RESERVES REPORT
Form 51-101F1

As a result of continued stringent reserve reporting rules and guidelines many oil and gas companies have had to report reductions in proven plus probable reserves. Petro-Reef's proven plus probable reserves however, based on an independent engineering year-end evaluation, indicated an increase of 8.9 percent (8.9%) to 502.8 MBOE from 461.6 MBOE in the previous year before 2004 production, and a decrease of 4.68% after 2004 production and revisions from 461.6 MBOE to 440.0 MBOE with net production of 62.977 MBOE.

Reserves were 96.34% natural gas and 3.66% crude oil and natural gas liquids. Reserve replacement ratio was 0.66 to 1.

Of the total net reserves reported (using forecast prices) Petro-Reef's reserves are 63.8% proven and 36.2% 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 he 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 January 1, 2004 evaluation as well as the December 31, 2004 evaluation were 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 January 1, 2004 and the December 31, 2004 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 has increased by twenty percent (20%) compared with last year's established reserves.

2) Reserve Life Index (as at December 31, 2004).

Based on established reserves and production volumes, Petro-Reef's reserve life index was 32.6 years at the end of 2004 compared with 24.4 years at the end of 2003 – a 33.6% increase. 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
1.1 Relevant Dates

1. Date the statement: April 04, 2005
2. Effective date: December 31, 2004
3. Preparation date: Between February 1 and April 1, 2005.

PART 2 DISCLOSURE OF RESERVES DATA
2.1 Reserves Data (Constant Prices and Costs)

2.1.1 Reserves Gross and Net (Constant Prices and Costs)

N1 51-101
Summary of Oil and Gas Reserves
as of December 31, 2004
Constant Prices and Costs

Reserves

	Light and Medium Oil		**Heavy Oil**		**Natural Gas Liquids (non-associated & associated)**		**Natural Gas (solution)**		**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	0.0	0.0	0.0	0.0	1,588	1,321	0	0	14.7	11.6
Developed Non-Producing	0.0	0.0	0.0	0.0	57	57	0	0	0.0	0.0
Undeveloped	0.0	0.0	0.0	0.0	312	249	0	0.0	0.0	0.0
Total Proved	**0.0**	**0.0**	**0.0**	**0.0**	**1,957**	**1,628**	**0**	**0**	**14.7**	**11.6**
Probable	0.0	0.0	0.0	0.0	1,094	941	0	0	5.6	4.6
Total Proved Plus Probable	**0.0**	**0.0**	**0.0**	**0.0**	**3,051**	**2,569**	**0**	**0**	**20.3**	**16.3**

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

N1 51-101 Summary of Net Present Values of Future Net Revenue as of December 31, 2004 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	7,303	6,406	5,742	5,230	4,825	7,182	6,316	5,672	5,174	4,778
Developed Non-Producing	199	141	102	75	56	133	94	67	49	36
Undeveloped	980	817	697	606	535	674	576	505	450	407
Total Proved	**8,482**	**7,364**	**6,540**	**5,911**	**5,416**	**7,989**	**6,986**	**6,244**	**5,674**	**5,222**
Probable	4,365	3,336	2,718	2,304	2,007	3,036	2,308	1,888	1,614	1,422
Total Proved Plus Probable	**12,848**	**10,699**	**9,257**	**8,215**	**7,423**	**11,025**	**9,294**	**8,132**	**7,288**	**6,644**

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 (Constant Prices and Costs)

N1 51-101 Total Future Net Revenue (Undiscounted) as of December 31, 2004 Constant Prices and Costs								
Reserves Category	**Revenue (M$)**	**Royalties (M$)**	**Opera-ting Costs (M$)**	**Develop-ment Costs (M$)**	**Well Abandon-ment Costs (M$)**	**Future Net Revenue Before Income Taxes (M$)**	**Income Taxes (M$)**	**Future Net Revenue After Income Taxes (M$)**
Proved	13,875	2,377	2,838	60	118	8,482	490	7,992
Proved Plus Probable	21,367	3,799	4,543	60	118	12,848	1,823	11,025

