



**Financial Statements of
Reliable Energy Ltd.
September 30, 2009**



Reliable Energy Ltd.

Balance Sheets

<i>As at</i>	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)
Assets		
Current		
Cash	\$ 630,841	\$ 8,396,051
Accounts receivable	406,406	567,376
Inventory	8,677	-
Prepaid expenses and deposits	198,500	110,955
Demand notes receivable	-	26,308
	1,244,424	9,100,690
Property and equipment (Note 5)	10,420,734	2,876,801
	\$ 11,665,158	\$ 11,977,491
Liabilities		
Current		
Accounts payable and accruals	\$ 3,079,228	\$ 1,887,527
Convertible debentures (Note 6)	1,191,749	1,167,481
Asset retirement obligations (Note 7)	374,340	254,243
	4,645,317	3,309,251
Shareholders' Equity		
Share capital (Note 8b)	15,921,722	18,516,427
Warrants (Note 8e)	236,000	236,000
Equity portion of convertible debentures (Note 6)	88,780	88,780
Contributed surplus (Note 9)	1,312,373	459,273
Deficit	(10,539,034)	(10,632,240)
	7,019,841	8,668,240
	\$ 11,665,158	\$ 11,977,491

Approved on behalf of the Board:

Signed _____ "Dennis Nerland"

Signed _____ "Brian Hurl"

The accompanying notes are an integral part of these financial statements



Statements of Operations, Comprehensive Income (Loss) and Deficit

<i>Unaudited</i>	3 Months ending September 30,		9 Months ending September 30,	
	2009	2008	2009	2008
Revenue				
Petroleum and natural gas	\$ 458,678	\$ 55,695	\$ 1,071,821	\$ 240,632
Royalties	(76,202)	(14,745)	(161,741)	(55,991)
Interest income	2,111	1,049	33,942	12,146
	384,587	41,999	944,022	196,787
Expenses				
Operations	77,324	47,960	218,557	170,253
Administration	443,796	368,343	1,679,675	1,008,045
Interest and financing charges	106,126	31,085	325,249	326,719
Risk management – unrealized	-	(15,200)	-	(1,000)
Depletion, depreciation and accretion	137,410	34,693	334,985	139,380
Stock based compensation	853,100	-	853,100	-
	1,617,756	466,881	3,411,566	1,643,397
Loss before income taxes	1,233,169	424,882	2,467,544	1,446,610
Income taxes				
Future income tax expense (recovery)	-	581	(2,560,750)	(169,589)
Net income (loss) and comprehensive income (loss)	(1,233,169)	(425,463)	93,206	(1,277,021)
Deficit, beginning of period	9,305,865	9,591,601	10,632,240	8,740,043
Deficit, end of period	\$ 10,539,034	\$ 10,017,064	\$ 10,539,034	\$ 10,017,064
Net income (loss) per share (Note 10)				
Basic and diluted	\$ (0.010)	\$ (0.011)	\$ 0.001	\$ (0.034)

