RELIABLE ENERGY

Q2

High Growth, High Potential

SECOND QUARTER INTERIM REPORT FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2010

Highlights

	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change	**2010**	2009	Change
	($)	*($)*	*(%)*	*($)*	*($)*	*(%)*
Financial						
Gross revenue	**2,143,169**	411,581	421	**4,276,611**	613,143	597
Net income (loss)	**272,335**	(745,528)	137	**780,541**	1,326,375	(41)
Per share – basic	**0.001**	(0.006)	117	**0.004**	0.010	(60)
Cash flow generated by (used in) operations [1]	**741,937**	(626,856)	218	**1,673,235**	(1,029,415)	263
Per share – basic	**0.004**	(0.005)	180	**0.009**	(0.008)	213
Capital expenditures	**2,404,167**	3,245,674	(26)	**7,438,401**	5,812,588	28
Total assets	**37,488,482**	12,245,979	206	**37,488,482**	12,245,979	206
Working capital	**10,966,547**	337,205	3,152	**10,966,547**	337,205	3,152
Shareholders' equity	**31,855,350**	7,399,910	330	**31,855,350**	7,399,910	330
	(#)	*(#)*	*(%)*	*(#)*	*(#)*	*(%)*
Share Data						
At period-end	**235,188,280**	126,855,872	85	**235,188,280**	126,855,872	85
Weighted average – basic	**200,278,247**	126,855,872	58	**191,540,068**	126,855,872	51
			(%)			*(%)*
Operational						
Production						
Light crude oil *(bbls/d)*	**307**	66	365	**298**	46	548
Natural gas *(mcf/d)*	**25**	120	(79)	**65**	127	(49)
Total *(boe/d)*	**311**	85	266	**309**	67	361
Total *(boe)*	**28,306**	7,779	264	**55,927**	12,189	359
Average wellhead prices						
Light crude oil *($/bbl)*	**76.49**	67.03	14	**78.39**	65.40	20
Natural gas *($/mcf)*	**2.95**	2.83	4	**4.00**	3.76	6
Total *($/boe)*	**75.71**	52.91	43	**76.47**	50.30	52
Operating cost *($/boe)*	**13.51**	8.95	51	**12.79**	11.59	10
Operating netback *($/boe)*	**48.54**	37.12	31	**50.52**	31.70	59
Gross (net) wells drilled						
Oil *(#)*	**1 (0.8)**	– (–)		**6 (4.5)**	– (–)	
Gas *(#)*	**– (–)**	– (–)		**– (–)**	– (–)	
Awaiting completion *(#)*	**1 (0.8)**	2 (1.9)		**3 (2.3)**	2 (1.9)	
Dry and abandoned or suspended *(#)*	**1 (0.8)**	2 (2.0)		**3 (2.3)**	3 (3.0)	
Total *(#)*	**3 (2.3)**	4 (3.9)		**12 (9.3)**	5 (4.9)	
Average working interest *(%)*	**75**	99	(24)	**77**	99	(22)

(1) Cash flow generated by (used in) operations and cash flow generated by (used in) operations per share are not recognized measures under Canadian generally accepted accounting principles. Refer to the Management's Discussion and Analysis for further discussion.

(2) Barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf : 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

President's Message

Reliable Energy Ltd. continued to execute its business plan during the second quarter of 2010, despite the impact of unfavourable weather conditions, focusing on developing its Bakken oil play in its core area of Kirkella located in southeastern Saskatchewan/southwestern Manitoba. During the three months ended June 30, 2010, the Company experienced delays in both drilling operations and bringing wells on production as the typically long spring breakup in Manitoba was further extended by unseasonably wet weather that restricted operating activities; in fact, operations were shut down for much of June. The Company, however, was able to drill three wells during the period, although some planned completion operations were delayed as the wet conditions hampered wellsite access. The delays impacted Reliable's quarterly production, and as a result, we exited the period at levels lower than previously anticipated. We firmly believe that we can regain our previously planned production levels and can exit the year on target at 900 boe/d, although annual average production is anticipated to be down on budgeted levels at 450 boe/d.

Our team effectively utilized the downtime by planning a horizontal well, which we recently completed drilling, while also identifying additional prospects and plays in our core area. As of the date of this report, Reliable has drilled and is waiting to frac its first horizontal well and is currently drilling its second horizontal well. Results will be reported when they become available.

Our Company was also active from a corporate standpoint, completing a bought deal financing for gross proceeds of $15.0 million on May 27, 2010. The financing has provided Reliable with the resources necessary to fund its capital expenditure program for 2010.

Operational Achievements

During the quarter, Reliable drilled 3 gross (2.3 net) wells of which 2 gross (1.5 net) were exploration wells and 1 gross (0.8 net) was a development well. Of the exploration wells, one was placed on production, providing a new area of focus for Reliable, and the second well was abandoned. A development well was drilled into our East Manson pool and was placed on-stream in early July with initial testing rates in excess of 40 bbls/d gross from the Bakken.

As previously reported, four wells were unable to be completed in the first quarter due to the commencement of road bans in Manitoba. Two of these wells are still awaiting completion due to delays resulting from the persistent wet weather, while the remaining two wells have been deemed non-commercial and will be abandoned. Subsequent to quarter-end, the Company has resumed field operations and is currently conducting drilling operations at Kirkella. The drilling plans for the second half of the year have been re-evaluated in light of recent drilling results and analysis, and as a result, we have decided to include horizontal drilling in our activities going forward. We are expecting to drill 6 gross (4.0 net) vertical exploration wells, 4 gross (3.0 net) vertical development wells and 9 gross (7.3 net) horizontal wells during the final six months of the year.

During the second quarter, Reliable entered into an agreement with our joint venture partner in the Trochu Basin area of Alberta to acquire the partner's interest in those lands. Consequently, 9,200 acres of undeveloped lands have been added to our Company's asset base and we continue to evaluate these lands in light of recent area activity. Also during the quarter, we added 3,260 net acres at Kirkella and reprocessed and interpreted over 1,000 kilometres of trade seismic data that was acquired in late March 2010. This data is being used to identify further opportunities in our core area.

Also during the quarter, we commenced construction of our central battery on our Kirkella South No. 1 field. The battery was put into operation on August 5, 2010.

On August 6, 2010, Reliable divested its Harmattan natural gas properties and facilities, thereby enabling the Company to focus on its core area at Kirkella, while continuing to evaluate opportunities for its undeveloped acreage in the Trochu Basin.

Outlook

Reliable is entering a very exciting growth period in its development with the Company commencing the drilling of its first horizontal well on its Bakken-Three Forks play in southeastern Saskatchewan/southwestern Manitoba. With success, this will open up significantly more drilling opportunities for the Company on prospects that would be difficult to justify with vertical drilling. Consequently, we have increased our capital expenditure program by $6.4 million to $22.8 million. Approximately $5.1 million has been directed towards additional drilling and completion activities associated with the implementation of a horizontal well program and approximately $1.3 million has been allocated to additional land and seismic acquisitions and facility construction. Funding for the capital increase is provided by the recent bought deal financing. With the implementation of this new capital program, we expect to achieve annual average production of 450 boe/d, down from previous guidance of 560 boe/d due primarily to the wet weather delays in drilling and bringing wells on production during the second quarter. We expect that our 2010 exit production rate will be maintained at 900 boe/d. Our current production is approximately 360 boe/d (net).

Cash flow from operations for the year has been revised downward to $6.5 million from $9.1 million due to both lower average production and lower forecasted crude oil pricing of CDN$72.00/bbl for the second half of 2010 (average of CDN$76.00/bbl for the year).

