



Consolidated Financial Statements of

Ceres Capital Corp.

March 31, 2009



Ceres Capital Corp.

Consolidated Balance Sheets

<i>As at</i>	March 31, 2009 (Unaudited)	December 31, 2008 (Audited)
Assets		
Current		
Cash and cash equivalents	\$ 5,641,427	\$ 8,396,051
Accounts receivable	433,529	567,376
Prepaid expenses and deposits	163,450	110,955
Demand notes receivable	26,925	26,308
	6,265,331	9,100,690
Property and equipment (Note 5)	5,381,963	2,876,801
	\$ 11,647,294	\$ 11,977,491
Liabilities		
Current		
Accounts payable and accruals	\$ 2,055,596	\$ 1,887,527
Convertible debentures (Note 6)	1,175,354	1,167,481
Asset retirement obligations (Note 7)	270,906	254,243
	3,501,856	3,309,251
Shareholders' Equity		
Share capital (Note 8)	15,921,722	18,516,427
Warrants (Note 8)	236,000	236,000
Equity portion of convertible debentures (Note 6)	88,780	88,780
Contributed surplus (Note 9)	459,273	459,273
Deficit	(8,560,337)	(10,632,240)
	8,145,438	8,668,240
	\$ 11,647,294	\$ 11,977,491

Approved on behalf of the Board:

Signed “Terry Lyons”

Signed “Brian Hurl”

The accompanying notes are an integral part of these financial statements



Consolidated Statements of Operations, Comprehensive Income and Deficit

	For the three months ended March 31	
<i>Unaudited</i>	2009	2008
Revenue		
Petroleum and natural gas	\$ 201,562	\$ 91,404
Royalties	(32,350)	(18,176)
Interest income	25,380	8,299
	194,592	81,527
Expenses		
Operations	71,604	69,183
Administration	494,459	439,620
Interest and financing charges	31,498	29,380
Depletion, depreciation and accretion	85,878	56,407
	683,439	594,590
Loss before income taxes	488,847	513,063
Income taxes		
Future income tax recovery	(2,560,750)	(170,170)
Net income (loss)	2,071,903	(342,893)
Deficit, beginning of period	10,632,240	8,740,043
Deficit, end of period	\$ 8,560,337	\$ 9,082,936
Net income (loss) per share (Note 10)		
Basic	\$ 0.016	\$ (0.009)
Diluted	\$ 0.015	\$ -

The accompanying notes are an integral part of these financial statements



Ceres Capital Corp.

Consolidated Statements of Cash Flows

For the three months ended March 31

<i>Unaudited</i>	2009	2008
Cash provided by (used in):		
Operating Activities		
Net income (loss)	\$ 2,071,903	\$ (342,893)
Depletion, depreciation and accretion	85,878	56,407
Interest and financing charges	7,873	6,880
Future income tax recovery	(2,560,750)	(170,170)
	(395,096)	(449,776)
Changes in non-cash working capital (Note 11)	(93,338)	39,308
	(488,434)	(410,468)
Financing Activities		
Share issue costs	(33,955)	(8,154)
Changes in non-cash working capital (Note 11)	-	-
	(33,955)	(8,154)
Investing Activities		
Capital expenditures	(2,566,914)	(258,932)
Retirement obligations settled	(7,463)	(490)
Proceeds on disposal of short term investments	-	47,060
Changes in non-cash working capital (Note 11)	342,142	-
	(2,232,235)	(212,362)
Change in cash and cash equivalents	(2,754,624)	(630,984)
Cash and cash equivalents, beginning of period	8,396,051	890,405
Cash and cash equivalents, end of period	\$ 5,641,427	\$ 259,421
Supplemental cash flow information:		
Interest paid	\$ 47,250	\$ 45,000

The accompanying notes are an integral part of these financial statements



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2009

1. Nature of Business

Ceres Capital Corp. ("Ceres" or the "Company") was incorporated under the laws of the province of Alberta on June 5, 2006. On December 24, 2008 the Company completed its qualifying transaction with Reliable Energy Ltd. ("Reliable") whereby Ceres acquired, through its wholly owned subsidiary Ceres Acquisition Corp., all of the outstanding shares of Reliable ("the Transaction"). The Transaction was completed as a three-cornered amalgamation whereby Reliable and Ceres Acquisition Corporation amalgamated under the name of Reliable Energy Ltd., a wholly-owned subsidiary of Ceres Capital Corp. Ceres was a Capital Pool Company on the TSX Venture Exchange ("TSXV") and accordingly, had no assets other than cash and no commercial operations prior to the Transaction. The Company's principal activity is the exploration for and development of oil and gas properties in Western Canada.