The accompanying notes are an integral part of these financial statements



Statements of Cash Flows

<i>Unaudited</i>	3 Months ending September 30,		9 Months ending September 30,	
	2009	2008	2009	2008
Cash provided by (used in):				
Operating Activities				
Net income (loss)	\$ (1,233,169)	\$ (425,463)	\$ 93,206	\$ (1,277,021)
Add back (deduct) from non-cash items:				
Risk management – unrealized	-	(15,200)	-	(1,000)
Depletion, depreciation and accretion	137,410	34,693	334,985	139,380
Interest and financing charges	8,308	7,460	24,268	81,409
Stock based compensation	853,100	-	853,100	-
Future income tax recovery	-	581	(2,560,750)	(169,589)
Retirement obligations settled	-	-	(8,575)	(1,946)
	(234,351)	(397,929)	(1,263,766)	(1,228,767)
Changes in non-cash working capital (Note 11)	355,459	102,020	813,286	269,053
	121,108	(295,909)	(450,480)	(959,714)
Financing Activities				
Share issue costs	-	-	(33,955)	(8,154)
Advances on shares to be issued	-	170,949	-	170,949
	-	170,949	(33,955)	162,795
Investing Activities				
Capital expenditures	(1,937,658)	(388,384)	(7,750,246)	(806,690)
Proceeds on disposal of short term investments	-	107,228	-	295,381
Changes in non-cash working capital (Note 11)	(712,341)	360,250	469,471	487,886
	(2,649,999)	79,094	(7,280,775)	(23,423)
Change in cash	(2,528,891)	(45,866)	(7,765,210)	(820,342)
Cash, beginning of period	3,159,732	115,929	8,396,051	890,405
Cash, end of period	\$ 630,841	\$ 70,063	\$ 630,841	\$ 70,063
Supplemental cash flow information:				
Interest paid	\$ 47,250	\$ 47,250	\$ 94,500	\$ 92,250

The accompanying notes are an integral part of these financial statements



NOTES TO THE FINANCIAL STATEMENTS

For the nine months ended September 30, 2009

1. Nature of Business

Reliable Energy Ltd. (“Reliable” or the “Company”) was incorporated as Ceres Capital Corp. (“Ceres”) under the laws of the province of Alberta on September 5, 2006. On December 24, 2008 Ceres completed its qualifying transaction with Reliable Energy Ltd. (“Reliable Energy”) whereby Ceres acquired, through its wholly owned subsidiary Ceres Acquisition Corp., all of the outstanding shares of Reliable Energy (“the Transaction”). The Transaction was completed as a three-cornered amalgamation whereby Reliable Energy and Ceres Acquisition Corporation amalgamated under the name of Reliable Energy Ltd., a wholly-owned subsidiary of Ceres. On September 30, 2009 Ceres and Reliable Energy amalgamated under the name Reliable Energy Ltd. 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 REL.

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 except for changes in accounting policies described in Note 3. 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 Presentation

These financial statements are issued under the name of the Company and are deemed to be a continuation of Reliable Energy. The comparative figures for the period ended September 30, 2008 reflect the operations of Reliable Energy.

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.

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. These assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.



Recent Accounting Pronouncements

IFRS

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 preparation for the changeover to IFRS. The Company has completed its assessment of IFRS accounting policies and is reviewing its elections with its auditor. The implementation phase which includes updating its data systems, internal controls over financial reporting, and business activities such as financing and compensation arrangements is planned for the fourth quarter of 2009.

Business Combinations

CICA Handbook Section 1582 Business Combinations replaces corresponding Section 1581 and establishes new standards for the accounting for business combinations. The new standard requires that the acquisition method (formerly, the purchase method) continue to be applied to business combinations, the acquirer recognize and measure the acquiree as a whole, and the assets and liabilities assumed be recognized and measured at their fair values as of the acquisition date. Section 1582 provides the Canadian equivalent to International Financial Reporting Standard (IFRS) 3 Business Combinations.

This standard applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The Company has not yet determined the impact of the adoption of this new standard on its financial statements

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 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 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

**NOTES TO THE FINANCIAL STATEMENTS***For the nine months ended September 30, 2009*

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.

At September 30, 2009 the Company has working capital deficit of \$1,834,804 (Dec 31, 2008 – surplus of \$7,213,163). As described in Note 15 the Company completed several transactions in early October to increase its working capital position to \$6,498,500 which, along 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 for 2010, the Company may be required to obtain additional debt or equity financing.