Reliable's balance sheet remains strong with projected working capital at December 31, 2010 of $0.5 million and a projected unutilized credit capacity of $8.0 million.

Despite the delays experienced during the second quarter, we are back on track and excited about our future prospects. I look forward to updating you on our progress and our third quarter activities in our next interim report.

On behalf of the Board of Directors,

Murray Swanson
President & Chief Executive Officer

August 30, 2010

Management's Discussion and Analysis

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 and six months ended June 30, 2010 and 2009 and should be read with the accompanying unaudited interim financial statements and related notes and the audited consolidated financial statements and related notes for the year ended December 31, 2009. This commentary is based on the information available as at, and is dated August 26, 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 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 June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
	($)	*($)*	*($)*	*($)*
Cash flow from operating activities	**(2,211,702)**	(75,691)	**(3,349,119)**	(571,588)
Changes in non-cash working capital	**2,953,639**	(551,165)	**5,022,354**	(457,827)
Funds generated by (used in) operations	**741,937**	(626,856)	**1,673,235**	(1,029,415)

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:

- Reliable believes that with its working capital, unutilized credit facilities, expected cash flow from operations and access to capital markets that it will have sufficient capital resources to fund its capital expenditure program for 2010;
- Reliable has recently completed the construction of a central battery on its Kirkella South field, which is expected to reduce operating costs in the third and fourth quarters of 2010; 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 2010, Reliable expects that production and sales of light crude oil and natural gas will average 450 boe/d. There are many factors that could result in production and sales 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; transportation delays or sales pipeline restrictions; 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 further weighted towards light crude oil over 2009, and as a result, will approximate 99% light crude oil and 1% 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$76.00/bbl and that the natural gas price at AECO for spot delivery will average $4.00/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 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 $9.00 to $12.00/boe for 2010. Declines in operating costs in the second half of 2010 are anticipated following installation of a central battery and water disposal facility.

General and Administrative ("G&A") Costs

Reliable anticipates that G&A expenses will remain constant throughout 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 From Operations

The Company expects that cash flow from operations will be approximately $6.5 million for 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 from operations is less than expected is the aggregate of all risks affecting the individual components thereof.

Capital Expenditures

Reliable expects to incur between $21.0 million and $23.0 million for capital expenditures during 2010, excluding potential future acquisition activity. Reliable's capital expenditures consist of costs for drilling, completions, equipment, tie-ins, land and seismic. This is based on the assumption that the Company drills 31 gross wells during the year, which includes up to nine horizontal wells. The capital program during 2010 is flexible, depending on commodity prices. Increases in capital costs from budgeted amounts can occur for a number of reasons, including: 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 at least 31 gross wells during 2010. The drilling program is a key assumption in the production estimates for the period discussed above. The risk that Reliable does not meet its drilling targets can occur for a number of reasons, including: 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 does not expect that it will become cash taxable during 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, with the financing completed in the second quarter of 2010, combined with cash flow from operations and unutilized credit facilities, the Company believes it will have the financial capability to continue its 2010 capital program.

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.

Financial and Operating Results of Oil and Gas Activities

Production, Revenue and Price

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
Production				
Light crude oil *(bbls/d)*	**307**	66	**298**	46
Natural gas *(mcf/d)*	**25**	120	**65**	127
Total production *(boe/d)*	**311**	85	**309**	67
Total production *(boe)*	**28,306**	7,779	**55,927**	12,189
	($)	*($)*	*($)*	*($)*
Revenue				
Light crude oil	**2,136,538**	387,028	**4,229,256**	540,810
Natural gas	**6,631**	24,553	**47,355**	72,333
Gross revenue	**2,143,169**	411,581	**4,276,611**	613,143
Royalties	**386,726**	53,189	**735,695**	85,539
Operating expenses	**382,343**	69,629	**715,394**	141,233
Net operating revenue	**1,374,100**	288,763	**2,825,522**	386,371
Average Prices				
Light crude oil *($/bbl)*	**76.49**	67.03	**78.39**	65.40
Natural gas *($/mcf)*	**2.95**	2.83	**4.00**	3.76
Total sales price *($/boe)*	**75.71**	52.91	**76.47**	50.30
Royalty costs *($/boe)*	**13.66**	6.84	**13.16**	7.01
Operating costs *($/boe)*	**13.51**	8.95	**12.79**	11.59
Netback *($/boe)*	**48.54**	37.12	**50.52**	31.70

For the three months ended June 30, 2010, revenue totalled $2,143,169 on average daily sales volumes of 311 boe/d compared to $411,581 and 85 boe/d a year ago and $2,133,442 and 307 boe/d recorded in the first quarter of 2010. The 421% year-over-year revenue gain resulted from a 264% increase in sales volumes with the Company benefiting from strong crude oil pricing. During the 2010 three-month period, the Company's realized sales price for light crude oil was $76.49/bbl, while the natural gas sales price averaged $2.95/mcf compared to $67.03/bbl and $2.83/mcf, respectively, in the same period last year. During the second quarter of 2010, Reliable's product volume mix was 99% light crude oil and 1% natural gas.

At Kirkella, Manitoba, production averaged 307 bbls/d (net) during the second quarter of 2010 versus 66 bbls/d (net) a year ago. For the first six months of 2010, area production averaged 298 bbls/d (net) compared to 46 bbls/d (net) in 2009.

During the three months ended June 30, 2010, production volumes from Harmattan, Alberta decreased 79% to 25 mcf/d (net) from 119 mcf/d (net) in the same period last year and down 77% from the first quarter of 2010 as a result of shutting in all four wells in early May 2010. During the first half of 2010, area production averaged 65 mcf/d (net) versus 127 mcf/d (net) a year ago. In August 2010, Reliable completed the sale of its Harmattan natural gas properties and facilities for gross proceeds of $17,500.

The Company has fixed the price applicable to future crude oil sales through the following contracts, on which $11,500 in fair value had been recorded at June 30, 2010:

Crude Oil	Volume	Pricing Point	Price	Term
Fixed Price/Financial	75 bbls/d	WTI-CAD-NYMEX	CDN$84.15/bbl	Apr. 1/10 – Mar. 31/11
Fixed Price/Financial	25 bbls/d	WTI-CAD-NYMEX	CDN$77.61/bbl	Jul. 1/10 – Mar. 31/11

Royalties

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
	($)	*($)*	*($)*	*($)*
Crown royalties	**178,965**	–	**363,399**	–
Freehold royalties	**182,098**	5,274	**317,203**	15,571
Overriding royalties	**25,663**	47,915	**55,093**	69,968
Total royalties	**386,726**	53,189	**735,695**	85,539
Total royalties *($/boe)*	**13.66**	6.84	**13.16**	7.01
Percent of revenue *(%)*	**18.0**	12.9	**17.2**	14.0

For the second quarter of 2010, the Company recorded total royalties of $386,726 or 18.0% of revenue versus $53,189 or 12.9% of revenue for the same period in 2009. The overall increase in royalty rate was due to the increase in oil production that is subject to a royalty and a year-over-year improvement in commodity pricing. 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. During the first six months of 2010, total royalties were $735,695 or 17.2% of revenue compared to $85,539 or 14.0% of revenue a year ago.

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 second quarter totalled $385,603 or 18.0% of revenue and consisted of provincial Crown: $39,255; federal Crown: $139,710; freehold: $180,975; and, overriding royalties: $25,663. During the first half of 2010, royalties at Kirkella totalled $726,112 or 17.3% of revenue. The increase in Crown royalties was primarily due to production from federal lands that are ineligible for the Manitoba drilling royalty incentive, while certain wells subject to the provincial Crown royalty have fully utilized their drilling royalty incentive and are now subject to the Crown royalty.

