrative expenses increased by \$483,006 or 149% from 2008.

The primary reason behind the increase was the hiring of additional personnel resulting in higher salaries and management consulting expenses, up \$286,806 or 182% from last year. The addition of two senior personnel combined with a one time cost associated with the termination of a consulting contract in June contributed to the increase.

Other items contributing to the increased general and administrative expenses were:

- Legal expenses increased \$29,188 over last year, the result of preparation for the annual general meeting and legal opinions obtained on a number of land contracts associated with the Companies aggressive land acquisition strategy.
- Accounting and audit fees increased \$15,741. The Company's board of directors now requires that the quarterly financials be reviewed by the Company's auditors.
- Investor relations increased \$34,170. The Company now utilizes the services of an investor relations firm to facilitate investor communications. Furthermore, the Company attended two investor symposiums during the quarter.
- Other professional services increased \$52,949 mainly the result of cost associated with the preparation of a mid year reserve report.
- General office expenses increased \$57,178 over the same quarter last year and was mainly the result of a doubtful debt of \$26,925, increased travel costs and higher business licenses and taxes of \$11,609.

For the year to date, general and administrative expenses increased by \$596,177 or 93% from 2008. The main causes of the increase are: increase in staffing - \$341,825, other professional fees - \$67,186, increased audit/review and investor relations costs - \$90,646, legal fees - \$30,989 and provision for bad debts - \$26,925.

**INTEREST AND FINANCING EXPENSE**

	3 months ended June 30		6 months ended June 30	
	2009	2008	2009	2008
Interest on convertible debentures	\$ 31,712	\$ 31,254	\$ 63,210	\$ 60,634
Penalty – issue of debentures	-	60,000	-	60,000
Taxes on unexpended FTS obligations	89,245	50,000	155,913	175,000
Total	\$ 120,957	\$ 141,254	\$ 219,123	\$ 295,634

Taxes on unexpended flow through share obligations increased by \$39,245 in the quarter as compared to 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 expenditure.

DEPLETION, DEPRECIATION AND ACCRETION

	3 months ended June 30		6 months ended June 30	
	2009	2008	2009	2008
Depletion and depreciation	\$ 105,837	\$ 43,099	\$ 188,589	\$ 95,291
Accretion expense	4,748	3,725	9,108	7,450
Loss (gain) on settlement of retirement obligations	1,112	1,456	(122)	1,946
Total	\$ 111,697	\$ 48,280	\$ 197,575	\$ 104,687

The provision for depletion is based on independent estimates of proved reserves. Depletion expense is significantly higher in 2009 due to the new oil well in 2009 partially offset by lower natural gas production volumes in 2009. Depreciation of non-resource assets is calculated on a straight-line basis at various rates between 20% and 45%. The Company's asset retirement obligation was increased to a total of \$349,654 which represents the fair value of the future abandonment costs for oil and gas property acquired, wells drilled and facilities constructed. The increase consists of:

- Accretion expense of \$9,108
- Additional obligations incurred related to wells drilled in the period of \$95,000
- Liabilities settled of \$(8,697)

IMPAIRMENT EXPENSE

Management has determined that there is no impairment of the Company's petroleum and natural gas assets at June 30, 2009. The impairment test was based upon independent evaluations of the Company's proved and probable oil and gas reserves.

INCOME TAXES

At June 30, 2009, the Company has various tax pools estimated at \$15.8 million 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 - \$170,170). 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 in 2008, the Company is required to incur eligible expenditures of \$8.7 million prior to December 31, 2009. These expenditures were renounced to the flow-through share investors effective December 31, 2008. At June 30, 2009 approximately \$6.3 million remains to be spent.

**CASH FLOW AND NET INCOME (LOSS)**

	3 months ended June 30		6 months ended June 30	
	2009	2008	2009	2008
Net income (loss)	\$ (745,528)	\$ (508,665)	\$ 1,326,375	\$ (851,558)
Non-cash charges:				
Depletion, depreciation and accretion	111,697	48,280	197,575	104,687
Interest and financing charges	8,087	67,069	15,960	73,949
Unrealized commodity contracts	-	14,200	-	14,200
Future income taxes	-	-	(2,560,750)	(170,170)
Retirement obligations settled	(1,112)	(1,456)	(8,575)	(1,946)
Funds used in operations	\$ (626,856)	\$ (380,572)	\$ (1,029,415)	\$ (830,838)

Funds used in operations of \$626,856 and \$1,029,415 year-to-date, related mainly to general and administrative expenditures of the Company. The increase in funds used in operations for both periods can be attributed to the increase in general and administrative expenses partially offset by the improvement in net operating revenues resulting from the oil production in Kirkella beginning in March 2009.