The Company is traded on the TSXV under the symbol SRS.

2. Basis of Presentations and Significant Accounting Policies

The accompanying financial statements are stated in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") on a basis consistent with those used in the preparation of the most recent annual financial statements. These unaudited financial statements do not include all disclosures required by GAAP for annual financial statements and therefore should be read in conjunction with the audited financial statements for the year ended December 31, 2008.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its 100% owned subsidiary, Reliable Energy Ltd. All intercompany transactions have been eliminated on consolidation. These consolidated financial statements are issued under the name of the Company but are deemed to be a continuation of Reliable. The comparative figures for the period ended March 31, 2008 reflect the operations of Reliable.

All references to share numbers and per share amounts in these financial statements and notes are on the basis of post acquisition numbers.

Measurement Uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

The amounts recorded for depletion and depreciation of property and equipment and accretion of the asset retirement obligations are based on estimates. The property and equipment impairment test is based on estimates of proved reserves, production rates, petroleum and natural gas prices, future costs and other relevant assumptions. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2009

By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Recent Accounting Pronouncements

In February, 2008, the Canadian Accounting Standards Board (“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.

3. Changes in Accounting Policies

In February 2008, the AcSB issued amended Section 1000, “Financial Statement Concepts” which clarifies the criteria for recognizing assets, intangible assets and internally developed assets. The standard is effective for fiscal years beginning on or after February 1, 2008. The adoption of this standard had no material effect on the consolidated financial statements of the Company.

Effective January 1, 2009, the Company implemented the provisions of CICA Handbook Section 3064, “Goodwill and Intangible Assets”. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. There was no impact on the consolidated financial statements of the Company.

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.

4. Capital Management

The Company’s capital structure is comprised of Shareholders’ Equity, Convertible Debentures and working capital. The Company’s objectives when managing its capital structure are to maintain financial flexibility so as to preserve access to capital markets and its ability to meet its financial obligations and to finance internally generated growth and potential strategic acquisitions. To manage its capital structure the Company may adjust spending, issue new shares, issue new debt or repay existing debt.

The Company prepares an annual budget, which is updated periodically for any significant acquisitions, changes in economic circumstances, and successes or failures of its capital program.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the three months ended March 31, 2009*

At March 31, 2009 the Company has working capital of \$4,209,735 which when combined with its ongoing cash flows from operations will be sufficient to fund operations for the next twelve months. In order to complete the anticipated capital expenditure program, the Company may be required to obtain additional debt or equity financing.

5. Property and Equipment

March 31, 2009			
	Cost	Accumulated depletion and depreciation	Net book value
Petroleum and natural gas properties	\$ 6,442,334	\$ 1,123,460	\$ 5,318,874
Leasehold and office equipment	340,785	277,696	63,089
	\$ 6,783,119	\$ 1,401,156	\$ 5,381,963

December 31, 2008			
	Cost	Accumulated depletion and depreciation	Net book value
Petroleum and natural gas properties	\$ 3,868,715	\$ 1,051,760	\$ 2,816,955
Leasehold and office equipment	326,490	266,644	59,846
	\$ 4,195,205	\$ 1,318,404	\$ 2,876,801

At March 31, 2009, the Company excluded \$3,842,229 (2008 – \$2,020,330) of resource properties relating to unproved properties from the depletion calculation. Unproved properties have been separately evaluated by management for impairment.

During 2009, the Company capitalized \$21,000 (2008 - \$39,000) related to the asset retirement obligation of property and equipment. The Company did not capitalize any general and administrative costs during 2009 or 2008 other than to the extent of the Company's working interest in operated capital expenditure programs on which operator's fees have been charged in accordance with standard industry agreements.