Production from the Harmattan region is subject to freehold royalties ranging from 15% to 35%. The royalty incurred during the three and six months ended June 30, 2010 totalled $1,123 or 16.9% of revenue and $9,583 or 20.2% of revenue, respectively. There was no freehold mineral tax incurred in 2010 as all Harmattan wells were producing below the minimum mineral tax threshold.

Operating Expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
	($)	*($)*	*($)*	*($)*
Kirkella	**360,681**	41,204	**639,171**	55,829
Harmattan	**18,917**	28,373	**63,030**	79,083
Other	**2,745**	52	**13,193**	6,321
Total operating expenses	**382,343**	69,629	**715,394**	141,233
Total operating expenses *($/boe)*	**13.51**	8.95	**12.79**	11.59

During the three months ended June 30, 2010, the Company's operating expenses totalled $382,343 or $13.51/boe compared to $69,629 or $8.95/boe in the same period last year, an increase of 51% on a per barrel basis. During the first half of 2010, the Company incurred operating expenses of $715,394 or $12.79/boe compared to $141,233 or $11.59/boe for the same period in 2009.

Operating expenses at Kirkella consist primarily of transportation costs for oil as well as transportation and disposal of produced water, which combined to total 51% of total operating costs during the second quarter of 2010 versus 47% in 2009. For the 2010 three-month period, operating costs at Kirkella were $360,681 or $12.91/boe and included transportation and disposal costs of $184,572 or $6.61/boe, with water transportation and water disposal costs representing $4.51/boe of this amount.

The increase was due to a higher water-oil ratio in the 2010 period. In addition, during spring breakup with road bans in force, truckloads were restricted in weight, resulting in a higher cost per barrel. The balance of operating costs includes surface rentals, operating supplies and field supervision costs. For the comparable period of 2009, operating costs totalled $41,204 or $6.90/boe. During the first six months of 2010, operating costs at Kirkella totalled $639,171 or $11.85/boe versus $55,829 or $6.68/boe a year ago. Reliable has recently completed the construction of a central battery, which is expected to reduce operating costs going forward.

For the three and six months ended June 30, 2010, operating costs at Harmattan were $18,917 or $50.45/boe and $63,030 or $31.93/boe, respectively. Expenses in the Harmattan area were lower in both periods as all four wells were shut-in in early May 2010.

Other operating expenses incurred during the three and six months ended June 30, 2010 related primarily to lease rental costs in the Trochu Basin area.

Operating Netback

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
	($/boe)	*($/boe)*	*($/boe)*	*($/boe)*
Gross revenue	**75.71**	52.91	**76.47**	50.30
Royalty expenses	**13.66**	6.84	**13.16**	7.01
Operating expenses	**13.51**	8.95	**12.79**	11.59
Operating netback	**48.54**	37.12	**50.52**	31.70

For the second quarter ended June 30, 2010, Reliable recorded an operating netback of $48.54/boe versus $37.12/boe a year ago and $52.55/boe in the first quarter of 2010. For the first half of 2010, the operating netback was $50.52/boe compared to $31.70/boe in 2009. The year-over-year increase was primarily driven by an improvement in crude oil pricing.

At Kirkella, for the three and six months ended June 30, 2010, the Company's operating netbacks were $48.78/boe and $52.57/boe, respectively, a change of $(1.11)/boe and $2.90/boe over the same periods last year. The year to date increase was primarily due to higher crude oil pricing; however, the current quarter netback of $48.78/boe declined $7.85/boe or 13.9% from the first quarter of 2010 due primarily to higher operating costs and royalties as well as lower crude oil pricing.

Year-over-year operating netbacks recorded at the Company's Harmattan property decreased to $(35.76)/boe and $(12.80)/boe for the three and six-month periods, respectively, due to decreased production volumes.

General and Administrative ("G&A") Expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
	($)	*($)*	*($)*	*($)*
Salaries and management consulting	**295,306**	476,809	**611,039**	725,304
Legal	**18,964**	33,949	**38,799**	42,504
Computer services and subscriptions	**34,804**	32,789	**80,204**	72,897
Accounting and audit fees	**37,839**	25,341	**68,914**	48,978
Investor relations	**36,013**	35,907	**77,044**	71,315
Other professional services	**36,411**	71,077	**61,186**	74,050
Travel and business entertainment	**27,897**	18,423	**43,765**	28,046
General office expenses	**142,430**	133,015	**247,903**	213,610
	629,664	827,310	**1,228,854**	1,276,704
Recoveries	**(58,141)**	(19,222)	**(166,734)**	(40,825)
Total G&A expenses	**571,523**	808,088	**1,062,120**	1,235,879

For the quarter ended June 30, 2010, total G&A expenses decreased to $571,523 from $808,088 recorded during the same period of 2009. The 29% decline was primarily due to lower salaries and management consulting expenses, which were down $181,503 or 38% from last year due to a one-time charge of $180,000 in 2009 associated with the termination of a consulting contract. Year-over-year changes in certain G&A expenses included:

- Legal expenses were down $14,985 as a result of higher costs in 2009 related to legal opinions on several land contracts;
- Other professional services decreased $34,666 primarily due to a mid-year reserves evaluation completed in 2009;
- Accounting and audit fees increased $12,498 resulting from increased production accounting fees; and
- General office expenses increased $9,415 due to printing costs of the 2009 annual report, higher office rent and a generally higher level of activity in 2010 partially offset by a bad debt expense recorded in 2009.

G&A expenses totalled $1,062,120 for the first half of 2010 compared to $1,235,879 in the same period a year ago.

Interest and Financing Expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
	($)	*($)*	*($)*	*($)*
Interest on convertible debentures	**32,630**	31,712	**65,021**	63,210
Interest and line of credit fees	**24,442**	–	**26,935**	–
Taxes on unexpended flow-through share obligations	**16,370**	89,245	**21,301**	155,913
Total interest and financing expenses	**73,442**	120,957	**113,257**	219,123
Total interest and financing expenses *($/boe)*	**2.59**	15.55	**2.03**	17.98

Taxes on unexpended flow-through share obligations decreased to $16,370 and $21,301 for the three and six-month periods of 2010, respectively, compared to $89,245 and $155,913 in the respective periods of 2009 due to lower total flow-through obligations and lower interest rates. 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.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
	($)	*($)*	*($)*	*($)*
Depletion and depreciation	**799,079**	105,837	**1,602,011**	188,589
Accretion expense	**11,619**	4,748	**20,536**	9,108
Loss (gain) on settlement of retirement obligations	**–**	1,112	**667**	(122)
Total DD&A	**810,698**	111,697	**1,623,214**	197,575
Total DD&A *($/boe)*	**28.64**	14.36	**29.02**	16.21

The provision for depletion is determined using the unit-of-production method based on independent estimates of proved reserves and is calculated as a factor of production divided by proved reserves applied to the cost of the well. Depletion expense was significantly higher in 2010 due to the addition of new wells that have been brought on-stream in late 2009 and 2010. Depreciation of non-resource assets is calculated on a straight-line basis at various rates between 20% and 45%. During the 2010 three-month period, DD&A totalled $810,698 or $28.64/boe versus $111,697 or $14.36/boe in the comparable period of 2009. During the second quarter of 2010, the Company’s asset retirement obligation increased to $1,024,866, 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 $11,619;
- Additional obligations incurred on wells drilled during the quarter of $144,000; and
- Adjustments to previously estimated costs of $2,000.

