

RESERVES REPORT
Form 51-101F1

Petro-Reef's proved plus probable reserves, based on an independent engineering year-end evaluation, indicated an increase of 14.4 percent to 503.5 MBOE from 440.0 MBOE in the previous year, after extensions, technical revisions, and net production of 66.305 MBOE.

Reserves were 99.99% natural gas and 0.01% crude oil and natural gas liquids. Reserve replacement ratio was 2.41 to 1.

Of the total net reserves reported (using forecast prices) Petro-Reef's reserves are 74.3% proved and 25.7% 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, 2005 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, 2004 and the December 31, 2005 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 One hundred and One percent (101%) compared with last year's established reserves.

2) Reserve Life Index (as at December 31, 2005).

Based on established reserves and production volumes, Petro-Reef's reserve life index was 23 years at the end of 2005 compared with 32.6 years at the end of 2004. 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
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 04, 2006
- 2. Effective date: December 31, 2005
- 3. Preparation date: Between February 1 and March 21, 2006

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, 2005 Forecast Prices and Costs										
Reserves										
Reserves Category	Light and Medium Oil		Heavy Oil		Natural Gas Liquids (non-associated & associated)		Natural Gas (solution)		Natural Gas Liquids	
	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	1,457	1,137	0	0	1	0
Developed Non-Producing	0	0	0	0	724	575	0	0	0	0
Undeveloped	0	0	0	0	650	529	0	0	0	0
Total Proved	0	0	0	0	2,831	2,241	0	0	1	0
Probable	0	0	0	0	923	776	0	0	0	0
Total Proved Plus Probable	0	0	0	0	3,754	3,017	0	0	1	1

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, 2005 Forecast Prices and Costs										
Net Present Values of Future Net Revenue										
	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\$)
Reserves Category										
Proved										
Developed Producing	10,710	9,974	9,381	8,892	8,480	9,905	9,211	8,654	8,197	7,813
Developed Non-Producing	4,560	3,652	3,040	2,606	2,284	3,283	2,591	2,134	1,815	1,581
Undeveloped	2,862	2,378	2,012	1,727	1,501	1,956	1,602	1,336	1,131	969
Total Proved	18,132	16,004	14,433	13,225	12,265	15,143	13,404	12,125	11,143	10,363
Probable	4,624	3,572	2,903	2,445	2,112	3,187	2,425	1,941	1,611	1,371
Total Proved Plus Probable	22,756	19,576	17,336	15,670	14,378	18,329	15,829	14,066	12,754	11,734

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, 2005 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	29,912	4,773	6,106	735	166	18,132	2,989	15,143
Proved Plus Probable	39,261	6,367	8,528	1,410	200	22,756	4,426	18,329

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, 2005 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)	0
	Heavy Oil (including solution gas and associated by-products)	0
	Natural Gas (including associated by-products)	12,910
	Coalbed Methane (including associated by-products)	0
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)	15,642
	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, 2005
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 (Mbbbl)	Net (Mbbbl)	Gross (Mbbbl)	Gross (MMcf)	Net (MMcf)	Net (MMcf)	Net (MMcf)	Net (MMcf)	Gross (Mbbbl)	Net (Mbbbl)
Proved										
Developed Producing	0	0	0	0	1,507	1,174	0	0	1	1
Developed Non- Producing	0	0	0	0	724	575	0	0	0	0
Undeveloped	0	0	0	0	650	529	0	0	0	0
Total Proved	0	0	0	0	2,880	2,278	0	0	1	1
Probable	0	0	0	0	941	729	0	0	0	0
Total Proved Plus Probable	0	0	0	0	3,821	3,071	0	0	1	1

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, 2005 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	11,055	10,072	9,314	8,711	8,219	10,397	9,404	8,680	8,118	7,665
Developed Non-Producing	5,615	4,355	3,529	2,956	2,541	3,779	2,933	2,378	1,993	1,713
Undeveloped	3,655	2,955	2,440	2,050	1,748	2,467	1,972	1,610	1,337	1,125
Total Proved	20,325	17,382	15,283	13,718	12,507	16,643	14,309	12,668	11,447	10,503
Probable	5,794	4,278	3,355	2,746	2,316	3,908	2,865	2,225	1,800	1,499
Total Proved Plus Probable	26,119	21,660	18,639	16,464	14,823	20,551	17,173	14,892	13,247	12,002

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, 2005 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	31,659	4,717	5,742	735	140	20,325	3,682	16,643
Proved Plus Probable	42,067	6,422	7,953	1,410	163	26,119	5,568	20,551

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, 2005 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)	13,862
	Coalbed Methane (including associated by-products)	0
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)	17,020
	Coalbed Methane (including associated by-products)	0