At March 31, 2009, no impairment write-down was required. The impairment test was calculated using the following benchmark reference prices:

	Crude Oil Cdn \$/Bbl	Natural Gas Cdn \$/Mcf
2010	64.78	7.22
2011	71.54	7.50
2012	75.67	8.04
2013	80.01	8.86
2014	86.10	9.07
After 2014 (inflation %)	2%/yr	2%/yr

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the three months ended March 31, 2009***6. Convertible Debentures**

In August 2006, Reliable issued \$1,200,000 of Convertible Unsecured Subordinated Debentures ("Debentures") maturing July 31, 2011. The debentures bear interest at 7.5% and are convertible to common shares of the Company at the option of the holder at a conversion price of \$1.40 per common share. The debentures are redeemable by the Company at face value under certain circumstances prior to July 31, 2009. After that time, they can be redeemed in whole or in part at the rates indicated below:

July 31, 2009	105.0% of face value
July 31, 2010	102.5% of face value

The terms of the debentures required Reliable to complete a defined Liquidity Event prior to February 15, 2008. The Liquidity Event was not completed and in 2008 Reliable issued an additional \$60,000 of debentures for no additional consideration.

As the debentures are considered to be compound financial instruments, the principal amount has been allocated between liability and equity components, which are then classified separately on the balance sheet. The liability component has been determined using an interest rate for comparable debt instruments having no conversion rights. The difference between the liability component and the principal amount of the debentures has been allocated to shareholders' equity.

On December 24, 2008, Ceres assumed Reliable's obligations under the debentures. Holders of the debentures are now entitled to convert the principal amount of their debentures into common shares of Ceres at \$1.40 per share.

The following table shows the debenture activities:

Convertible Debentures	Number of Debentures	Debt Component	Equity Component
Balance, December 31, 2007	1,200	\$ 1,081,198	\$ 85,991
Accretion	-	29,072	-
Non-performance penalty issuance	60	57,211	2,789
Balance, December 31, 2008	1,260	\$ 1,167,481	\$ 88,780
Accretion	-	7,873	-
Balance, March 31, 2009	1,260	\$ 1,175,354	\$ 88,780



Ceres Capital Corp.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2009

7. Asset Retirement Obligations

	March 31, 2009	December 31, 2008
Asset retirement obligations, beginning of period	\$ 254,243	\$ 199,831
Liabilities incurred	21,000	39,000
Liabilities settled	(8,697)	-
Change in estimated cash flows	-	-
Accretion	4,360	15,412
Asset retirement obligations, end of period	\$ 270,906	\$ 254,243

The future estimated undiscounted cash flows required to settle the obligation are \$483,644 (2008 - \$467,090), which has been discounted using a credit-adjusted risk free rate of 5.0% (2008 - 5.5%) and inflated at a rate of 2.5% (2008 - 1.7%) per year. Most of these obligations are not expected to be paid for 10 to 12 years in the future and will be funded from general Company resources at that time.

8. Share Capital

a. Authorized

Unlimited voting common shares without nominal or par value.

b. Issued (i)

Common Shares	Number	Value
Balance, January 1, 2008	37,998,528	\$ 8,950,416
Share issue costs		(8,154)
Effect of future income taxes on renounced resource expenditures (ii.)	-	(172,575)
Adjust total of converted shares due to rounding	186	-
Non-performance penalty issuance (iii.)	126,264	-
Private placement (iv.)	74,119,644	9,739,760
Shares issued as advisory fees (iv.)	4,350,000	507,500
Share issue costs	-	(1,630,993)
Ceres Capital shares acquired through RTO (v.)	10,261,250	1,322,389
Transaction costs	-	(191,916)
Balance at December 31, 2008	126,855,872	\$ 18,516,427
Effect of future income taxes on renounced resource expenditures (vi.)	-	(2,560,750)
Share issue and transaction costs (vii.)	-	(33,955)
Balance at March 31, 2009	126,855,872	\$ 15,921,722

(i.) All share numbers are post acquisition (Note 2).

(ii.) During 2008 the Company renounced \$585,000 of resource expenditures required under the flow-through shares issued in 2007. The future income tax effect reduces the book value of the shares issued.