2.1.4 By Production Group-Future Net Revenue before Income Tax (Using Constant 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, 2004 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)	0
	Heavy Oil (including solution gas and associated by-products)	0
	Natural Gas (including associated by-products)	6,376
Proved Plus Probable Reserves	Light and Medium Crude Oil (including solution gas and associated by-products)	0
	Heavy Oil (including solution gas and associated by-products)	0
	Natural Gas (including associated by-products)	9,094

2.2 Reserves Data (Forecast Prices and Costs)

2.2.1 Reserves Gross and Net (Forecast Prices and Costs)

N1 51-101 Summary of Oil and Gas Reserves as of December 31, 2004 Forecast Prices and Costs										
Reserves										
	Light and Medium Oil		**Heavy Oil**		**Natural Gas Liquids (non-associated & associated)**		**Natural Gas (solution)**		**Natural Gas Liquids**	
Reserves Category	**Gross (Mbbl)**	**Net (Mbbl)**	**Gross (Mbbl)**	**Gross (MMcf)**	**Net (MMcf)**	**Net (MMcf)**	**Net (MMcf)**	**Net (MMcf)**	**Gross (Mbbl)**	**Net (Mbbl)**
Proved										
Developed Producing	0.0	0.0	0.0	0.0	1,573	1,309	0	0	14.6	11.6
Developed Non-Producing	0.0	0.0	0.0	0.0	57	57	0	0	0.0	0.0
Undeveloped	0.0	0.0	0.0	0.0	312	249	0	0.0	0.0	0.0
Total Proved	**0.0**	**0.0**	**0.0**	**0.0**	**1,942**	**1,615**	**0**	**0**	**14.6**	**11.6**
Probable	0.0	0.0	0.0	0.0	1,083	928	0	0	5.5	4.5
Total Proved Plus Probable	**0.0**	**0.0**	**0.0**	**0.0**	**3,025**	**2,543**	**0**	**0**	**20.1**	**16.1**

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

Summary of Net Present Values of Future Net Revenue as of December 31, 2004 Forecast 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	6,411	5,753	5,247	4,847	4,523	6,411	5,749	5,240	4,837	4,510
Developed Non-Producing	109	78	56	41	31	109	78	56	41	31
Undeveloped	758	652	571	508	457	612	544	490	446	409
Total Proved	**7,278**	**6,483**	**5,875**	**5,397**	**5,011**	**7,132**	**6,371**	**5,786**	**5,324**	**4,950**
Probable	3,445	2,738	2,290	1,980	1,753	2,466	1,939	1,622	1,412	1,262
Total Proved Plus Probable	**10,722**	**9,221**	**8,165**	**7,377**	**6,764**	**9,598**	**8,309**	**7,408**	**6,736**	**6,211**

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 (Forecast Prices and Costs)

N1 51-101
Total Future Net Revenue
(Undiscounted)
as of December 31, 2004
Forecast Prices and Costs

Reserves Catergory	Revenue (M$)	Royalties (M$)	Opera-ting Costs (M$)	Develop-ment Costs (M$)	Well Abandon-ment Costs (M$)	Future Net Revenue Before Income Taxes (M$)	Income Taxes (M$)	Future Net Revenue After Income Taxes (M$)
Proved Reserves	12,651	2,139	3,036	63	136	7,278	142	7,136
Proved Plus Probable	19,356	3,404	5,022	63	145	10,722	1,124	9,598

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

N1 51-101 Net Present Value of Future Net Revenue By Production Group As of December 31, 2004 Forecast 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)	0
	Heavy Oil (including solution gas and associated by-products)	0
	Natural Gas (including associated by-products)	*5,711*
Proved Plus Probable Reserves	Light and Medium Crude Oil (including solution gas and associated by-products)	0
	Heavy Oil (including solution gas and associated by-products)	*0*
	Natural Gas (including by-products but excluding solution gas from oil wells)	*8,001*

PART 3 PRICING ASSUMPTIONS

3.1.1 Constant Prices Used in Estimates

Oil:

Edmonton Par	**46.51 $/stb**

Natural Gas:

Alberta AECO-C	**6.78 $/Mcf**

Natural Gas By Products:

Butanes	**39.78 $/bbl**
Pentanes Plus	**51.80 $/bbl**

Exchange Rate	**0.832 $U.S./$Cdn.**

3.2.1 Forecast Prices Used in Estimates

N1 51-101 Summary of Pricing and Inflation Rate Assumptions as of December 31, 2004 Forecast Prices and Costs								
	Oil							
Year	**WTI Cushing Oklahoma ($US/bbl)**	**Edmonton Par Price 40º API ($Cdn/bbl)**	**Cromer Medium 29.3º 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)**	**Inflation Rate [2] (%/Yr)**	**Exchange Rate [3] ($US/$Cdn)**
Historical								
2001	25.94	39.06	31.56	6.23	42.46	27.93	2.0	0.646
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	41.41	52.91	45.72	6.87	53.90	41.38	2.5	0.770
Forecast								
2005	44.29	51.25	44.53	6.97	52.49	38.20	2.5	0.840
2006	41.60	48.03	41.87	6.66	49.19	34.01	2.5	0.840
2007	37.09	42.64	37.27	6.21	43.67	30.20	2.5	0.840
2008	33.46	38.31	33.43	5.73	39.23	27.13	2.5	0.840
2009	31.84	36.36	31.70	5.37	37.24	25.75	1.5	0.840
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.

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, 2004
Forecast Prices and Costs (1)

	Light and Medium Oil			Associated and Non-Associated Gas			Natural Gas Liquids		
Factors	**Net Proved (Mbbl)**	**Net Probable (Mbbl)**	**Net Proved Plus Probable (Mbbl)**	**Net Proved (MMcf)**	**Net Probable (MMcf)**	**Net Proved Plus Probable (MMcf)**	**Net Proved (Mbbl)**	**Net Probable (Mbbl)**	**Net Proved Plus Probable (Mbbl)**
December 31, 2003	**15.9**	**11.4**	**27.3**	**1,362**	**1,166**	**2,527**	**5.7**	**7.4**	**13.1**
Extensions	-	-	-	243	364	607	0.3	0.1	0.4
Improved Recovery	-	-	-	-	-	-	-	-	-
Technical Revisions	(14.6)	(11.4)	(26.0)	93	(602)	(509)	6.1	(3.0)	3.1
Discoveries	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-
Production	(1.3)	0	(1.3)	(84)	0	(84)	(0.5)	0	(0.5)
December 31, 2004	0	0	0	1,614	928	2,542	11.6	4.5	16.1

(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

	Oil & Non-Associated Gas Proved Only @ 10% NPV $
Starting Balance @ January 1, 2004	5212.0
2004 Production	-1,453.1
Acquisitions	0
Discoveries (1)	1,056
Net Revisions (2)	1,429.1
Closing Balance December 31, 2004	6,244.0

Note (1) Discoveries of proved reserves were assigned by the independent reserves evaluator to two (2) new wells in the Alexander Field.

Note (2) Net Revisions of $1,429,100 were mainly due to reserve additions from the probable to proven category from 2003 to the end of December 31, 2004 as well as revisions from proved undeveloped to proved developed producing.

4.2.1 Additional changes were due to changes used in the Constant Price forecasts for January 1, 2004 and December 31, 2004 as follows:

	January 1, 2004 Price ($)	**December 31, 2004 Price ($)**
Oil : Edmonton Par	40.68	46.51
Natural Gas (AECO-C)	6.88	6.78
Natural Gas By Products:		
Butanes	-	39.78
Pentanes Plus	35.66	51.80
Exchange Rate	0.8191	0.8320

4.2.2 The difference in future development costs of proved undeveloped reserves from January 1, 2004 to December 31, 2004 is as a result of:

a) development expenditures made during fiscal year 2004 and;
b) change in development cost of proved undeveloped reserves as of December 31, 2004.

4.2.3 The net change in income taxes are due to expenditures on properties during fiscal year 2004.

The changes in tax pools are as follows:

	COGPE		**CDE**		**CEE**		Class 39 & 41	Class 8	Total
	Regular	Successor	Regular	Successor	Regular	Successor			
	($)	($)	($)	($)	($)	($)	($)	($)	($)
Opening balance per Tax return	695,904	654,349	662,273	6,516	2,443,693	129,877	1,106,188	24,439	5,723,239
Additions for 2004	120,386	-	14,340	-	557,580	-	449,674	6,745	1,148,725
Tax pool available	812,476	654,349	676,613	6,516	3,001,273	129,877	1,555,862	31,184	6,868,150
Tax claim rate	10%	10%	30%	30%	100%	100%	25%	20%	
Current year claim	81,248	65,435	202,984	1,955	31,445	129,877	332,756	5,562	851,262
Closing balance per Tax return	731,228	588,914	473,629	4,561	3,044,683	-	1,223,106	25,622	6,091,743

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 2005are anticipated to be $38,000.