CAPITAL EXPENDITURES

	3 months ended June 30		6 months ended June 30	
	2009	2008	2009	2008
Land acquisitions	\$ 1,846,726	\$ -	\$ 3,198,179	\$ -
Geological/Geophysical	99,061	54,616	308,892	148,189
Drilling and completions	1,285,999	102,932	2,103,050	257,274
Equipping and tie-ins	2,303	221	176,587	11,238
Corporate assets	11,585	1,605	25,880	1,605
Allowance for future restoration expenditures	74,000	-	95,000	-
Total	\$ 3,319,674	\$ 159,374	\$ 5,907,588	\$ 418,306
Wells drilled:				
Gross	4.0	-	5.0	1.0
Net	3.9	-	4.9	0.5

The Company continued to acquire lands in the Kirkella area spending \$1,846,726 during the quarter and now holds rights to 56,749 acres in the area.

Geophysical expenditure for the year increased \$160,703 or 108% over 2008 as the Company completed a geophysical survey in the Kirkella area during March 2009.

The Company drilled four wells (3.95 net) during the second quarter bringing the total to five (4.95 net) for the year. Two development wells, drilled during the quarter are currently being completed. A third well, drilled into the Lodgepole formation was subsequently completed and brought into production in early July, 2009 while the fourth well, an exploratory target was abandoned. In addition to the current drilling operations, one well that was drilled during the winter was completed in the quarter but deemed uneconomic and will be suspended pending the possible conversion into a water injector well, while a second winter well will be re-completed in the Lodgepole formation. Total expenditure on drilling and completion operations for the quarter totaled \$1,288,302 an increase of \$1,185,149 over last year.

**LIQUIDITY AND CAPITAL RESOURCES****LIQUIDITY**

The Company's liquid assets comprise cash, short term deposits and accounts receivables from the sale of petroleum products and joint venture billings from industry partners. The Company confirms that the cash and short term deposits are maintained on demand with the Company's bankers and represent minimal liquidity risk to the Company. In view of the current economic climate, the Company has made an assessment of accounts receivable and reports that 50% of amounts outstanding at quarter end have been received and the balance is expected within existing payment terms. The majority of the remaining accounts receivable relates to joint venture billings with industry partners and 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.

The Company anticipates that based on current liquidity, cash flow from operations and capital expenditure requirements, will necessitate it going back to the capital markets during the third quarter to secure additional equity or other forms of financing. This will enable the Company to complete its drilling program planned for the balance of 2009. In the event the Company is unable to secure additional financing, then planned capital expenditures will be reduced to levels that will enable the Company to operate within current liquidity levels.

CAPITAL RESOURCES

As of June 30, 2009, the Company had working capital of \$337,205 compared to working capital of \$7,213,163 at December 31, 2008. The reduction in working capital being the result of capital expenditures and funds used in operations (see "Cash Flow and Net Income (Loss)" and "Capital Expenditures" for more details)

The Company has no bank credit facility.

SOURCES AND USES OF CASH

	3 months ended June 30		6 months ended June 30	
	2009	2008	2009	2008
Cash, beginning of period	\$ 5,641,427	\$ 259,421	\$ 8,396,051	\$ 890,405
Cash flow used in operations	(626,856)	(380,572)	(1,029,415)	(830,838)
Change in non-cash working capital				
- operating	551,165	127,725	457,827	167,033
- financing	-	-	-	-
- investing	839,670	127,636	1,181,812	127,636
Issue of common shares, net of issue costs	-	-	(33,955)	(8,154)
Short-term deposits	-	141,093	-	188,153
Capital expenditures	(3,245,674)	(159,374)	(5,812,588)	(418,306)
Cash, end of period	\$ 3,159,732	\$ 115,929	\$ 3,159,732	\$ 115,929

During the year, cash and cash equivalents decreased by \$5,236,319 from December 31, 2008. The decrease can be summarized as follows:

Cash used in operations of \$1,029,415 was the result of:

- General administrative expenses of \$1,235,879,
- Net interest expense of \$171,332, and
- Improved net operating revenue of \$377,796

Funds received from changes in non-cash working capital totaled \$1,639,639 and were due to:

- Funds from operating activities increasing \$457,827, primarily the result of an increase in accounts payable relating to general operating activities.



- Funds relating to investing activities increasing \$1,181,812 due to increased payables relating capital expenditures on land purchases and drilling activities.

OFF-BALANCE SHEET ARRANGEMENTS

The Company 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.

At June 30, 2009 the Company is committed to future payments under an operating lease for office space through April 2011 totaling \$388,000 (2009 - \$106,000; 2010 - \$212,000; 2011 - \$70,000).