For the six months ended June 30, 2010, the DD&A provision was $1,623,214 or $29.02/boe compared to $197,575 or $16.21/boe recorded in the same period of 2009. The increase in DD&A was primarily due to increased production volumes.

Impairment Expense

Management has determined that there was no impairment of Reliable's petroleum and natural gas assets as at June 30, 2010 and 2009. 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 June 30, 2010, the Company had various tax pools estimated at $21,100,000 (December 2009 – $18,300,000) available to reduce future taxable income and corporate income taxes.

The Company recorded a future income tax recovery of $736,124 (2009 – $2,560,750). The recovery was due to the reversal of the valuation allowance recorded in previous years partially offset by current year income tax expense.

On May 27, 2010, Reliable issued 16,500,000 flow-through common shares at $0.365 per share for total proceeds of $6,022,500. Under the terms of the flow-through agreement, the Company is committed to spend $6,022,500 on qualified exploration expenditures by December 31, 2011. These expenditures will be renounced to the flow-through share investors effective December 31, 2010. At June 30, 2010, $5,785,037 remained to be incurred on eligible expenditures.

In December 2009, the Company 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 June 30, 2010, $1,086,724 remained to be incurred on eligible expenditures.

Cash Flow and Net Income (Loss)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
	($)	*($)*	*($)*	*($)*
Net income (loss)	**272,335**	(745,528)	**780,541**	1,326,375
Non-cash charges:				
Risk management	**(11,500)**	–	**(11,500)**	–
DD&A	**810,698**	111,697	**1,623,214**	197,575
Interest and financing charges	**9,005**	8,087	**17,771**	15,960
Future income taxes	**(338,601)**	–	**(736,124)**	(2,560,750)
Retirement obligations settled	**–**	(1,112)	**(667)**	(8,575)
Funds generated by (used in) operations	**741,937**	(626,856)	**1,673,235**	(1,029,415)

During the second quarter of 2010, funds generated by operations totalled $741,937 or $0.004 per basic share versus $(626,856) or $(0.005) per basic share used in operations in the comparable period of 2009. For the six months ended June 30, 2010, the Company recorded funds generated by operations of $1,673,235 or $0.009 per basic share compared to $(1,029,415) or $(0.008) per basic share used in operations a year ago. The year-over-year improvements were due to an increase in net operating revenues resulting from new oil production at Kirkella.

The Company recorded net income of $272,335 or $0.001 per basic share for the three months ended June 30, 2010 compared to a net loss of $745,528 or $0.006 per basic share in the same period of 2009. For the first half of 2010, Reliable recorded net income of $780,541 or $0.004 per basic share versus $1,326,375 or $0.010 per basic share in the comparative period a year ago. The increase in net income in the second quarter is due in part to a future income tax recovery in 2010 related to a renouncement of flow-through expenditures totalling $338,601, while the decrease in net income for the 2010 six-month period was similarly due to a future income tax recovery of $736,124 compared to $2,560,750 recorded in 2009.

Capital Expenditures

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
	($)	*($)*	*($)*	*($)*
Land acquisitions	**696,295**	1,846,726	**1,397,266**	3,198,179
Geological and geophysical	**1,731**	99,061	**1,088,804**	308,892
Drilling and completions	**1,151,393**	1,285,999	**4,029,106**	2,103,050
Equipping and tie-ins	**537,845**	2,303	**898,144**	176,587
Corporate assets	**16,903**	11,585	**25,081**	25,880
Allowance for future restoration expenditures	**146,000**	74,000	**277,000**	95,000
Total capital expenditures	**2,550,167**	3,319,674	**7,715,401**	5,907,588

For the three months ended June 30, 2010, land acquisition expenditures totalled $696,295 (2009 – $1,846,726) as the Company added approximately 12,462 net acres of undeveloped lands, primarily the result of acquiring 9,200 net acres that represented the remaining working interest on leases held with its joint venture partner in the Trochu Basin area of Alberta. Additionally, Reliable continued to be active in its core area located in southeastern Saskatchewan/southwestern Manitoba, adding 3,260 net undeveloped acres compared to approximately 25,778 acres added in the same period of 2009. Geological and geophysical expenditures were $1,731 (2009 – $99,061). During the period, drilling and completions expenditures totalled $1,151,393 (2009 – $1,285,999) that involved the drilling of 3 gross (2.3 net) wells along with additional completion activities on wells previously drilled. Of the three wells, 1 gross (0.8 net) well was successful and has been placed on production, 1 gross (0.8 net) well is awaiting completion and 1 gross (0.8 net) well was abandoned. In the comparative period of 2009, the Company drilled 4 gross (3.9 net) wells of which 3 gross (2.9 net) were cased and 1 gross (1.0 net) was unsuccessful.

Land acquisition expenditures totalled $1,397,266 for the first six months of 2010 (2009 – $3,198,179), which included the addition of approximately 20,700 net acres of undeveloped lands at Kirkella and Trochu Basin compared to approximately 46,000 acres added at Kirkella in the same period of 2009. Geological and geophysical expenditures were $1,088,804 (2009 – $308,892) resulting from the shooting of 124 kilometres of 2-D seismic data along with the acquisition of over 1,000 kilometres of 2-D seismic trade data. During the six-month period, drilling and completions expenditures totalled $4,029,106 (2009 – $2,103,050) that involved the drilling of 12 gross (9.0 net) wells of which 6 gross (4.5 net) wells were successful and have been placed on production, 3 gross (2.3 net) wells are awaiting completion and 3 gross (2.3 net) wells were abandoned. In the comparative period of 2009, the Company drilled 5 gross (4.9 net) wells of which 3 gross (2.9 net) were placed on production and 2 gross (2.0 net) were unsuccessful and abandoned.

Drilling Activity

	Exploration		Development		Total	
	Gross	Net	Gross	Net	Gross	Net
	(#)	*(#)*	*(#)*	*(#)*	*(#)*	*(#)*
Three Months Ended June 30, 2010						
Light crude oil	**2**	**1.5**	**1**	**0.8**	**3**	**2.3**
Natural gas	**–**	**–**	**–**	**–**	**–**	**–**
Total wells	**2**	**1.5**	**1**	**0.8**	**3**	**2.3**
Average working interest *(%)*		**75**		**75**		**75**
Three Months Ended June 30, 2009						
Light crude oil	3	3.0	1	0.9	4	3.9
Natural gas	–	–	–	–	–	–
Total wells	3	3.0	1	0.9	4	3.9
Average working interest *(%)*		100		95		99
Six Months Ended June 30, 2010						
Light crude oil	**4**	**3.0**	**8**	**6.3**	**12**	**9.3**
Natural gas	**–**	**–**	**–**	**–**	**–**	**–**
Total wells	**4**	**3.0**	**8**	**6.3**	**12**	**9.3**
Average working interest *(%)*		**75**		**78**		**77**
Six Months Ended June 30, 2009						
Light crude oil	4	4.0	1	0.9	5	4.9
Natural gas	–	–	–	–	–	–
Total wells	4	4.0	1	0.9	5	4.9
Average working interest *(%)*		100		95		99

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 60% of amounts outstanding at June 30, 2010 have been received and the balance is expected within existing payment terms. The majority of the remaining accounts receivable relate to 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.

Capital Resources

The Company exited the period with working capital of $10,966,547 compared to $1,994,017 at December 31, 2009. The increase in working capital was the result of shares issued and an improvement in funds from operations partially offset by capital expenditures (see "Cash Flow and Net Income (Loss)" and "Capital Expenditures" for more details).