5. Property and Equipment

September 30, 2009				
	Cost	Accumulated depletion and depreciation	Net book value	
Petroleum and natural gas properties	\$ 11,706,869	\$ 1,346,360	\$ 10,360,509	
Leasehold and office equipment	352,582	292,357	60,225	
	\$ 12,059,451	\$ 1,638,717	\$ 10,420,734	

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 September 30, 2009, the Company excluded \$7,513,357 (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 \$114,000 (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 September 30, 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	74.69	7.22
2011	76.10	7.50
2012	81.10	8.04
2013	86.17	8.86
2014	90.99	9.07
After 2014 (inflation %)	2%/yr	2%/yr

**NOTES TO THE FINANCIAL STATEMENTS***For the nine months ended September 30, 2009***6. Convertible Debentures**

In August 2006, Reliable Energy 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 in whole or in part at the rates indicated below:

Prior to July 31, 2010	105.0% of face value
Subsequent to July 31, 2010	102.5% of face value

The terms of the Debentures required Reliable Energy to complete a defined Liquidity Event prior to February 15, 2008. The Liquidity Event was not completed and in 2008 Reliable Energy 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.

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	-	24,268	-
Balance, September 30, 2009	1,260	\$ 1,191,749	\$ 88,780

7. Asset Retirement Obligations

	September 30, 2009	December 31, 2008
Asset retirement obligations, beginning of period	\$ 254,243	\$ 199,831
Liabilities incurred	114,000	39,000
Liabilities settled	(8,697)	-
Accretion	14,794	15,412
Asset retirement obligations, end of period	\$ 374,340	\$ 254,243

The future estimated undiscounted cash flows required to settle the obligation are \$613,531 (2008 - \$467,090), which has been discounted using a credit-adjusted risk free rate of 4.25% (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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the nine months ended September 30, 2009

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
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 (v.)	4,350,000	507,500
Ceres Capital shares acquired through RTO (v.)	10,261,250	1,322,389
Share issue and transaction costs	-	(1,831,063)
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 September 30, 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.

(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 ("RTO").

(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 the 2008 private placement.

c. Escrowed Shares

Total shares held in escrow at September 30, 2009 were 12,802,916 (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 FINANCIAL STATEMENTS***For the nine months ended September 30, 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, excluding brokers 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	2009-2011
Exercised	-	-	-
Expired	(255,348)	1.017	-
Outstanding, January 1, 2009	10,680,074	\$ 0.147	2009-2013
Granted	6,125,000	0.185	2014
Exercised	-	-	-
Expired	(60,000)	0.170	-
Outstanding, September 30, 2009	16,745,074	\$ 0.161	2009-2014

September 30, 2009			
Exercise price	Number outstanding	Weighted-average remaining contractual life (years)	Number exercisable
\$0.120	5,722,224	0.72	5,722,224
\$0.140	575,000	4.77	575,000
\$0.170	3,002,850	3.03	3,002,850
\$0.180	870,000	4.24	870,000
\$0.190	5,550,000	4.95	5,550,000
\$0.200	1,025,000	0.64	1,025,000
\$0.161	16,745,074	2.85	16,745,074

**NOTES TO THE FINANCIAL STATEMENTS***For the nine months ended September 30, 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%
July 8, 2009	2.28%	5.0	0.0%	100%
September 11, 2009	2.36%	5.0	0.0%	100%

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 \$853,100 (2008 - \$258,700), of which \$853,100 (September 2008 - \$nil) 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 (2008 - 1,362,858) common share purchase warrants outstanding. 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

	September 30, 2009	December 31, 2008
Balance, beginning of period	\$ 459,273	\$ 200,573
Stock based compensation:		
Options issued to directors and management	853,100	47,800
Brokers options	-	210,900
Balance, end of period	\$ 1,312,373	\$ 459,273

10. Per Share Amounts

The weighted average number of shares outstanding was:

	3 Months ending September 30,		9 Months ending September 30,	
	2009	2008	2009	2008
Weighted average shares outstanding - basic and diluted	126,855,872	38,124,978	126,855,872	38,047,752

The effect of stock options, warrants and convertible debentures have not been included in the calculation of diluted earnings per share as the effect is anti-dilutive for 2009 and 2008.