(iii.) Certain of the share subscriptions issued in 2006 required the Company to complete a defined 'Liquidity Event' on or before February 15, 2008. The Liquidity Event did not occur and as a result the Company issued 126,264 shares for no additional consideration.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2009

- (iv.) As part of a private placement, the Company issued 8,571,444 common shares at \$0.1167 and 65,548,200 flow-through common shares at \$0.1333 for gross proceeds of \$9,739,760. Share issuance costs were \$1,630,993 which included 4,350,000 common shares at a deemed price of \$0.1167. The Company also issued 5,722,224 options to the brokers exercisable at \$0.12 per share having a value of \$258,700 (Note 9(d)).
- (v.) Shares deemed to be issued to the existing shareholders of Ceres as part of the reverse takeover transaction.
- (vi.) During 2009 the Company renounced \$8,739,760 of resource expenditures required under the flow-through shares issued in 2008. The future income tax effect reduces the book value of the shares issued.
- (vii.) Additional costs were incurred in 2009 relating to both the RTO and Reliable's 2008 private placement.

c. Escrowed Shares

Total shares held in escrow at March 31, 2009 were 15,363,493 (2008 - 17,070,548) pursuant to the requirements of the TSXV. Subsequent to the issuance of the final Exchange bulletin on January 29, 2009, 15% of the escrowed securities will be released at the completion of each six month period.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the three months ended March 31, 2009***d. Stock Options**

The Company has a stock option plan under which the Board of Directors may grant options to directors, officers, other employees and key consultants. Under the plan the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the issued shares of the Company at the time of granting. Options have a maximum term of five years and terminate ninety days following the termination of the optionee's employment or service to the Company. All options currently issued vested 100% at the time of granting.

The Company has also issued stock options to several brokerage firms in regards to financing activities of the Company. These options have various terms up to a maximum of two years and vested 100% at the time of granting.

	Number of options	Weighted average exercise price	Expiry
Outstanding, January 1, 2008	3,195,348	\$ 0.235	2008-2012
Granted to:			
Directors, management and employees	870,000	0.180	2013
Brokers	122,850	0.167	2009
Brokers	5,722,224	0.120	2010
Ceres Capital options acquired on RTO	1,025,000	0.200	2011
Exercised	-	-	-
Expired	(255,348)	1.017	-
Outstanding, January 1, 2009	10,680,074	\$ 0.147	2009-2013
Granted	-	-	-
Exercised	-	-	-
Expired	-	-	-
Outstanding, March 31, 2009	10,680,074	\$ 0.147	2009-2013

March 31, 2009			
Exercise price	Number outstanding	Weighted-average remaining contractual life (years)	Number exercisable
\$0.120	5,722,224	1.22	5,722,224
\$0.170	3,062,850	3.54	3,062,850
\$0.180	870,000	4.74	870,000
\$0.200	1,025,000	2.64	1,025,000
\$0.147	10,680,074	2.31	10,680,074



Ceres Capital Corp.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2009

Stock based compensation

The Company has recorded stock-based compensation for all stock options granted. The compensation expense is calculated based on the fair value of stock options on the date of the grant using the Black-Scholes option pricing model using the following assumptions:

Date of issue	Risk free interest rate	Expected life (in years)	Expected dividend yield	Expected volatility
August 12, 2008	2.81%	1.0	0.0%	0.0%
December 11, 2008	1.30%	1.5	0.0%	65%
December 23, 2008	1.22%	1.5	0.0%	65%
December 24, 2008	1.74%	5.0	0.0%	65%

As all stock options issued vest immediately, the full amount of the compensation cost has been recorded. The fair value of granted and vested options during the period was \$nil (2008 - \$258,700), of which \$nil (2008 - \$47,800) was expensed and an additional \$nil (2008 - \$210,900) for broker options has been charged to share issue costs.

e. Common share purchase warrants

The Company has 1,362,858 common share purchase warrants outstanding (2008 – 1,362,858). Of this amount, 857,142 warrants entitle the holder to acquire 857,142 common shares of the Company at an exercise price of \$0.47 per share expiring October 20, 2009 and 505,716 warrants entitle the holder to acquire 505,716 common shares of the Company at an exercise price of \$nil expiring December 31, 2013.