5.1.2 Probable Undeveloped Reserves

No probable undeveloped reserves were assigned by the independent qualified reserves evaluator, therefore no capital expenditures are anticipated. All probable category reserves are probable developed. All probable developed reserves will be moved to proven developed producing by additional drilling on undeveloped off-set company owned lands during 2005 and 2006 and by reserve additions based on exponential decline analysis.

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%
$60,000	$51,000	$63,000	$52,000	$63,000	$52,000

5.3.2 Development Costs of Future Net Revenue (by year)

a) Proved Reserves (Constant Prices and Costs)

2005	$38,000
2006	0
2007	0
2008	0
2009	0

b) Proved Reserves (Forecast Prices and Costs)

2005	$38,000
2006	0
2007	0
2008	0
2009	0

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

2005	$38,000
2006	0
2007	0
2008	0
2009	0

PART 6 OTHER OIL AND GAS INFORMATION

6.1 Oil and Gas Properties and Wells

Petro-Reef's two main properties representing 96.8% 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 date of this statement.

a) (i) Alexander

Total Proved plus Probable Reserves

CRUDE OIL			NATURAL GAS *		
	Company			Company	
Gross MBbl	Gross MBbl	Net MBbl	Gross MMCF	Gross MMCF	Net MMCF
0	0	0	4925	1315	1118

(ii) Proved plus Probable Non-Producing Reserves (@ Dec. 31, 2004)

CRUDE OIL			NATURAL GAS *		
	Company			Company	
Gross MBbl	Gross MBbl	Net MBbl	Gross MMCF	Gross MMCF	Net MMCF
	0	0		0	0
Percentage of Total Reserves Non-Producing	%	%		%	%
	0	0		0	0

(iii) Total Proved plus Probable Non-Producing Reserves (@ April 01, 2005)

CRUDE OIL			NATURAL GAS *		
	Company			Company	
Gross MBbl	Gross MBbl	Net MBbl	Gross MMCF	Gross MMCF	Net MMCF
	0	0		0	0
Percentage of Total Reserves Non-Producing	%	%		%	%
	0	0		0	0

*** Includes solution gas**

b) Morinville

(i) Total Proved plus Probable Reserves

CRUDE OIL			**NATURAL GAS ***		
	Company			Company	
Gross MBbl	Gross MBbl	Net MBbl	Gross MMCF	Gross MMCF	Net MMCF
0	0	0	4318	1671	1392

(ii) Total Proved plus Probable Non-Producing Reserves (@ Dec. 31, 2004)

CRUDE OIL			**NATURAL GAS ***		
	Company			Company	
Gross MBbl	Gross MBbl	Net MBbl	Gross MMCF	Gross MMCF	Net MMCF
	0	0	1329	437	349
Percentage of Total Reserves Non-Producing	%	%		%	%
	0	0		26.2%	25.1%

(iii) Total Proved plus Probable Non-Producing Reserves (@ April 01, 2005)

CRUDE OIL			**NATURAL GAS ***		
	Company			Company	
Gross MBbl	Gross MBbl	Net MBbl	Gross MMCF	Gross MMCF	Net MMCF
0	0	0	0	0	0
	%	%		%	%
	0	0		0	0

*** Includes solution gas**

c) Other Properties

Other properties represent 3.2% of the total net present value (before income tax) with approximately 90% 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. All the oil and gaswells are in Central Alberta Canada.

Production is as of the preparation date of April 01, 2005

	Oilwells		Gaswells	
	Gross	Net	Gross	Net
Producing	0	0	15	4.158
Non-Producing @ April 01, 2005	0	0	0	0

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)	10,194	3,725
Morinville	7,840	2,356
Total Unproved Properties	18,034	6,081

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

There are no work commitments required for fiscal year 2005.