**NOTES TO THE FINANCIAL STATEMENTS***For the nine months ended September 30, 2009***11. Supplemental Cash Flow Information**

	3 Months ending September 30,		9 Months ending September 30,	
	2009	2008	2009	2008
Accounts receivable	\$ (101,354)	\$ 21,811	\$ 160,970	\$ 4,370
Inventory	(8,677)	-	(8,677)	-
Prepaid expenses and deposits	(13,105)	(1,611)	(87,545)	2,190
Demand notes receivable	-	-	26,308	-
Accounts payable and accruals	(233,746)	442,070	1,191,701	750,379
Changes in non-cash working capital	\$ (356,882)	\$ 462,270	\$ 1,282,757	\$ 756,939
Allocated to:				
Investing activities	(712,341)	360,250	469,471	487,886
Operating activities	355,459	102,020	813,286	269,053

12. Commitments

The Company is committed to payments under an operating lease for office space through April 2011 totalling \$335,000 (2009 - \$53,000; 2010 - \$212,000; 2011 - \$70,000).

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 September 30, 2009, a total of \$5,803,757 remains to be incurred on eligible expenditures.

**NOTES TO THE FINANCIAL STATEMENTS***For the nine months ended September 30, 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 September 30,		9 Months ending September 30,	
	2009	2008	2009	2008
Management consulting fees charged to administration expense	\$ 98,020	\$ 121,267	\$ 420,532	\$ 380,467
Management consulting fees charged to operating expense	3,600	18,000	15,000	54,000
Management consulting fees capitalized to property and equipment	9,000	-	33,600	-

As at September 30, 2009, accounts payable and accruals includes a balance of \$263 (December 31, 2008 - \$35,210) relating to the above transactions.

Additionally, a provision of \$80,000 (2008 - \$nil) has been provided related to the termination of a management consulting contract.

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 and the 2009 annual payments were not made as acknowledged by the Board. The balance of this note at September 30, 2009 is \$50,000 (2008 - \$50,000). 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 September 30, 2009, accounts receivable includes a balance of \$10,106 (December 31, 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 September 30, 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 FINANCIAL STATEMENTS

For the nine months ended September 30, 2009

The Company has written off a note receivable from Toggle Networks Inc., an unrelated third party, in the amount of \$26,925 including accrued interest.

The Company does not consider any other 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 September 30, 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.

**NOTES TO THE FINANCIAL STATEMENTS***For the nine months ended September 30, 2009***15. Subsequent Events**

On October 2, 2009, the Company completed a private placement for a total of \$5,200,100 which included an investment of \$4,825,000 by Crescent Point Energy Corp (“Crescent Point”) representing 19.9% of the issued and outstanding shares of Reliable.

On the same date, the Company also executed a Joint Venture Agreement with Crescent Point centered on Reliable’s core area of southeast Saskatchewan and southwest Manitoba which includes land contributed by both parties. Reliable 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 an acquisition of Element Energy Canada Ltd (“Element”). The Company issued 11,025,000 common shares at a deemed value of \$0.211 per share and received 100% of the issued and outstanding shares of Element.

The following pro forma balance sheet shows the Company’s estimated financial position as if these transactions had been completed on September 30, 2009:

Pro Forma Balance Sheet

	Per the interim financial statements	Private placement	Joint venture agreement	Element acquisition	Pro forma balance
Assets					
Current assets					
Cash	\$ 630,841	\$ 5,200,100	\$ 1,600,000	\$ 1,540,276	\$ 8,971,217
Other current assets	613,583			9,028	622,611
	1,244,424	5,200,100	1,600,000	1,549,304	9,593,828
Property and equipment	10,420,734		(1,600,000)	120,546	8,941,280
	11,665,158	5,200,100	-	1,669,850	18,535,108
Liabilities					
Current liabilities	3,079,228			16,100	3,095,328
Long term liabilities	1,566,089				1,566,089
Shareholders’ Equity	7,019,841	5,200,100		1,653,750	13,873,691
	11,665,158	5,200,100	-	1,669,850	18,535,108