

RESERVES REPORT

Form 51-101F1

Petro-Reef's proved plus probable reserves, based on an independent engineering year-end evaluation, indicated an increase of 167.2 percent to 1345.5 MBOE from 503.5 MBOE in the previous year, after extensions, technical revisions, and net production of 118 MBOE.

Reserves were 92.98% natural gas and 7.02% crude oil and natural gas liquids. Reserve replacement ratio was 7.14 to 1.

Of the total net reserves reported (using forecast prices) Petro-Reef's reserves are 88.3% proved and 11.7% probable.

Reserves are classified according to the degree of certainty associated with the estimates.

1) Proved Reserves

Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

2) Probable Reserves

Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

3) Possible Reserves

Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves. Possible reserves have not been considered in this report.

RESERVES RECONCILIATION

The December 31, 2006 evaluation was prepared using definitions in accordance with National Instrument 51-101. Estimates are prepared such that there is a 90% probability that at least the estimated proved reserves will be recovered and a 50% probability that at least the sum of the estimated proved reserves plus probable reserves will be recovered. The reserves reconciliation reflects current proved plus probable reserves. Both the December 31, 2005 and the December 31, 2006 reports were prepared by Sproule Associates Limited.

1) Reserves Value

Using a ten percent (10%) NPV, the value of proved plus probable reserves at constant prices and Costs (before Income Taxes) increased by Twenty Eight percent (28%) compared with last year's established reserves.

2) Reserve Life Index (as at December 31, 2006).

Based on established reserves and production volumes, Petro-Reef's reserve life index was 33.9 years at the end of 2006 compared with 23 years at the end of 2005. Petro-Reef's reserve life index (RLI) is an indication of the number of years it would take to deplete the Company's reserves. The RLI is obtained by dividing the year end reserves by the average daily production of oil, natural gas and natural gas liquids for a calendar year as estimated and determined by the independent reserves evaluator.

3) Evaluation Standards

This report has been prepared by Sproule Associates Limited using state-of-the-art geological and engineering knowledge and techniques. It has been prepared with the Code of Ethics of the Association of Professional Engineers, Geologists and Geophysicists of Alberta ("APEGGA"). Finally, this report adheres in all material aspects to the "best practices" recommended in the COGE Handbook which are in accordance with principals and definitions established by the Calgary Chapter of the Society of Petroleum Evaluation Engineers. The COGE Handbook is incorporated by reference in National Instrument 51-101.

4) The Evaluation of the petroleum and natural gas

The Evaluation of the petroleum and natural gas reserves of Petro-Reef Resources Ltd. has been approved by the company's reserve committee and the board of directors.

5) Statement of Reserves Data

Following is a detailed report on the reserves and future net revenue in six parts:

Part 1	Date of Statement
Part 2	Disclosure of Reserves Data
Part 3	Pricing Assumptions
Part 4	Reconciliation's of changes in Reserves and Future Net Revenue
Part 5	Additional Data Relating to Reserves Data
Part 6	Other Oil and Gas Information

FORM 51-101F1
STATEMENT OF RESERVES DATA
AND OTHER OIL AND GAS INFORMATION

TABLE OF CONTENTS

PART 1	DATE OF STATEMENT
Item 1.1	Relevant Dates
PART 2	DISCLOSURE OF RESERVES DATA
Item 2.1	Reserves Data (Forecast Prices and Costs)
Item 2.2	Reserves Data (Constant Prices and Costs)
PART 3	PRICING ASSUMPTIONS
Item 3.1	Forecast Prices Used in Estimates
Item 3.2	Constant Prices Used in Estimates
PART 4	RECONCILIATIONS OF CHANGES IN RESERVES AND FUTURE NET REVENUE
Item 4.1	Reserves Reconciliation
Item 4.2	Future Net Revenue Reconciliation (Constant Prices and Costs)
PART 5	ADDITIONAL INFORMATION RELATING TO RESERVES DATA
Item 5.1	Undeveloped Reserves
Item 5.2	Significant Factors or Uncertainties
Item 5.3	Future Development Costs
PART 6	OTHER OIL AND GAS INFORMATION
Item 6.1	Oil and Gas Properties and Wells
Item 6.2	Properties With No Attributed Reserves
Item 6.3	Forward Contracts
Item 6.4	Additional Information Concerning Abandonment and Reclamation Costs
Item 6.5	Tax Horizon
Item 6.6	Costs Incurred
Item 6.7	Exploration and Development Activities
Item 6.8	Production Estimates
Item 6.9	Production History