Reliable has a credit facility agreement with a Canadian chartered bank to provide the Company with a $6,000,000 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. Management believes 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 that it will have sufficient capital resources to fund its capital expenditure program for 2010.

Sources and Uses of Cash

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
	($)	*($)*	*($)*	*($)*
Cash – beginning of period	**2,327,229**	5,641,427	**7,882,336**	8,396,051
Cash flow from (used in) operations	**741,937**	(626,856)	**1,673,235**	(1,029,415)
Change in non-cash working capital				
Operating	**(2,953,639)**	551,165	**(5,022,354)**	457,827
Investing	**(116,550)**	839,670	**314,288**	1,181,812
Issue of common shares, net of issue costs	**14,540,490**	–	**14,726,196**	(33,955)
Capital expenditures	**(2,404,167)**	(3,245,674)	**(7,438,401)**	(5,812,588)
Cash – end of period	**12,135,300**	3,159,732	**12,135,300**	3,159,732

During the period, cash and cash equivalents increased to $12,135,300 from $7,882,336 at December 31, 2009. The decrease is summarized below.

Cash generated by operations totalling $1,673,235 was primarily the result of:

- Improved net operating revenue of $2,824,855; less
- G&A expenses of $1,062,120; and
- Net interest expense of $89,500.

Funds used in changes in non-cash working capital totalled $4,708,066 and were due to:

- Funds relating to operations decreasing $5,022,354 primarily as a result of a decrease in accounts payable relating to general operating activities; and
- Funds relating to investing activities increasing $314,288 due to increased payables relating to capital expenditures on land purchases and drilling activities.

Issue of common shares, net of issue costs, totalling $14,726,196. (See "Share Capital" below for further details.)

Capital expenditures totalling $7,438,401. (See "Capital Expenditures" for further details.)

Share Capital

On May 27, 2010, Reliable closed a bought deal financing with a syndicate of underwriters and issued 30,000,000 special warrants at a price of $0.30 per special warrant and 16,500,000 common shares issued on a flow-through basis at a price of $0.365 per flow-through share.

As at August 26, 2010, Reliable had 236,138,280 common shares, 9,200,000 stock options and 505,716 common share purchase warrants issued and outstanding. A total of 9,200,000 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 36 months. 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 June 30, 2010, the Company was committed to future payments under an operating lease for office space through April 2011 totalling $176,800 (2010 – $106,100; 2011 – $70,700).

On May 27, 2010, Reliable issued 16,500,000 flow-through common shares at $0.365 per share for total proceeds of $6,022,500. Under the terms of the flow-through agreement, the Company is committed to spend $6,022,500 on qualified exploration expenditures by December 31, 2011. These expenditures will be renounced to the flow-through share investors effective December 31, 2010. At June 30, 2010, $5,785,037 remained to be incurred on eligible expenditures.

In December 2009, the Company 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 June 30, 2010, a total of $1,086,724 remained to be incurred on eligible expenditures.

Reliable utilizes risk management activities to mitigate the risk of volatile fluctuations in the commodity price environment and guarantee a portion of the Company's cash flows. The Company entered into the following crude oil price physical sales contracts, on which $11,500 in fair value had been recorded at June 30, 2010:

Crude Oil	Volume	Pricing Point	Price	Term
Fixed Price/Financial	75 bbls/d	WTI-CAD-NYMEX	CDN$84.15/bbl	Apr. 1/10 – Mar. 31/11
Fixed Price/Financial	25 bbls/d	WTI-CAD-NYMEX	CDN$77.61/bbl	Jul. 1/10 – Mar. 31/11

During the period ended June 30, 2010 and 2009, Reliable was not involved in any off-balance sheet transactions.

Related Party Transactions

In prior years, Reliable had entered into transactions with the following related parties who provided 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

Effective January 1, 2010, all management consulting agreements referred to above were either cancelled outright or cancelled and replaced with executive employment contracts.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
	($)	*($)*	*($)*	*($)*
Management consulting fees charged to:				
General and administrative				
General management	–	44,267	–	92,267
Finance	**9,905**	36,750	**18,480**	73,350
Engineering	–	18,000	–	36,000
Exploration	–	30,000	–	60,000
Land	–	27,000	–	60,895
	9,905	156,017	**18,480**	322,512
Operating expenses	–	6,000	–	11,400
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.

1119402 Alberta Ltd., a company controlled by an officer of Reliable, continues to provide revenue, production and general accounting services to the Company. During the six months ended June 30, 2010, Reliable incurred $18,480 in costs with 1119402 Alberta Ltd. These services were billed at market rates and Reliable expects to continue using the company's services throughout the remainder of 2010.

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 period ended June 30, 2010, Reliable incurred $141,534 in costs with Parlee (2009 – $48,885). 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 the remainder of 2010.

Future Accounting Policy Changes

Business Combinations

In December 2008, the Canadian Institute of Chartered Accountants ("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 Canadian Accounting Standards Board 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 is currently reviewing the opening IFRS balance sheet with its auditors. The subsequent phases are planned for the third quarter of 2010.

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 have also been 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.

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	**Jun. 30, 2010**	Mar. 31, 2010	Dec. 31, 2009	Sep. 30, 2009
	($)	*($)*	*($)*	*($)*
Gross revenue	**2,143,169**	2,133,442	1,387,578	458,678
Net income (loss)	**272,335**	508,206	(67,476)	(1,233,169)
Per share – basic	**0.001**	0.003	(0.000)	(0.010)
Funds generated by (used in) operations	**741,937**	931,298	507,828	(234,351)
Per share – basic	**0.004**	0.005	0.003	(0.002)
Capital expenditures	**2,404,167**	5,034,234	6,129,550	1,937,658
Working capital (deficiency)	**10,966,547**	(1,923,213)	1,994,017	(1,834,804)
Total assets	**37,488,482**	25,941,993	26,812,818	11,665,158
Shareholders' equity	**31,855,350**	17,042,545	17,458,271	7,019,841
Production				
Light crude oil *(bbls/d)*	**307**	289	195	66
Natural gas *(mcf/d)*	**25**	107	54	83
Total *(boe/d)*	**311**	307	204	80
Total *(boe)*	**28,306**	27,621	18,750	7,547

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 year ended December 31, 2009.

Outlook

Reliable is entering a very exciting growth period in its development with the Company commencing the drilling of horizontal wells on its Bakken-Three Forks play in southeastern Saskatchewan/southwestern Manitoba. With success, this will open up significantly more drilling opportunities for the Company on prospects that would be difficult to justify with vertical drilling. Consequently, Reliable has increased its capital expenditure program by $6.4 million to $22.8 million. Approximately $5.1 million has been directed towards additional drilling and completion activities associated with the implementation of a horizontal well program and approximately $1.3 million has been allocated to additional land and seismic acquisitions and facility construction. Funding for the capital increase is provided by the recent bought deal financing. With the implementation of this new capital program, the Company expects to achieve annual average production of 450 boe/d, down from previous guidance of 560 boe/d due primarily to wet weather delays in drilling and bringing wells on production during the second quarter. Reliable expects that its 2010 exit production rate will be maintained at 900 boe/d.

Cash flow from operations for the year has been revised downward to $6.5 million from $9.1 million due to lower average production.

Reliable's balance sheet remains strong with projected working capital at December 31, 2010 of $0.5 million and a projected unutilized credit capacity of $8.0 million.

On August 6, 2010, Reliable completed a transaction to sell its Harmattan natural gas properties and facilities, thereby enabling the Company to focus on its core area at Kirkella, while continuing to evaluate opportunities for its undeveloped acreage in the Trochu Basin.

