

**KROES ENERGY INC.**

**ANNUAL INFORMATION FORM**

**APRIL 28, 2008**

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## ABBREVIATIONS

In this annual information form, the abbreviations set forth below have the following meanings:

<b>Crude Oil and Natural Gas Liquids</b>	<b>Natural Gas</b>
bbl            one barrel equaling 34.972 Imperial gallons or 42 U.S. gallons bblpd        barrels per day boe <sup>(1)</sup> barrels of oil equivalent boepd        barrels of oil equivalent per day  Mboe         thousand barrels of oil equivalent Mbbbl        thousand barrels NGL/NGLs    natural gas liquids, consisting of any one or more of propane, butane and condensate	Mcf            thousand cubic feet Mcfpd        thousand cubic feet per day MMcf         million cubic feet MMBtu        million British Thermal Units Gigajoule     the metric unit defining the heating value or energy content of natural gas (GJ)
<b>Financial</b>	<b>Other</b>
M\$            thousands of dollars  MM\$         millions of dollars	API            American Petroleum Institute (degrees APE is a measure of the specific gravity of oil - the higher the number the lighter the oil) ARTC         Alberta Royalty Tax Credit WTI            West Texas Intermediate (a reference point for U.S. oil pricing)

**Note:**

- (1) A boe conversion ratio of six Mcf of natural gas to one barrel of crude oil equivalent is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Words importing the singular number only include the plural, and *vice versa*, and words importing any gender include all genders. All dollar amounts set forth in this annual information form and in certain documents incorporated by reference are in Canadian dollars, unless otherwise indicated.

## METRIC CONVERSION TABLE

The following table sets forth certain standard conversions from Standard Imperial Units to the International System of Units (or metric units).

<b>To Convert From</b>	<b>To</b>	<b>Multiply By</b>
thousand cubic feet (Mcf)	thousand cubic metres	0.028
barrels (bbls oil)	cubic meters	0.159
feet (well depths)	metres	0.305
miles (distance)	kilometres	1.609
acres (land)	hectares	0.405

## FORWARD-LOOKING INFORMATION

Certain statements contained in this Annual Information Form and in certain documents incorporated by reference in this annual information form constitute forward-looking statements. These statements relate to future events or future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of the words “anticipate”, “plan”, “continue”, “estimate”, “expect”, “will”, “project”, “should”, “believe”, “predict”, “targeting”, “seek”, “could”, “potential” and similar words. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes the expectations reflected in the forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct. Such forward-looking statements included in this Annual Information Form should not be unduly relied upon. These statements speak only as of the date of this Annual Information Form or as of the date specified in the documents incorporated by reference into this Annual Information Form, as the case may be.

In particular, this Annual Information Form contains forward-looking statements pertaining to, but no limited to, the operations, anticipated financial performance and business prospects of Kroes Energy Inc.

Actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set out below and elsewhere in the Annual Information Form:

- Exploration, development and production risks;
- prices, markets and marketing of crude oil and natural gas;
- substantial capital requirements;
- competition
- reserves replacement
- government regulation and taxation; and
- the other factors discussed under “Risk Factors” in this Annual Information Form.

Statements relating to “reserves” or “resources” are deemed to be forward looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward looking statements contained in this annual information form and the documents incorporated by reference in this Annual Information Form are expressly qualified by this cautionary statement.

These factors should not be construed as exhaustive. Kroes Energy Inc. does not undertake any obligation to publicly update or revise any forward looking statements unless required by applicable laws. Further, readers should also carefully consider the matters discussed under the heading “Risk Factors” in this Annual Information Form.

APRIL 18, 2008

## ***KROES ENERGY INC.***

### **ANNUAL INFORMATION FORM**

**2007**

Incorporated by reference in this Annual Information Form (AIF) are certain sections of the Kroes Energy Inc. Financial Statements to Shareholders for the year ended December 31, 2007 which can be found at [www.SEDAR.com](http://www.SEDAR.com)

### **INCORPORATION OF KROES ENERGY INC.**

Kroes Energy Inc. (“Kroes” or the “Company”) was incorporated under the Business Corporations Act of Alberta on December 20, 1995. On May 1, 1997 Kroes amalgamated with Hogar Energy Inc., a wholly owned subsidiary. The head office of the Company is located at 1840, 444 – 5th Avenue SW, Calgary, Alberta, T2P 2T8.

The Corporation’s common shares were listed for trading on the TSX Venture Exchange on October 9, 1996 under the symbol “KRS”.

### **GENERAL DEVELOPMENT OF THE BUSINESS**

Kroes Energy Inc. was formed to engage in the exploration, acquisition, development and production of oil and gas reserves in Canada and internationally. Kroes was established as a Junior Capital Pool Company under Alberta Stock Exchange regulations and began trading on the Alberta Stock Exchange on October 9, 1996.

Kroes’ major transaction was completed on December 30, 1996 with the closing of an agreement to purchase oil and gas producing properties located in Saskatchewan. The properties, located in the Druid, Eureka and Whiteside field of western Saskatchewan, had daily production of 66 barrels of crude oil and 102,000 cubic feet of natural gas. On January 1, 1998 the interest in the Eureka field was sold and the interests in the Druid and Whiteside fields were sold on December 1, 2003. The Saskatchewan properties provided Kroes with cash flow to operate the Calgary office for seven years, but declining production and very high and rising operating costs prompted Kroes to sell them.