PART 1 DATE OF STATEMENT

1.1 Relevant Dates

- 1. Date the statement: April 05, 2007
- 2. Effective date: December 31, 2006
- 3. Preparation date: Between February 1 and April 2, 2007

PART 2 DISCLOSURE OF RESERVES DATA

2.1 Reserves Data (Forecast Prices and Costs)

2.1.1 Reserves Gross and Net (Forecast Prices and Costs)

N1 51-101 Summary of Oil and Gas Reserves as of December 31, 2006 Forecast Prices and Costs										
Reserves										
	Light and Medium Oil		Heavy Oil		Natural Gas Liquids (non-associated & associated)		Coalbed Methane		Natural Gas Liquids	
Reserves Category	Gross (Mbbl)	Net (Mbbl)	Gross (Mbbl)	Net (MMcf)	Gross (MMcf)	Net (MMcf)	Gross (MMcf)	Net (MMcf)	Gross (Mbbl)	Net (Mbbl)
Proved										
Developed Producing	42	37	0	0	5,789	4,786	0	0	9	8
Developed Non-Producing	0	0	0	0	9	8	0	0	0	0
Undeveloped	32	28	0	0	2,360	1,894	0	0	0	0
Total Proved	74	66	0	0	8,159	6,688	0	0	9	8
Probable	22	20	0	0	992	817	0	0	2	1
Total Proved Plus Probable	96	86	0	0	9,151	7,505	0	0	11	9

2.1.2 Net Present Value of Future Net Revenue (Forecast Prices and Costs)

N1 51-101 Summary of Net Present Values of Future Net Revenue as of December 31, 2006 Forecast Prices and Costs										
Net Present Values of Future Net Revenue										
Reserves Category	Before Income Taxes Discounted at (% / Year)					After Income Taxes Discounted at (% / Year)				
	0 (M\$)	5 (M\$)	10 (M\$)	15 (M\$)	20 (M\$)	0 (M\$)	5 (M\$)	10 (M\$)	15 (M\$)	20 (M\$)
Proved										
Developed Producing	31,812	24,942	20,790	18,017	16,026	25,676	20,385	17,168	15,005	13,443
Developed Non-Producing	48	26	15	9	5	34	19	10	6	4
Undeveloped	11,331	8,916	7,250	6,045	5,141	7,980	6,185	4,947	4,053	3,384
Total Proved	43,190	33,885	28,054	24,070	21,173	33,689	26,588	22,125	19,064	16,831
Probable	6,130	4,823	3,971	3,378	2,945	4,323	3,393	2,787	2,367	2,059
Total Proved Plus Probable	49,320	38,707	32,025	27,449	24,118	38,013	29,981	24,912	21,431	18,890

Notes:

- 1) NPV of FNR include all resource income:
 - Sale of oil, gas, by-product reserves
 - Processing third party reserves
 - Other income

- 2) Income Taxes
 - Includes all resource income
 - Apply appropriate income tax calculations
 - Include prior tax pools

2.1.3 Future Net Revenue Undiscounted (Forecast Prices and Costs)

N1 51-101 Total Future Net Revenue Undiscounted as of December 31, 2006 Forecast Prices and Costs								
Reserves Category	Revenue (M\$)	Royalties (M\$)	Operating Costs (M\$)	Development Costs (M\$)	Well Abandonment/ Other Costs (M\$)	Future Net Revenue Before Income Taxes (M\$)	Income Taxes (M\$)	Future Net Revenue After Income Taxes (M\$)
Proved	77,465	15,574	15,620	2,708	374	43,190	9,500	33,689
Proved Plus Probable	87,534	17,581	17,529	2,708	396	49,320	11,307	38,013

2.1.4 By Production Group-Future Net Revenue before Income Tax (Using Forecast Prices and Costs – Using a discount rate of 10%)