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.

Balance Sheets

As at	June 30, 2010	December 31, 2009
	(unaudited) *($)*	*(audited)* *($)*
Assets		
Current		
Cash	**12,135,300**	7,882,336
Accounts receivable	**1,560,820**	1,208,838
Inventories	**16,018**	–
Prepaid expenses and deposits	**259,586**	329,776
Risk management receivable	**11,500**	–
	13,983,224	9,420,950
Property and equipment *(note 4)*	**23,505,258**	17,391,868
	37,488,482	26,812,818
Liabilities		
Current		
Accounts payable and accruals	**3,016,677**	7,426,933
Convertible debentures *(note 7)*	**1,218,055**	1,200,284
Asset retirement obligations *(note 8)*	**1,024,866**	727,330
Future income tax liability *(note 5)*	**373,534**	–
	5,633,132	9,354,547
Shareholders' equity		
Share capital *(note 9(b))*	**40,247,260**	26,399,828
Warrants *(note 9(e))*	**236,000**	236,000
Equity portion of convertible debentures *(note 7)*	**88,780**	88,780
Contributed surplus *(note 10)*	**1,109,279**	1,340,173
Deficit	**(9,825,969)**	(10,606,510)
	31,855,350	17,458,271
	37,488,482	26,812,818

Commitments *(note 13)*

Subsequent events *(note 16)*

See accompanying notes to the financial statements.

Statements of Operations, Comprehensive Income and Deficit

	Three Months Ended June 30, **2010**	2009	Six Months Ended June 30, **2010**	2009
(unaudited)	*($)*	*($)*	*($)*	*($)*
Revenue				
Petroleum and natural gas	**2,143,169**	411,581	**4,276,611**	613,143
Royalties	**(386,726)**	(53,189)	**(735,695)**	(85,539)
Interest income	**3,797**	6,451	**5,986**	31,831
Risk management – unrealized	**11,500**	–	**11,500**	–
	1,771,740	364,843	**3,558,402**	559,435
Expenses				
Operations	**382,343**	69,629	**715,394**	141,233
Administration	**571,523**	808,088	**1,062,120**	1,235,879
Interest and financing charges	**73,442**	120,957	**113,257**	219,123
Depletion, depreciation and accretion	**810,698**	111,697	**1,623,214**	197,575
	1,838,006	1,110,371	**3,513,985**	1,793,810
Income (loss) before income taxes	**(66,266)**	(745,528)	**44,417**	(1,234,375)
Income taxes				
Future income tax recovery *(note 5)*	**(338,601)**	–	**(736,124)**	(2,560,750)
Net income (loss) and comprehensive income (loss) for the period	**272,335**	(745,528)	**780,541**	1,326,375
Deficit – beginning of period	**10,098,304**	8,560,337	**10,606,510**	10,632,240
Deficit – end of period	**9,825,969**	9,305,865	**9,825,969**	9,305,865
Net income (loss) per share *(note 11)*				
Basic	**0.001**	(0.006)	**0.004**	0.010
Diluted	**0.001**	(0.006)	**0.004**	0.010

See accompanying notes to the financial statements.

Statements of Cash Flows

	Three Months Ended June 30, **2010**	2009	Six Months Ended June 30, **2010**	2009
(unaudited)	*($)*	*($)*	*($)*	*($)*
Cash provided by (used in):				
Operating activities				
Net income (loss) for the period	**272,335**	(745,528)	**780,541**	1,326,375
Add back (deduct) non-cash items:				
Depletion, depreciation and accretion	**810,698**	111,697	**1,623,214**	197,575
Interest and financing charges	**9,005**	8,087	**17,771**	15,960
Risk management – unrealized	**(11,500)**	–	**(11,500)**	–
Future income tax recovery *(note 5)*	**(338,601)**	–	**(736,124)**	(2,560,750)
Retirement obligations settled	**–**	(1,112)	**(667)**	(8,575)
	741,937	(626,856)	**1,673,235**	(1,029,415)
Change in non-cash working capital *(note 12)*	**(2,953,639)**	551,165	**(5,022,354)**	457,827
	(2,211,702)	(75,691)	**(3,349,119)**	(571,588)
Financing activities				
Issuance of common shares – net	**14,540,490**	–	**14,726,196**	(33,955)
	14,540,490	–	**14,726,196**	(33,955)
Investing activities				
Capital expenditures	**(2,404,167)**	(3,245,674)	**(7,438,401)**	(5,812,588)
Change in non-cash working capital *(note 12)*	**(116,550)**	839,670	**314,288**	1,181,812
	(2,520,717)	(2,406,004)	**(7,124,113)**	(4,630,776)
Change in cash and cash equivalents	**9,808,071**	(2,481,695)	**4,252,964**	(5,236,319)
Cash and cash equivalents – beginning of period	**2,327,229**	5,641,427	**7,882,336**	8,396,051
Cash and cash equivalents – end of period	**12,135,300**	3,159,732	**12,135,300**	3,159,732
Supplemental cash flow information:				
Interest paid	**–**	–	**47,250**	47,250

See accompanying notes to the financial statements.

Notes to the Financial Statements

Six Months Ended June 30, 2010
(unaudited)

1. Nature of Business

Reliable Energy Ltd. ("Reliable" or the "Company") was incorporated under the laws of the province of Alberta on November 15, 2004. On October 22, 2009, Reliable acquired 100% of the outstanding shares of Element Energy Canada Ltd. ("Element"). On February 1, 2010, Reliable and Element amalgamated under the name of Reliable Energy Ltd. The Company's principal activity is the exploration for and development of crude oil and natural gas properties in Western Canada.

The common shares of the Company are listed for trading on the TSX Venture Exchange under the symbol REL.

2. Basis of Presentation and Significant Accounting Policies

The accompanying financial statements are stated in Canadian dollars, 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 consolidated financial statements for the year ended December 31, 2009.

Recent Accounting Pronouncements

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board 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 has prepared a transition balance sheet as at January 1, 2010. These are currently being reviewed with the Company's 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 third quarter of 2010.

Business Combinations

The Canadian Institute of Chartered Accountants' 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 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. 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.

As at June 30, 2010, the Company had working capital of $10,966,547 (December 2009 – $1,994,017), which, when combined with its ongoing cash flows from operations, funds available under the bank facility and proceeds from the financing completed in the second quarter (see note 9 – Share Capital), will be sufficient to fund operations and the Company's capital expenditure program for the next 12 months.

4. Property and Equipment

	Cost	Accumulated Depletion and Depreciation	Net Book Value
	($)	*($)*	*($)*
June 30, 2010			
Petroleum and natural gas properties	**26,893,990**	**3,457,130**	**23,436,860**
Leasehold and office equipment	**384,975**	**316,577**	**68,398**
	27,278,965	**3,773,707**	**23,505,258**
December 31, 2009			
Petroleum and natural gas properties	19,203,670	1,871,880	17,331,790
Leasehold and office equipment	359,894	299,816	60,078
	19,563,564	2,171,696	17,391,868

As at June 30, 2010, the Company excluded $14,548,080 (December 2009 – $9,664,509) of resource properties relating to unproved properties from the depletion calculation. Unproved properties have been separately evaluated by management for impairment.

During the period ended June 30, 2010, the Company capitalized $277,000 (June 30, 2009 – $95,000) related to the asset retirement obligations of property and equipment. The Company did not capitalize any general and administrative costs during 2010 or 2009 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.