PART 3 PRICING ASSUMPTIONS

3.1 Forecast Prices Used in Estimates

<p align="center">N1 51-101 Summary of Pricing and Inflation Rate Assumptions as of December 31, 2005 Forecast Prices and Costs</p>								
	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)	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	41.42	52.91	45.72	6.87	53.91	41.37	2.5	0.825
2005	56.45	69.28	57.38	8.58	69.13	45.20	1.6	0.850
Forecast								
2006	60.81	70.07	59.62	11.58	71.77	47.01	2.5	0.850
2007	61.61	70.99	60.39	10.84	72.71	47.62	2.5	0.850
2008	54.60	62.73	53.48	8.95	64.25	42.08	2.5	0.850
2009	50.19	57.53	49.18	7.87	58.92	38.59	1.5	0.850
2010	47.76	54.65	46.75	7.57	55.97	36.66	1.5	0.850
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, 2005 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, 2000	26.83	39.57	32.58	13.34	48.63	46.69	0.667
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
Forecast							
Dec. 31, 2005	61.04	68.12	52.28	9.99	71.35	59.32	0.860

- 1) This summary table identifies benchmark reference pricing schedules that might apply to a *reporting issuer*.
- 2) Exchange rates 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, 2005 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, 2003	0	0	0	1,615	928	2,543	11.6	4.5	16.1
Extensions	-	-	-	1,208	319	1,527	0.3	0.1	0.4
Improved Recovery	-	-	-	-	-	-	-	-	-
Technical Revisions	-	-	-	(243)	(471)	(714)	(10.4)	(4.3)	(14.7)
Discoveries	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-
Production	-	-	-	(339)	0	(339)	(0.7)	0	(0.7)
December 31, 2004	0	0	0	2,241	776	3,017	0.5	0.2	0.7

- (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 Revenue Reconciliation

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

	2005/1/1 to 2005/12/31 M\$	Notes
Estimated Future Net Revenue Atax at Beginning of Year	6,224	1,2,4
Sales and Transfers of Oil and Gas Produced, Net of Production Costs and Royalties	-2,314	3
Net Changed in Prices, Production Costs and Royalties Related to Future Production	3,691	2,3
Changes in Previously Estimated Development Costs Incurred During the Period	-1,033	3
Changes in Estimated Future Development Costs	-674	2,3
Extensions and Improved Recovery	9,667	2,3
Discoveries	0	3
Acquisitions of Reserves	0	3
Dispositions of Reserves	0	3
Net Change Resulting from Revisions in Quantity Estimates	-1,945	2,3
Accretion of Discount	411	2,3
Net Change in Income Taxes for Current Period	0	4
Net Change in Income Taxes for Future Forecast	-1,320	2,4
Miscellaneous Changes	940	
Estimated Future Net Revenue Atax at End of Year	12,668	1,2,4

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 Forecast Price forecast for December 31, 2004 and December 31, 2005 as follows:

	December 31, 2004 Price (\$)	December 31, 2005 Price (\$)
Oil : Edmonton Par	46.51	70.07
Natural Gas (AECO-C)	6.78	11.58
Natural Gas By Products:		
Butanes	39.78	47.01
Pentanes Plus	51.80	71.77
Exchange Rate	0.832	0.850

4.2.2 The change in future net development costs of proved undeveloped reserves from December 31, 2004 to December 31, 2005 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, 2005, versus the projected net reserves effective Decelmbber 31, 2004 and the increase in capital expenditures on properties during fiscal year 2005.

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	731,228	588,914	473,629	4,561	2,965,976	0	1,223,106	25,622	6,013,036
Additions for 2005	233,776	0	3,237	0	1,315,109	0	697,345	4,591	2,381,173
Tax pool available	965,004	588,914	476,866	4,561	4,281,085	0	1,920,451		8,394,209
Tax claim rate (%)	10%	10%	30%	30%	100%	100%	25% 12.5%	20% 45%	
Claim Available	96,500	58,891	143,060	1,368	4,281,085	0	90,350 392,944	5,950	5,106,914
Current year claim	96,500	58,891	143,060	1,368	1,501,492	0	0	660	1,801,971
Closing balance per Tax return	868,504	530,023	333,806	3,193	2,906,708	0	1,920,451	29,553	6,592,238

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 2005 are anticipated to be \$726,000.

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. Total net capital expenditures for 2006 are anticipated to be \$675,000.