N1 51-101 Net Present Value of Future Net Revenue By Production Group as of December 31, 2006 Forecast Prices and Costs		
Reserves Category	Production Group	Future Net Revenue Before Income Taxes (Discounted at 10% Year) (M\$)
Proved	Light and Medium Crude Oil (including solution gas and associated by-products)	1,386
	Heavy Oil (including solution gas and associated by-products)	0
	Natural Gas (including associated by-products)	26,331
	Coalbed Methane (including associated by-products)	0
Proved Plus Probable Reserves	Light and Medium Crude Oil (including solution gas and associated by-products)	1,691
	Heavy Oil (including solution gas and associated by-products)	0
	Natural Gas (including associated by-products)	29,997
	Coalbed Methane (including associated by-products)	0

2.2 Reserves Data (Constant Prices and Costs)

2.2.1 Reserves Gross and Net (Constant Prices and Costs)

N1 51-101
Summary of Oil and Gas Reserves
as of December 31, 2006
Constant Prices and Costs

Reserves										
	Light and Medium Oil		Heavy Oil		Natural Gas Liquids (non-associated & associated)		Coalbed Methane		Natural Gas Liquids	
Reserves Category	Gross (Mbbbl)	Net (Mbbbl)	Gross (Mbbbl)	Gross (MMcf)	Net (MMcf)	Net (MMcf)	Net (MMcf)	Net (MMcf)	Gross (Mbbbl)	Net (Mbbbl)
Proved										
Developed Producing	42	37	0	0	5,807	4,795	0	0	9	8
Developed Non-Producing	0	0	0	0	9	8	0	0	0	0
Undeveloped	33	29	0	0	2,364	1,896	0	0	0	0
Total Proved	75	67	0	0	8,180	6,699	0	0	9	8
Probable	22	20	0	0	981	809	0	0	2	1
Total Proved Plus Probable	97	87	0	0	9,161	7,507	0	0	11	9

2.2.2 Net Present Value of Future Net Revenue (Constant Prices and Costs)

NI 51-101 Summary of Net Present Values of Future Net Revenue as of December 31, 2006 Constant Prices and Costs										
	Net Present Values of Future Net Revenue									
	Before Income Taxes Discounted at (% / Year)					After Income Taxes Discounted at (% / Year)				
Reserves Category	0 (M\$)	5 (M\$)	10 (M\$)	15 (M\$)	20 (M\$)	0 (M\$)	5 (M\$)	10 (M\$)	15 (M\$)	20 (M\$)
Proved										
Developed Producing	23,457	18,647	15,632	13,572	12,074	19,389	15,684	13,348	11,738	10,557
Developed Non-Producing	32	17	10	6	3	22	12	7	4	2
Undeveloped	8,244	6,430	5,165	4,245	3,551	5,596	4,279	3,360	2,692	2,189
Total Proved	31,732	25,094	20,807	17,823	15,628	25,007	19,974	16,715	14,434	12,748
Probable	4,767	3,724	3,050	2,584	2,245	3,236	2,528	2,070	1,754	1,524
Total Proved Plus Probable	36,499	28,819	23,857	20,407	17,873	28,242	22,503	18,785	16,188	14,271

Notes:

- 1) NPV of FNR include all resource income:
 - Sale of oil, gas, by-product reserves
 - Processing third party reserves
 - Other income

- 2) Income Taxes
 - Includes all resource income
 - Apply appropriate income tax calculations
 - Include prior tax pools

2.2.3 Future Net Revenue Undiscounted (Constant Prices and Costs)

N1 51-101 Total Future Net Revenue (Undiscounted) as of December 31, 2006 Constant Prices and Costs								
Reserves Category	Revenue (M\$)	Royalties (M\$)	Operating Costs (M\$)	Develop- ment Costs (M\$)	Well Abandon- ment / Other Costs (M\$)	Future Net Revenue Before Income Taxes (M\$)	Income Taxes (M\$)	Future Net Revenue After Income Taxes (M\$)
Proved Reserves	58,832	11,365	12,751	2,707	276	31,732	6,726	25,007
Proved Plus Probable	66,621	12,850	14,285	2707	280	36,499	8,257	28,242