As at June 30, 2010, no impairment write-down was required. The impairment test was calculated using the following benchmark reference prices:

	Crude Oil	Natural Gas
	($CDN/bbl)	*($CDN/mcf)*
2010	79.05	5.85
2011	81.70	6.55
2012	84.45	6.95
2013	88.11	7.25
2014	91.96	7.60
After 2014 *(inflation %)*	2%/year	2%/year

5. Future Income Taxes

The components of the net future income tax liability are as follows:

As at	June 30, 2010	December 31, 2009
	($)	($)
Future Income Tax Assets (Liabilities)		
Property and equipment	**(3,097,409)**	(2,472,044)
Share issue, reverse takeover and financing costs	**574,488**	372,890
Asset retirement obligations	**282,863**	213,108
Non-capital losses	**1,858,712**	2,399,372
Other	**7,812**	4,865
Valuation allowance	**–**	(518,191)
Net future income tax liability	**(373,534)**	–

Due to the uncertainty surrounding realization of the tax assets, they have been recognized only to the extent necessary to offset future tax liabilities.

The income tax expense differs from the amount that would be expected by applying the current tax rates for the following reasons:

Six Months Ended June 30,	2010	2009
	($)	($)
Income (loss) before income taxes	**44,417**	(1,234,375)
Tax rate	**30.0%**	31.3%
Expected tax provision (recovery)	**13,325**	(386,359)
Increase (decrease) in provision resulting from:		
Effect of change in tax rate	**9,327**	32,787
Share issue costs	**(323,077)**	(9,949)
Change in valuation allowance	**(518,191)**	(2,225,154)
Other	**82,492**	27,925
Future tax recovery	**(736,124)**	(2,560,750)

The Company has the following estimated tax pools available for deduction against future taxable income:

As at	June 30, 2010	December 31, 2009
	($)	($)
Canadian exploration expense	**708,033**	1,946,124
Canadian development expense	**2,222,286**	334,151
Canadian oil and gas property expense	**6,250,565**	4,663,374
Undepreciated capital cost	**3,101,880**	1,921,211
Share issue and deferred financing costs	**2,081,481**	1,288,035
Non-capital losses	**6,734,462**	8,050,533
Other	**46,856**	46,856
Total estimated tax pools	**21,145,563**	18,250,284

6. Bank Loans

The Company has the following credit facilities in place at June 30, 2010:

- A revolving demand loan facility for up to $6,000,000 with outstanding balances bearing interest at Canadian prime plus 1.5%;
- An acquisition/development demand loan facility for up to $2,000,000 bearing interest at Canadian prime plus 2%; and
- A risk management facility of up to $100,000 utilizing various financial instruments subject to bank availability.

The Company drew a total of $1,600,000 on these facilities during the second quarter of 2010, all of which was fully repaid as of June 30, 2010.

7. Convertible Debentures

In August 2006, Reliable issued $1,200,000 of Convertible Unsecured Subordinated Debentures (the "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.

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 to complete a defined 'Liquidity Event' prior to February 15, 2008. The Liquidity Event was not completed, and in 2008, Reliable issued a one-time 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, 2008	1,260	1,167,481	88,780
Accretion	–	32,803	–
Balance – December 31, 2009	1,260	1,200,284	88,780
Accretion	**–**	**17,771**	**–**
Balance – June 30, 2010	**1,260**	**1,218,055**	**88,780**

8. Asset Retirement Obligations

As at	**June 30, 2010**	December 31, 2009
	($)	*($)*
Balance – beginning of period	**727,330**	254,243
Liabilities incurred	**273,000**	450,000
Liabilities settled	**–**	(8,697)
Change in estimated cash flows	**4,000**	11,000
Accretion	**20,536**	20,784
Balance – end of period	**1,024,866**	727,330

The future estimated undiscounted cash flows required to settle the obligation are $2,061,300 (2009 – $1,313,530), which has been discounted using a credit-adjusted risk free rate of 4.50% (2009 – 3.75%) and inflated at a rate of 3.54% (2009 – 3.9%) per year. Most of these obligations are not expected to be paid for 10 to 20 years in the future and will be funded from general Company resources at that time.

9. Share Capital

(a) Authorized

Unlimited voting common shares without nominal or par value.

(b) Issued

Common Shares	Number *(i)*	Value
	(#)	*($)*
Balance – December 31, 2008	126,855,872	18,516,427
Effect of future income taxes on renounced resource expenditures *(i)*	–	(2,560,750)
Private placement *(ii)*	34,667,334	5,200,100
Acquisition of Element *(iii)*	11,025,000	1,656,253
Options exercised	122,850	20,885
Brokered private placement *(iv)*	9,350,000	4,020,500
Share issue and transaction costs	–	(453,587)
Balance – December 31, 2009	182,021,056	26,399,828
Effect of future income taxes on renounced resource expenditures *(v)*	**–**	**(1,109,658)**
Options exercised	**1,531,350**	**299,555**
Warrants exercised	**5,135,874**	**805,605**
Private placement *(vi)*	**46,500,000**	**15,022,500**
Share issue and transaction costs	**–**	**(1,170,570)**
Balance – June 30, 2010	**235,188,280**	**40,247,260**

(i) 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.

(ii) On October 2, 2009, the Company issued 34,667,334 common shares at $0.15 per share.

(iii) On October 22, 2009, the Company issued 11,025,000 common shares at a deemed value of $0.15 per share to acquire Element.

(iv) On December 22, 2009, the Company issued 9,350,000 flow-through common shares at $0.43 per share.

(v) During 2010, the Company renounced $4,020,500 of resource expenditures required under the flow-through shares issued in 2009. The future income tax effect reduces the book value of the shares issued.

(vi) On May 27, 2010, the Company issued 30,000,000 common shares at $0.30 per share and 16,500,000 flow-through common shares at $0.365 per share.

(c) Escrowed Shares

As at June 30, 2010, total shares held in escrow were 10,242,339 (December 2009 – 12,802,916) pursuant to the requirements of the TSX Venture Exchange. Subsequent to the issuance of the final Exchange bulletin on January 29, 2009, 15% of the escrowed securities are being released at the completion of each six-month period.

(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 90 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 regarding 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.

9. **Share Capital (continued)**

(d) Stock Options (continued)

	Number of Options	Weighted Average Exercise Price	Expiry
	(#)	*($)*	*(year)*
Directors, Management and Employees			
Outstanding – December 31, 2008	4,835,000	0.178	2009 – 2013
Granted	6,320,000	0.185	2014
Exercised	–	–	–
Expired	(60,000)	0.170	–
Outstanding – December 31, 2009	11,095,000	0.182	2009 – 2014
Exercised	**(945,000)**	**0.199**	**–**
Outstanding – June 30, 2010	**10,150,000**	**0.181**	**2010 – 2014**
Brokers			
Outstanding – December 31, 2008	5,845,074	0.121	2009 – 2010
Exercised	(122,850)	0.170	–
Outstanding – December 31, 2009	5,722,224	0.120	2010
Converted to warrants	**(5,135,874)**	**0.120**	**–**
Exercised	**(586,350)**	**0.120**	**–**
Outstanding – June 30, 2010	**–**	**–**	**–**
Total options outstanding	**10,150,000**	**0.181**	**2010 – 2014**

Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Number Exercisable
($)	*(#)*	*(years)*	*(#)*
As at June 30, 2010			
0.140	**575,000**	**1.61**	**575,000**
0.170	**2,880,000**	**2.41**	**2,880,000**
0.180	**870,000**	**3.49**	**870,000**
0.190	**5,605,000**	**3.76**	**5,605,000**
0.200	**220,000**	**1.39**	**220,000**
0.181	**10,150,000**	**3.18**	**10,150,000**

Stock-Based Compensation

No stock-based compensation was recorded in the periods ended June 30, 2010 and 2009 as there were no stock options granted during the periods and all previously granted options had fully vested.