6.2.2 The net area of unproved property which is expected to expire in fiscal year 2005 is 244 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 4.158 net wells.
   (ii) For Wells where no reserves are assigned equals 1.7325 net wells.

c) Undiscounted cost to the Company = $176,715 for reclamation and abandonment.

d) The qualified independent reserves evaluator has estimated $121,000 for abandonment and reclamation net to the Company before recovery of equipment or salvage value.
   Therefore $55,715 was not deducted as abandonment and reclamation costs in estimating the future net revenue.

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 2004 financial year. It is anticipated that taxes will become payable for fiscal year 2006.

6.6 Costs Incurred (for fiscal year 2004)

6.6.1 Cost for COGPE, CEE, and CDE

a) Property acquisition costs (COGPE) = 120,386
b) Exploration costs (CEE) = 557,580
c) Development costs (CDE) = 14,340
d) Class 39 & 41 = 449,674
e) Class 8 = 6,745
f) Total = 1,148,725

6.7 Exploration and Development Activities

6.7.1 Wells for fiscal year 2004

Exploration wells	1
Development wells	1

6.7.2 Wells for fiscal year 2004

Gaswells	2
Oilwells	0
Dry Holes	0

6.8 Production Estimates

6.8.1 Production estimates for 2005 (based on Company Interest) are:

a) Using Constant Prices and Costs

	Oil	0 Bbl
	Gas	672 MMCF
	NGL	2,900 Bbl

b) Using Forecast Prices and Costs

Proved:	Oil	0 Bbl
	Gas	564 MMCF
	NGL	2,900 Bbl
Proved Plus Probable:	Oil	0 Bbl
	Gas	672 MMCF
	NGL	2,900 Bbl

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 96.8% is represented by two (2) properties:

a) Morinville
b) Alexander

6.9 Production History for fiscal year 2004

2004 PRODUCTI0N & REVENUE SUMMARY

Month	Production BOE / Day	Production BOE / Month	Price $ / BOE	Royalty Expenses $/BOE	Gross Revenue $ After Royalties	Operating Expenses $	Netback $/BOE	Cash*Flow $
JAN	91.13	2,825.17	48.62	4.36	125,051.82	43,047.14	29.03	82,004.68
FEB	125.55	3,641.01	36.66	3.78	119,724.93	42,704.64	21.15	77,020.29
MAR	110.25	3,417.61	37.31	4.18	113,236.24	48,280.94	19.01	64,955.30
3 Month Average	**108.98**	**3,294.60**	**40.86**	**4.11**	**119,337.66**	**44,677.57**	**23.06**	**74,660.09**
APR	192.35	5,770.79	40.39	2.69	217,594.04	61,999.80	29.96	155,594.24
MAY	128.79	3,992.75	45.26	3.86	165,327.07	43,759.92	30.45	121,567.15
JUN	115.56	3,466.69	41.91	3.99	131,441.26	48,927.05	23.80	82,514.21
3 Month Average	**145.57**	**4,410.08**	**42.52**	**3.51**	**171,454.12**	**51,562.26**	**27.07**	**119,891.87**
JUL	119.85	3,715.14	41.03	3.68	138,739.72	37,332.76	27.30	101,406.96
AUG	125.99	3,905.77	38.32	6.06	125,980.85	80,493.17	11.65	45,487.68
SEP	275.27	8,257.77	34.04	7.62	218,130.75	58,482.77	19.33	159,647.98
3 Month Average	**173.70**	**5,292.89**	**37.80**	**5.79**	**160,950.44**	**58,769.57**	**19.43**	**102,180.87**
OCT	272.50	8,447.87	40.55	8.51	270,626.20	55,010.69	25.52	215,615.51
NOV	269.00	8,070.05	39.73	10.57	235,331.72	52,887.68	22.61	182,444.04
DEC	237.63	7,465.90	43.05	12.93	224,859.85	47,822.46	23.71	177,037.39
3 Month Average	**259.71**	**7,994-61**	**41.11**	**10.67**	**243,605.92**	**51,906.94**	**23.95**	**191,698.98**
Average for 2004	171.99	5,248.04	40.57	6.02	173,837.04	51,729.09	23.38	122,107.95
Total for 2004	**-**	**62,976.53**	**-**	**-**	**2,086,044.45**	**620,749.02**	**-**	**1,465,295.43**

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