2.2.4 By Production Group-Future Net Revenue before Income Tax (Using Constant Prices and Costs – Using a discount rate of 10 percent). (Before Income Tax)

N1 51-101 Net Present Value of Future Net Revenue By Production Group As of December 31, 2006 Constant Prices and Costs		
Reserves Category	Production Group	Future Net Revenue Before Income Taxes (Discounted at 10% / Year) (M\$)
Proved Reserves	Light and Medium Crude Oil (including solution gas and associated by-products)	1,400
	Heavy Oil (including solution gas and associated by-products)	0
	Natural Gas (including associated by-products)	19,070
	Coalbed Methane (including associated by-products)	0
Proved Plus Probable Reserves	Light and Medium Crude Oil (including solution gas and associated by-products)	1,717
	Heavy Oil (including solution gas and associated by-products)	0
	Natural Gas (including associated by-products)	21,804
	Coalbed Methane (including associated by-products)	0

PART 3 PRICING ASSUMPTIONS

3.1 Forecast Prices Used in Estimates

N1 51-101 Summary of Pricing and Inflation Rate Assumptions as of December 31, 2006 Forecast Prices and Costs								
	Oil							
Year	WTI Cushing Oklahoma (\$US/bbl)	Edmonton Par Price 40° API (\$Cdn/bbl)	Cromer Medium 29.3° API (\$Cdn/bbl)	Natural Gas¹ AECO Gas Prices (\$Cdn/MMBtu)	Pentanes Plus F.O.B Field Gate (\$Cdn/bbl)	Butanes F.O.B. Field Gate (\$Cdn/bbl)	Inflation Rate² (%/Yr)	Exchange Rate³ (\$US/\$Cdn)
Historical								
2002	26.09	40.12	35.46	4.04	40.80	25.39	2.7	0.637
2003	31.14	43.23	37.53	6.66	44.16	34.55	2.5	0.716
2004	41.42	52.91	45.72	6.87	53.91	41.37	2.5	0.825
2005	56.46	69.29	57.36	8.58	69.13	45.20	1.6	0.850
2006	66.09	73.31	62.35	7.16	75.03	59.32	2.0	0.882
Forecast								
2007	65.73	74.10	63.72	7.72	75.88	55.23	5.0	0.870
2008	68.82	77.62	66.75	8.59	79.49	57.85	4.0	0.870
2009	62.42	70.25	60.41	7.74	71.94	52.36	3.0	0.870
2010	58.37	65.56	56.38	7.55	67.14	48.87	2.0	0.870
2011	55.20	61.90	53.24	7.72	63.40	46.14	2.0	0.870
Thereafter	Various Escalation Rates							

- 1) This summary table identifies benchmark reference pricing schedules that might apply to a *reporting issuer*.
- 2) Inflation rates for forecasting prices and costs.
- 3) Exchange rates used to generate the benchmark reference prices in this table.
- 4) Pricing assumptions were provided by Sproule Associates Limited.

Notes:

Product sale prices will reflect these reference prices with further adjustments for quality and transportation to point of sale.

3.2 Constant Prices Used in Estimates

N1 51-101 Summary of Pricing Assumptions as of December 31, 2006 Constant Prices and Costs							
	Oil						
Year	WTI Cushing Oklahoma (\$US/bbl)	Edmonton Par Price 40° API (\$Cdn/bbl)	Cromer Medium 29.3° API (\$Cdn/bbl)	Natural Gas ¹ AECO Gas Prices (\$Cdn/MMBtu)	Pentanes Plus F.O.B Field Gate (\$Cdn/bbl)	Butanes F.O.B. Field Gate (\$Cdn/bbl)	Exchange Rate ³ (\$US/\$Cdn)
Historical							
Dec. 31, 2001	19.78	31.15	22.41	3.64	29.25	16.73	0.628
Dec. 31, 2002	31.23	49.26	41.95	5.97	50.22	38.91	0.634
Dec. 31, 2003	32.56	40.60	36.39	6.88	44.18	37.73	0.771
Dec. 31, 2004	44.04	46.51	32.10	6.78	51.80	39.78	0.832
Dec. 31, 2005	61.04	68.12	52.28	9.99	71.35	59.32	0.860
Forecast							
Dec. 31, 2006	61.05	67.59	62.45	6.13	71.51	54.00	0.858

- 1) This summary table identifies benchmark reference pricing schedules that might apply to a *reporting issuer*.
- 2) Exchange rates are used to generate the benchmark reference prices in this table.
- 3) Pricing assumptions were provided by Sproule Associates Limited.