(e) Common Share Purchase Warrants

As at June 30, 2010, the Company had 505,716 (December 2009 – 505,716) common share purchase warrants outstanding. Of this amount, 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.

10. Contributed Surplus

As at	**June 30, 2010**	December 31, 2009
	($)	*($)*
Balance – beginning of period	**1,340,173**	459,273
Stock-based compensation:		
Options issued to directors and management	**–**	880,900
Transfer to share capital on exercise of stock options and warrants	**(230,894)**	–
Balance – end of period	**1,109,279**	1,340,173

11. Per Share Amounts

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
	(#)	*(#)*	*(#)*	*(#)*
Weighted average shares outstanding				
Basic	**200,278,247**	126,855,872	**191,540,068**	126,855,872
Diluted	**205,674,221**	126,855,872	**196,936,042**	126,855,872

The effect of convertible debentures has not been included in the calculation of diluted earnings per share for 2010 and 2009 as the effect is anti-dilutive.

12. Supplemental Cash Flow Information

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
	($)	*($)*	*($)*	*($)*
Accounts receivable	**113,387**	128,477	**(351,982)**	262,324
Prepaid expenses and deposits	**(89,217)**	(21,945)	**70,190**	(74,440)
Inventory	**–**	–	**(16,018)**	–
Demand notes receivable	**–**	26,925	**–**	26,308
Accounts payable and accruals	**(3,094,359)**	1,257,378	**(4,410,256)**	1,425,447
	(3,070,189)	1,390,835	**(4,708,066)**	1,639,639

The change in non-cash working capital has been allocated to the following activities:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
	($)	*($)*	*($)*	*($)*
Operating	**(2,953,639)**	551,165	**(5,022,354)**	457,827
Investing	**(116,550)**	839,670	**314,288**	1,181,812
	(3,070,189)	1,390,835	**(4,708,066)**	1,639,639

13. Commitments

The Company is committed to payments under an operating lease for office space through April 2011 totalling $176,800 (2010 – $106,100; 2011 – $70,700).

Under the flow-through share agreements the Company entered into in 2009, the Company is committed to spend $4,025,000 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 June 30, 2010, $1,086,724 remains to be incurred on eligible expenditures.

Under the flow-through share agreement the Company entered into in May 2010, the Company is committed to spend $6,022,500 on qualified exploration and development expenditures by May 27, 2011. At June 30, 2010, $5,785,037 remained to be incurred on eligible expenditures.

14. Related Party Transactions

(a) During the three and six months ended June 30, 2010 and 2009, the Company had the following transactions with companies controlled by certain of the Company's directors and officers:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
	($)	*($)*	*($)*	*($)*
Management consulting fees charged to:				
Administration expense	**9,905**	156,017	**18,480**	322,512
Operating expense	**–**	6,000	**–**	11,400
Property and equipment	**–**	12,000	**–**	24,600

As at June 30, 2010, accounts payable and accruals included a balance of $nil (December 2009 – $2,032) 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.

Reliable has retained the law firm of Parlee McLaws LLP ("Parlee") to provide legal services. The Corporate Secretary of Reliable is a partner of Parlee. During the period ended June 30, 2010, Reliable incurred $141,534 in costs with Parlee (June 30, 2009 – $48,885). 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. As at June 30, 2010, accounts payable and accruals included a balance of $104,273 (December 2009 – $60,133) relating to the above transactions.

(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 instalments of $25,000 beginning on July 1, 2007. However, the 2008 and the 2009 annual payments were not made as acknowledged by the Board of Directors. The balance of this note as at June 30, 2010 was $59,595 (December 2009 – $57,838). The note is secured by the borrower's shares in the Company.

(c) The Company has paid certain costs on behalf of related parties. As at June 30, 2010, accounts receivable include a balance of $10,106 (December 2009 – $10,106) relating to these transactions.

15. Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts 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 cash and cash equivalents, accounts 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 at June 30, 2010 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.

The Company does not consider any receivables to be past due.

15. Financial Instruments (continued)

Commodity Price Risk

The Company is exposed to fluctuations in commodity prices for petroleum and 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. As at June 30, 2010, the Company had fixed the price applicable to future production through the following contracts:

Crude Oil	Volume	Pricing Point	Price	Term
Fixed Price/Financial	75 bbls/d	WTI-CAD-NYMEX	CDN$84.15/bbl	Apr. 1/10 – Mar. 31/11
Fixed Price/Financial	25 bbls/d	WTI-CAD-NYMEX	CDN$77.61/bbl	Jul. 1/10 – Mar. 31/11

The fair value of this contract as at June 30, 2010 was an asset of $11,500.

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 expenditures 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.

16. Subsequent Events

On August 6, 2010, Reliable completed a transaction to sell its Harmattan natural gas properties and facilities.

17. Comparative Figures

Certain comparative figures have been reclassified to conform to presentation adopted for the current year.

Corporate Information

Board of Directors

Terry A. Lyons, B.A.Sc. (Civil Eng.),
MBA – Chairman (1)(2)
Chairman
Northgate Minerals Corporation

Brian J. Hurl, B.A. (1)(4)
Independent Businessman

Allan D. Laird, B.Sc. (Mining), P.Eng. (3)(4)
Independent Businessman

Dennis L. Nerland, B.Sc., MA,LLB (1)(2)
Partner
Shea Nerland Calnan LLP

W.C. (Mike) Seth, P.Eng. (2)(3)
President
Seth Consultants Ltd.

Murray Swanson (4)
President & Chief Executive Officer
Reliable Energy Ltd.

(1) Audit Committee Member
(2) Compensation & Governance Committee Member
(3) Reserves Committee Member
(4) HS&E Committee Member

Officers

Murray Swanson
President & Chief Executive Officer

John Newman, B.Bus., FCPA.
Vice President, Finance & Chief Financial Officer

Rob Morrison, P.Eng.
Vice President, Engineering & Operations

Gerry Talbot, B.Comm.
Vice President, Land

Gerry Hatch, CMA
Controller

James D. Thomson, LLB
Corporate Secretary

Head Office

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Auditors

Meyers Norris Penny LLP
Calgary, Alberta

Banker

National Bank of Canada
Calgary, Alberta

Evaluation Engineers

McDaniel & Associates Limited
Calgary, Alberta

Seaton-Jordan & Associates Ltd.
Calgary, Alberta

Legal Counsel

Parlee McLaws LLP
Calgary, Alberta

Registrar and Transfer Agent

Olympia Trust Company
Calgary, Alberta

Stock Trading

TSX Venture Exchange
Trading Symbol: REL

Abbreviations

bbls	barrels
boe	barrels of oil equivalent
/d	per day
mcf	thousand cubic feet
2-D	two dimensional
3-D	three dimensional

Conversion of Units

1.0 acre	=	0.40 hectares
2.5 acres	=	1.0 hectare
1.0 bbl	=	0.159 cubic metres
6.29 bbls	=	1.0 cubic metre
1.0 foot	=	0.3048 metres
3.281 feet	=	1.0 metre
1.0 mcf	=	28.2 cubic metres
0.035 mcf	=	1.0 cubic metre
1.0 mile	=	1.61 kilometres
0.62 miles	=	1.0 kilometre

Natural gas is equated to oil on the basis of 6 mcf : 1 bbl

www.reliableenergy.ca