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%
\$735,000	\$687,000	\$735,000	\$687,000	\$1,410,000	\$1,348,000

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)

2006	\$732,000
2007	0
2008	0
2009	0
2010	0

b) Proved Reserves (Forecast Prices and Costs)

2006	\$732,000
2007	0
2008	0
2009	0
2010	0

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

2006	\$1,407,000
2007	0
2008	0
2009	0
2010	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 97.3% 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	6,514	2,556	2,001

(ii) **Proved plus Probable Non-Producing Reserves (@ Dec. 31, 2005)**

CRUDE OIL			NATURAL GAS *		
	Company			Company	
Gross MBbl	Gross MBbl	Net MBbl	Gross MMCF	Gross MMCF	Net MMCF
	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 (@ April 04, 2006)**

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

* 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	2,573	1,155	979

(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	1,830	951	756
Percentage of Total Reserves Non-Producing	0%	0%		82.3%	77.2%

(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	1,830	951	756
Percentage of Total Reserves Non-Producing	0%	0%		82.3%	77.2%

* Includes solution gas

c) Other Properties

Other properties represent 2.7% 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. All the oil and gaswells are in Central Alberta Canada.

Production is as of the preparation date of April 04, 2005

	Oilwells		Gaswells	
	Gross	Net	Gross	Net
Producing	0	0	14	4.63378
Non-Producing @ April 04, 2006	0	0	5	2.3291

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)	7,448	3,767
Morinville	1,920	792
Total Unproved Properties	9,368	4,559

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 2005.

6.2.2 The net area of unproved property which is expected to expire in fiscal year 2006 is 611 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 = \$181,788,060 for reclamation and abandonment.
- d) The qualified independent reserves evaluator has estimated \$200,000 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 2005 financial year. It is anticipated that taxes will become payable for fiscal year 2007 or 2008.

6.6 Costs Incurred (for fiscal year 2005)

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

- a) Property acquisition costs (COGPE) = 233,776
- b) Exploration costs (CEE) = 1,315,109
- c) Development costs (CDE) = 3,237
- d) Class 39 & 41 = 697,345
- e) Class 8 = 4,591
- f) Total = 2,381,173

6.7 Exploration and Development Activities

6.7.1 Wells for fiscal year 2005

Exploration wells	3
Development wells	0

6.7.2 Wells for fiscal year 2005

Gaswells	2
Oilwells	0
Dry Holes	1

6.8 Production Estimates

6.8.1 Production estimates for 2006 (based on Company Interest) are:

a) Using Constant Prices and Costs		
	Oil	0 Bbl
	Gas	2,292 MMCF
	NGL	0 Bbl
b) Using Forecast Prices and Costs		
Proved:	Oil	0 Bbl
	Gas	2,197 MMCF
	NGL	0 Bbl
Proved Plus Probable:	Oil	0 Bbl
	Gas	2,502 MMCF
	NGL	0 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 89.4% is represented by two (2) properties:

- a) Morinville
- b) Alexander

6.9 Production History for fiscal year 2005

2005 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	237.66	7,367.51	42.17	9.59	240,030.63	64,643.59	23.81	175,387.04
FEB	241.92	6,773.74	42.63	8.95	228,094.00	59,529.17	24.89	168,564.83
MAR	231.99	7,191.67	47.82	9.57	275,069.07	60,307.95	29.86	214,761.12
3 Month Average	237.19	7,110.97	44.21	9.37	247,727.90	61,493.57	26.19	186,237.66
APR	186.97	5,609.23	50.49	10.69	223,250.54	54,385.15	30.10	168,865.39
MAY	160.33	4,970.16	44.72	8.89	178,060.67	38,870.44	28.01	139,190.23
JUN	99.55	2,986.45	47.14	6.49	121,385.70	75,196.28	15.47	46,189.42
3 Month Average	148.95	4,521.95	47.45	8.69	174,232.30	56,150.62	24.53	118,081.68
JUL	99.86	3,095.79	58.14	10.24	148,302.11	62,789.33	27.62	85,512.78
AUG	125.85	3,901.35	58.91	9.73	191,860.80	59,278.69	33.98	132,582.11
SEP	127.53	3,825.79	69.68	11.96	220,824.44	63,607.76	41.09	157,216.08
3 Month Average	117.75	3,607.64	62.24	10.64	186,995.78	61,891.93	34.22	125,103.86
OCT	100.25	3,107.61	79.04	12.90	205,535.08	49,190.15	50.31	156,344.93
NOV	113.96	3,418.72	59.34	11.56	163,315.48	43,393.77	34.20	116,921.71
DEC	456.16	14,141.01	76.83	17.93	832,888.28	19,524.69	50.44	713,313.59
3 Month Average	223.46	6,889.11	71.74	14.13	400,579.61	37,386.20	44.98	328,860.08
Average for 2005	181.61	5,525.42	57.28	10.96	255,972.61	47,975.25	34.90	155,056.84
Total for 2005	-	66,305.03	-	-	3,071,671.35	575,703.00	-	1,860,682.05

* Note: Cash flow on this production and revenue summary is before ARTC, 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.