Notes:

Product sale prices will reflect these reference prices with further adjustments for quality and transportation to point of sale.

**PART 4 RECONCILIATIONS OF CHANGES IN RESERVES AND
FUTURE NET REVENUE**

4.1 Reserves Reconciliation

N1 51-101 Reconciliation of Company Net Reserves (After Royalty) By Principal Product Type as of December 31, 2006 Forecast Prices and Costs ¹									
Factors	Light and Medium Oil			Associated and Non-Associated Gas			Natural Gas Liquids		
	Net Proved (Mbbbl)	Net Probable (Mbbbl)	Net Proved Plus Probable (Mbbbl)	Net Proved (MMcf)	Net Probable (MMcf)	Net Proved Plus Probable (MMcf)	Net Proved (Mbbbl)	Net Probable (Mbbbl)	Net Proved Plus Probable (Mbbbl)
December 31, 2005	0	0	0	2,241	776	3,017	0.5	0.2	0.9
Extensions	-	-	-	5,335	354	6,156	7.3	1.1	8.4
Improved Recovery	-	-	-	-	-	-	-	-	-
Technical Revisions	-	-	-	-180	-237	-433	-	-	-
Discoveries	71.0	19.8	90.8	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-
Production	-5.2	-	-5.2	-708	0	708	-0.6	-	-0.1
December 31, 2006	65.8	19.8	85.6	6,688	817	7,505	7.6	1.3	9.0

- (1) A reconciliation of *reserves* estimates may be presented using either *constant prices and costs* or *forecast prices and costs* provide that the price and cost case is indicated in the disclosure.
- (2) The numbers may not match due to rounding.
- (3) Technical revision includes reserves reclassification.

4.2 Future Net Revenue Reconciliation (Constant Prices & Costs)

For Proved Reserves Only @ 10% Discount of Net Present Value (Before Income Tax)

NI 51-101 Reconciliation of Changes in Net Present Values of Future Net Revenue Discounted at 10% Per Year Proved Reserves as of December 31, 2006 Constant Prices and Costs	
Factors	2006/1/1 - 2006/12/31 M\$
Estimated Future Net Revenue Atax at Beginning of Year	12,668
Sales and Transfers of Oil and Gas Produced, Net of Production Costs and Royalties	-3,884
Net Changed in Prices, Production Costs and Royalties Related to Future Production	-4,665
Changes in Previously Estimated Development Costs Incurred During the Period	-3,604
Changes in Estimated Future Development Costs	-2,630
Extensions and Improved Recovery	15,720
Discoveries	2,134
Acquisitions of Reserves	0
Dispositions of Reserves	0
Net Change Resulting from Revisions in Quantity Estimates	-530
Accretion of Discount	984
Net Change in Income Taxes for Current Period	224
Net Change in Income Taxes for Future Forecast	-1,341
Miscellaneous Changes	1,640
Estimated Future Net Revenue Atax at End of Year	16,715

- Notes: 1 Proved Reserves – Constant Prices
2 Discounted @ 10%
3 Before Income Tax Value
4 After Income Tax Value

4.2.1 Additional changes were due to changes used in the Constant Price forecast for December 31, 2005 and December 31, 2006 as follows:

	December 31, 2005 Price (\$)	December 31, 2006 Price (\$)
Oil : Edmonton Par	68.12/stb	67.59/stb
Natural Gas (AECO-C)	9.99/mcf	6.13/mcf
Natural Gas By Products:		
Butanes	59.32/stb	54.00/stb
Pentanes Plus	71.25/stb	71.51/stb
Exchange Rate	0.86 u.s./cdn	0.858 u.s./cdn

4.2.2 The change in future net development costs of proved undeveloped reserves from December 31, 2005 to December 31, 2006 is as a result of increased cost in drilling, completions and facilities

4.2.3 The net change in income taxes are due to increases in projected net revenues effective December 31, 2006, versus the projected net reserves effective December 31, 2005 and the increase in capital expenditures on properties during fiscal year 2006.