9. Contributed Surplus

	March 31, 2009	December 31, 2008
Balance, beginning of period	\$ 459,273	\$ 200,573
Stock based compensation:		
Options issued to directors and management	-	47,800
Brokers options	-	210,900
Balance, end of period	\$ 459,273	\$ 459,273

10. Per Share Amounts

The weighted average number of shares outstanding was:

	3 Months ending March 31,	
	2009	2008
Weighted average shares outstanding - basic	126,855,872	37,998,528
Stock options	10,680,074	-
Warrants	1,362,858	-
Convertible debentures	900,000	-
Weighted average shares outstanding - diluted	139,798,804	37,998,528

The effect of warrants and convertible debentures have not been included in the calculation of diluted earnings per share for 2008 as the effect is anti-dilutive.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2009

11. Supplemental Cash Flow Information

	3 Months ending March 31,	
	2009	2008
Accounts receivable	\$ 133,847	\$ (114,463)
Prepaid expenses and deposits	(52,495)	19,152
Demand notes receivable	(617)	-
Accounts payable and accruals	168,069	134,619
Changes in non-cash working capital	\$ 248,804	\$ 39,308
Allocated to:		
Financing activities	-	-
Investing activities	342,142	-
Operating activities	(93,338)	39,308

12. Commitments

The Company is committed to payments under an operating lease for office space through April 2011 totalling \$410,000 (2009 - \$147,000; 2010 - \$197,000; 2011 - \$66,000).

In August, 2008 Reliable entered into a farm-in agreement to explore 48,000 acres of land in southeast Saskatchewan and southwest Manitoba. Under the terms of the agreement, the Company must, on an ongoing basis, spud a well within 75 days from the rig release date of the last preceding well.

Under the flow-through share agreements entered into in 2008, the Company is required to incur eligible resource expenditures of \$8,739,760 prior to December 23, 2009. These expenditures have been renounced to the flow-through share investors effective December 31, 2008. As of March 31, 2009, a total of \$7,679,040 remains to be incurred on eligible expenditures.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended March 31, 2009

13. Related Party Transactions

- (a) During the period the Company had the following transactions with companies controlled by certain of the Company's Directors and Officers:

	3 Months ending March 31,	
	2009	2008
Management consulting fees	\$ 166,495	\$ 129,600
Management consulting fees charged to operating expense	5,400	18,000
Management consulting fees capitalized to property and equipment	12,600	-

As at March 31, 2009, accounts payable and accruals includes a balance of \$2,210 (2008 - \$35,210) relating to the above transactions.

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.

- (b) During 2006 the Company accepted a promissory note from a related party shareholder in the amount of \$75,000 regarding the purchase of shares. The note bears interest at 6% and is repayable in annual installments of \$25,000 beginning on July 1, 2007. However, the 2008 annual payment was not made as acknowledged by the Board. The note is secured by the borrower's shares in the Company.
- (c) The Company has paid certain costs on behalf of related parties. At March 31, 2009, accounts receivable includes a balance of \$10,106 (2008 - \$10,106) relating to these transactions.

14. Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, demand notes receivable, accounts payable and accruals, commodity contracts and convertible debentures. The main financial risks affecting the Company are discussed below:

Fair value

The carrying amount of accounts receivable, demand notes receivable and accounts payable and accruals approximates their fair value due to the short-term maturities of these items. The fair value of the convertible debentures as of March 31, 2009 was estimated by discounting future cash flows at a rate that approximated the interest rate that would have been applicable to non-convertible debt. The fair value approximated the carrying value at that time.

Credit concentration

Credit risk is the risk of a financial loss occurring as a result of a default of a counterparty on its obligation to the Company. The Company's financial instruments that are exposed to credit risk consist primarily of accounts receivable with customers in the oil and gas industry and are subject to normal industry credit risks. The Company continuously monitors and evaluates credit risk to third parties.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2009

The Company does not have an allowance for doubtful accounts nor was it required to write-off any receivables during the period ended March 31, 2009. The Company does not consider any receivables to be past due.

Commodity price risk

The Company is exposed to fluctuations in commodity prices for natural gas. Commodity prices are affected by many factors including supply and demand. The Company monitors these risks and when appropriate, utilizes financial instruments to manage its exposure to these risks.

At March 31, 2009 the Company has no outstanding derivative contracts.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. The Company is exposed to interest rate risk primarily through its short term deposits.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with the financial liabilities. The Company's operating cash requirements, including amounts projected to complete the Company's existing capital expenditure program, are continuously monitored and adjusted as input variables change. These variables include but are not limited to, available credit, production from existing wells, results from new wells drilled, commodity prices, cost overruns on capital projects and regulations relating to prices, taxes, royalties, land tenure, allowable production and availability of markets. As these variables change, liquidity risks may necessitate the Company to conduct equity issues or obtain project debt financing. The Company also mitigates liquidity risk by maintaining an insurance program to minimize exposure to insurable losses.