Under the flow-through share agreements entered into in 2008, the Company is required to incur eligible expenditures for the total gross proceeds of \$8,739,760 prior to December 31, 2009. These expenditures have been renounced to the flow-through share investors effective December 31, 2008. As of June 30, 2009, a total of \$6,322,511 remains to be incurred on eligible expenditures.

The Company has no commodity contracts outstanding at June 30, 2009.

The Company does not have in place any off-balance sheet financing type arrangements.

CHANGES IN ACCOUNTING POLICY

In January 2009 the Accounting Standards Board of Canada ("AcSB") issued Section 1601, Consolidated Financial Statements which 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. We do not expect the adoption of this standard to have a material impact on our 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.

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.

The Company is progressing with its evaluation of the impact of the changeover to IFRS and is developing a changeover plan which will include an analysis of key GAAP differences and a plan to assess accounting policies under IFRS. The Company anticipates completing its project scoping, which will include a timetable for assessing the impact on data systems, internal controls over financial reporting, and business activities such as financing and compensation arrangements by September 30, 2009.

TRANSACTIONS WITH RELATED PARTIES

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

PEM Consulting – controlled by an officer of the Company
Max Consulting Ltd – controlled by an 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

**TRANSACTIONS WITH RELATED PARTIES, CONTINUED**

	3 months ended June 30		6 months ended June 30	
	2009	2008	2009	2008
Management consulting fees charged to:				
General and administrative				
General management	\$ 44,267	\$ 45,000	\$ 92,267	\$ 90,000
Finance	36,750	36,600	73,350	73,200
Engineering	18,000	18,000	36,000	36,000
Exploration	30,000	30,000	60,000	60,000
Land	27,000	-	60,895	-
	156,017	129,600	322,512	259,200
Operating expenses	6,000	18,000	11,400	36,000
Property and equipment	12,000	-	24,600	-

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.

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

OUTSTANDING SHARE DATA

As at August 14, 2009, the Company's authorized share capital consists of the following:

Class A common	<u>Authorized</u> Unlimited	<u>Issued and Outstanding</u> 126,855,872
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The Company has 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.

The Company has 11,255,074 stock options outstanding. A total of 5,410,000 are outstanding to management, directors, employees and key consultants under the stock option plan, with exercise prices between \$0.14 and \$0.20 with a weighted average remaining contract life of 41 months. The balance of 5,845,074 stock options are outstanding to various brokerage firms with an exercise price ranging from \$0.12 to \$0.17 with a weighted average remaining contract life of 10 months.

The Company also has 857,142 common share purchase warrants outstanding, enabling the holder to purchase up to 857,142 common shares of the Company at \$0.47 per share and exercisable up to October 20, 2009.

SUBSEQUENT EVENTS

There are no material subsequent events.

**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. Oil and 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's 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 interim financial statements and the accompanying notes.

- Limited operating history and no certainty of future profitability
- Fluctuations in both natural gas and crude oil 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.

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.

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

**SUPPLEMENTAL QUARTERLY INFORMATION**

The following tables summarize key financial information for the periods indicated.

	Three Months Ended			
	June 30, 2009	March 31, 2009	Dec. 31, 2008	Sept 30, 2008
Total revenue	\$ 411,581	\$ 201,562	\$ 37,651	\$ 55,695
Net income (loss)	(745,528)	2,071,903	(615,176)	(425,463)
Per share – basic	(0.006)	0.016	(0.102)	(0.067)
Funds used in operations	626,856	402,559	530,673	397,929
Per share – basic	0.005	0.003	0.011	0.010
Capital expenditures	3,245,674	2,566,914	1,003,807	388,384
Working capital (deficiency)	337,205	4,209,735	7,213,163	(1,038,048)
Total assets	12,245,979	11,647,294	11,977,491	2,061,986
Production - boe	7,779	4,410	1,151	1,429

	Three Months Ended			
	June 30, 2008	March 31, 2008	Dec. 31, 2007	Sept 30, 2007
Total revenue	\$ 93,533	\$ 91,404	\$ 78,947	\$ 111,104
Net income (loss)	(508,665)	(343,746)	(4,048,792)	(157,032)
Per share – basic	(0.080)	(0.054)	(0.117)	(0.005)
Funds used in operations	380,572	450,266	344,801	63,868
Per share – basic	0.010	0.012	0.010	0.002
Capital expenditures	159,374	258,932	200,026	127,274
Working capital (deficiency)	(437,884)	116,262	833,614	619,978
Total assets	1,876,609	2,172,314	2,502,583	5,954,568
Production - boe	2,226	2,428	2,371	3,061