The changes in tax pools are as follows:

FEDERAL:

	COGPE		CDE		CEE		Class 39 & 41	Class 8 & 45	Total
	Regular	Successor	Regular	Successor	Regular	Successor			
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Opening balance per Tax return	868,504	530,023	333,806	3,193	2,906,708	0	1,920,451	29,553	6,592,238
Additions for 2006	374,691	0	1,721,735	0	3,718,385	0	1,810,806	33,162	7,658,779
Tax pool available	1,243,195	530,023	2,055,541	3,193	6,625,093	0	3,731,257	62,715	14,251,017
Tax claim rate (%)	10%	10%	30%	30%	100%	100%	25%	20% 45%	
Claim Available	124,320	53,002	616,662	958	6,625,093	0	706,464	10,335	8,136,834
Current year claim	124,320	53,002	616,662	958	2,027,418	0	706,464	10,335	3,539,159
Closing balance per Tax return	1,118,876	477,021	1,488,879	2,235	4,597,675	0	3,024,793	52,380	10,711,858

PART 5 ADDITIONAL INFORMATION RELATING TO RESERVES DATA

5.1 Undeveloped Reserves

5.1.1 Proved Undeveloped Reserves

Proved Undeveloped Reserves are those reserves expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production and meet the proved developed or proved developed producing reserves classification. Total net capital expenditures for 2007 are anticipated to be \$1,846,000.

5.1.2 Probable Undeveloped Reserves

Probable Undeveloped Reserves are those reserves expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production to meet the proved developed or proved developed producing reserves classification from the current probable undeveloped classification. No capital expenditures for 2007 are anticipated.

5.2 Significant Factors or Uncertainties

There are no economic factors or significant uncertainties that affect particular components of the reserves data.

5.3 Future Development Costs

5.3.1 Development Costs of Future Net Revenue

Proved Reserves (Constant Prices and Costs)		Proved Reserves (Forecast Prices and Costs)		Proved Plus Probable Reserves (Forecast Prices and Costs)	
Undiscounted	Discount @ 10%	Undiscounted	Discount @ 10%	Undiscounted	Discount @ 10%
\$2,705,000	\$2,631,000	\$2,705,000	\$2,631,000	\$2,705,000	\$2,631,000

Note: Development costs are all incurred in fiscal year 2006.

5.3.2 Development Costs of Future Net Revenue (by year)

a) Proved Reserves (Constant Prices and Costs)

2007	\$2,705,000
2008	0
2009	0
2010	0
2011	0

b) Proved Reserves (Forecast Prices and Costs)

2007	\$2,705,000
2008	0
2009	0
2010	0
2011	0

c) Proved Plus Probable Reserves (Forecast Prices and Costs)

2007	\$2,705,000
2008	0
2009	0
2010	0
2011	0

Note: Development costs are funded by cash flow.

PART 6 OTHER OIL AND GAS INFORMATION

6.1 Oil and Gas Properties and Wells

Petro-Reef's two main properties representing 99.7% of its net present value (for proved plus probable reserves using 10% discounted values – before income taxes) are located in Central Alberta.

6.1.1 Producing Versus Non-Producing Reserves

Following are properties to which reserves have been attributed and are capable of producing but which are not producing as of the effective date, the percentage of those reserves to the total reserves, and the percentage of those reserves that are non-producing as of the dates indicated.

a) (i) Alexander

Total Proved plus Probable Reserves (@ December 31, 2006)

CRUDE OIL & NATURAL GAS LIQUIDS			NATURAL GAS *		
	Company			Company	
Gross MBbl	Gross MBbl	Net MBbl	Gross MMCF	Gross MMCF	Net MMCF
244.6	107.2	94.6	17,763	8,275	6,784

(ii) Proved plus Probable Non-Producing Reserves (@ April 04, 2006)

CRUDE OIL & NATURAL GAS LIQUIDS			NATURAL GAS *		
	Company			Company	
Gross MBbl	Gross MBbl	Net MBbl	Gross MMCF	Gross MMCF	Net MMCF
0	0	0	2,285	929	760
Percentage of Total Reserves Non-Producing	0%	0%		36.3%	38.0%

(iii) Total Proved plus Probable Non-Producing Reserves (@ December 31, 2006)

CRUDE OIL & NATURAL GAS LIQUIDS			NATURAL GAS *		
	Company			Company	
Gross MBbl	Gross MBbl	Net MBbl	Gross MMCF	Gross MMCF	Net MMCF
128.1	55.7	48.20	5,574	3,1282	2,520
Percentage of Total Reserves Non-Producing	52.0%	51.0%		37.8%	37.1%

* Includes solution gas

b) Morinville

(i) Total Proved plus Probable Reserves (@ December 31, 2006)

CRUDE OIL & NATURAL GAS LIQUIDS			NATURAL GAS *		
	Company			Company	
Gross MBbl	Gross MBbl	Net MBbl	Gross MMCF	Gross MMCF	Net MMCF
0	0	0	1,708	831	682

(ii) Total Proved plus Probable Non-Producing Reserves (@ April 04, 2006)

CRUDE OIL & NATURAL GAS LIQUIDS			NATURAL GAS *		
	Company			Company	
Gross MBbl	Gross MBbl	Net MBbl	Gross MMCF	Gross MMCF	Net MMCF
	0	0	1,830	951	756
Percentage of Total Reserves Non-Producing	0%	0%		82.3%	77.2%

(iii) Total Proved plus Probable Non-Producing Reserves (@ December 31, 2006)

CRUDE OIL & NATURAL GAS LIQUIDS			NATURAL GAS *		
	Company			Company	
Gross MBbl	Gross MBbl	Net MBbl	Gross MMCF	Gross MMCF	Net MMCF
	0	0	627	207	175
Percentage of Total Reserves Non-Producing	0%	0%		24.9%	25.7%

* Includes solution gas

c) Other Properties

Other properties represent 0.3% of the total net present value (before income tax) with approximately 95% of those properties producing. The other properties are all non-operated.

6.1.2 Producing Versus Non-Producing Oil & Gas Wells:

Following is a list of oil and gas wells (gross and net) which are producing and non-producing (@ December 31, 2006). All the oil and gaswells are in Central Alberta Canada.

Production is as of December 31, 2006

	Oilwells		Gaswells	
	Gross	Net	Gross	Net
Producing	2.0	1.1	16	6.17
Non-Producing @ December 31, 2006	0	0	2	0.98

Note: Only wells which have reserves assigned by the qualified independent reserves evaluator have been reported.

6.2 Properties With No Attributed Reserves

6.2.1 Unproved Properties ⁽¹⁾

Location	Gross (Acres)	Net (Acres)
Alexander (Qui Barre)	3,772.5	2,172.2
Morinville	4,604.3	1,328.0
Total Unproved Properties	8,376.8	3,500.2

Note 1: Unproved Properties are those lands which have no reserves assigned by the independent reserves evaluator.

There are no work commitments required for fiscal year 2007.

6.2.2 The net area of unproved property which is expected to expire in fiscal year 2007 is 512.4 acres.

6.3 Forward Contracts

The Company is not bound by any agreement (including any transportation agreement) which would preclude it from fully realizing future market prices for oil or gas.

6.4 Additional Information Concerning Abandonment and Reclamation Costs.

- a) Petro-Reef estimates abandonment and reclamation cost based on historical average costs for the area net of salvage value at \$30,000 per well.
- b) Future net wells for which such costs shall be incurred are:
 - (i) For Wells where reserves are assigned equals 6.963 net wells.
 - (ii) For Wells where no reserves are assigned equals 1.7325 net wells.
- c) Undiscounted cost to the Company = \$181,788 for reclamation and abandonment.
- d) The qualified independent reserves evaluator has estimated \$131,000 for abandonment and reclamation net to the Company before recovery of equipment or salvage value.
- e) The company expects to pay approximately \$50,000 in the next three years for reclamation and abandonment.

6.5 Tax Horizon

The Company does not expect to be required to pay income taxes for its 2006 financial year. It is anticipated that taxes will become payable for fiscal year 2008 or 2009.

6.6 Costs Incurred (for fiscal year 2006)

6.6.1 Cost for COGPE, CEE, and CDE (\$)

- a) Property acquisition costs (COGPE) = 374,692
- b) Exploration costs (CEE) = 3,718,385
- c) Development costs (CDE) = 1,721,736
- d) Class 39 & 41 = 1,810,806
- e) Class 8 = 28,839
- f) Class 45 = 4,323
- g) Total = 7,658,781

6.7 Exploration and Development Activities

6.7.1 Wells for fiscal year 2006

Exploration wells	4
Development wells	10

6.7.2 Wells for fiscal year 2006

Gaswells	10
Oilwells	1
Dry Holes	3

6.8 Production Estimates

6.8.1 Production estimates for 2007 (based on Company Interest) are:

- a) Using Constant Prices and Costs (Proved only)

Oil	8.7	MBbl
Gas	1,533	MMCF
NGL	1.0	MBbl
- b) Using Forecast Prices and Costs (Proved only)

Proved: Oil	8.7	MBbl
Gas	1,527	MMCF
NGL	1.0	MBbl

Proved Plus Probable:	Oil	8.8	MBbl
	Gas	1,642	MMCF
	NGL	1.1	MBbl

Note: Production estimates are taken from the evaluation by the independent reserves evaluator and in the Companies opinion are extremely conservative as required by N1 51-101.

6.8.2 Of the above referenced production 99.7% is represented by two (2) properties:

- a) Morinville
- b) Alexander

6.9 Production History for fiscal year 2006

2006 PRODUCTION & REVENUE SUMMARY

<u>Month</u>	<u>Production BOE / Day</u>	<u>Production BOE / Month</u>	<u>Price \$/ BOE</u>	<u>Royalty Expenses \$/BOE</u>	<u>Gross Revenue \$ After Royalties</u>	<u>Operating Expenses \$</u>	<u>Netback \$/BOE</u>	<u>Cash Flow \$</u>
JAN	605	18,750	54.98	17.53	702,593	142,097	30.04	579,496
FEB	595	16,658	46.73	12.94	453,190	140,129	25.79	313,062
MAR	584	18,091	42.08	11.46	622,579	106,892	24.35	515,687
3 Month Average	595	17,833	47.93	13.98	599,121	129,706	26.73	469,415
APR	539	16,172	43.67	11.13	665,976	108,919	25.46	557,057
MAY	530	16,424	36.95	9.58	531,286	135,131	18.53	396,155
JUN	531	15,931	39.22	8.70	511,334	1135,586	21.41	375,748
3 Month Average	533	16,176	39.95	9.80	569,532	126,546	21.80	442,987
JUL	382	11,831	39.88	8.40	405,592	119,279	22.22	286,313
AUG	317	9,816	42.41	9.26	409,278	127,899	21.92	281,379
SEP	316	9,485	31.96	6.37	230,347	113,231	13.54	117,116
3 Month Average	338	10,377	38.08	8.01	348,405	120,136	19.23	228,269
OCT	291	9,014	37.89	6.29	286,465	131,277	16.09	155,187
NOV	380	11,405	49.08	8.75	485,089	116,841	31.03	368,248
DEC	393	12,144	44.02	10.61	427,163	125,687	24.75	301,476
3 Month Average	355	10,854	43.66	8.55	399,572	124,602	23.96	274,971
Average for 2006	454	13,810	42.41	10.09	479,158	125,247	22.92	353,910
Total for 2006	454	165,721	-	-	5,749,891	1,502,968	-	4,246,923

* Note: Cash flow on this production and revenue summary is before general and administrative costs, interest expense, and before income tax.

Reference is made to barrels of oil equivalent (BOE). Barrels of oil equivalent may be misleading, particularly if used in isolation. In accordance with National Instrument 51-101, a BOE conversion ratio for natural gas of 6 Mcf: 1 Bbl has been used, which is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.