The acquisition of an affiliated company, Hogar Energy Inc. (“Hogar”), was completed in March 1997 and brought to Kroes an interest in exploration lands offshore Cuba. Hogar was a private company whose only asset was a working interest in Blocks V, VI and VII off the south coast of Cuba. The Cuba project involved the obligation to pay 10% of the cost of the first exploratory well in order to earn a 7.5% working interest in the 2.2 million acres contained in the Blocks. The first well was drilled in 1997 and Kroes earned its 7.5% working interest, which subsequently was converted to a 4.875% carried interest. The well was unsuccessful and two more wells were drilled on the blocks in 1998 (at no cost to Kroes), which also were dry holes. With the lack of success and the high cost of drilling, the working interest partners relinquished the blocks in 2001.

In November of 1997 Kroes Energy entered into a participation agreement to earn a 25% working interest in a 1,959-acres block on the Cedros peninsula of southern Trinidad, which had existing production as well as exploration and development potential. To earn this interest, Kroes paid 50% of the cost of two wells on the block. The first well was drilled in 1997 and was a dry hole; the second well was drilled in 1999 and discovered a shallow, light oil pool. In recent years Kroes share of production from existing wells averaged only 4 barrels per day and the Government of Trinidad increased royalties significantly in 2006, so in January of 2008 the Company accepted an offer of \$250,000 for the sale of the interest. Kroes did, however, retain a 1% overriding royalty on any production developed from below 4,000 feet where there is good geological potential.

In 2002 Kroes acquired Zhoda 2001 Corporation (“Zhoda”) a Canadian private company that holds a 45% joint venture interest in the joint venture company Kashtan Petroleum Ltd. (“Kashtan”). Kashtan owns the license to rehabilitate the Lelyaki oil field located in east central Ukraine. The acquisition of Zhoda was effective on December 31, 2002 and Zhoda became a wholly owned subsidiary of Kroes.

Kroes share of operating and financial results from the Ukrainian joint venture were first recorded in 2003. The acquisition of Zhoda and its 45% interest in the Kashtan joint venture had a major positive impact on the Company in 2003, with Kroes recording a net profit of \$1,019,116 for 2003 compared with a net loss of \$325,855 in 2002. Cash from operations amounted to \$1,266,379 compared with \$79,932 in 2002. This large improvement in financial results arose from production volumes that averaged 293 barrels of oil equivalent per day in 2003, a six-fold increase from the 50 barrels per day recorded by Kroes in 2002. The entire increase was attributable to Kroes share of Ukrainian production.

In 2005, the Ukrainian Government introduced a new punitive production tax which by late December of that year had reached a level of approximately 41% of production revenue. In 2006 the royalty rate was increased further to 47% on crude oil produced in Ukraine. This burden, together with increasing production costs in that country, significantly reduced the economics of the Kashtan joint venture.

With the reduced economics in Ukraine and a poor outlook in that country, the Directors of Kroes decided it was appropriate to diversify the Company’s operations into western Canada where there is significant activity and opportunity. In March of 2006 Energy entered into a Joint Venture Agreement with a private Alberta company to explore and develop shallow gas prospects on the company’s interests in 35 township area in east-central Alberta. In general, Kroes pays 50% of initial land or seismic costs to earn a 25% working interest in a prospect. Kroes Energy will then

participate at its working interest level in drilling and subsequent development expenditures and production operations. Kroes now holds 1,720 net acres and interests in 11 wells that are capable of production. Current production from 8 wells that are now connected is approximately 95 BOE per day.

The company initiated a financing by way of Short Form Offering Document in May of 2006 with Octagon Capital Corporation as agent and it was closed on June 27, 2006 having raised \$1.2 million. The financing consisted of 1,787,500 units at 65 cents each, with each unit comprising one common share, one flow-through share and one-half warrant. Each whole warrant entitles the holder to acquire a common share at 45 cents per share until December 27, 2007. The funds have been dedicated to exploration and development of shallow gas prospects in central Alberta under the joint venture referred to in the preceding paragraph.

In 2007 Kroes accepted an offer to sell Zhoda to Shelton Canada Corporation (“Shelton”). The sale of all of the shares of Zhoda to Shelton closed in July, 2007. Consideration from the sale included 6,997,507 shares of Shelton, \$1 million cash and Shelton’s Canadian oil and gas properties located in Flat Rock, northeastern British Columbia and Alexander, west central Alberta. The Shelton shares were distributed to Kroes’ shareholders of record on August 17, 2007 and at that date, the distribution represented \$2 million of value.

As partial consideration from the sale of Zhoda to Shelton, Kroes acquired interests in two minor oil and gas properties from Shelton. In the Flat Rock area of northeastern B.C., Kroes Energy now holds a 6.43% interest in three wells where its share of oil and gas production amounted to 4 barrels per day in 2007. The field is fully developed but has long life reserves. On the Alexander lands in west central Alberta the company acquired a minor amount of natural gas production although the agreement covering this area provides potential for future exploration.

Following the disposition of Zhoda, Kroes began seeking merger or acquisition prospects in western Canada to diversify and expand its operations. On January 28, 2008 it entered into an agreement with Vecta Energy Corporation (“Vecta”), a private Alberta Corporation, whereby the two companies will merge, as equals, all of their businesses and operations. The transaction is a result of arm’s length negotiations between the parties and prior to these negotiations no relationship existed between the parties. The merger is intended to be accomplished by way of Kroes making a take-over bid for the shares of Vecta. If the takeover bid is successful, Kroes will issue 36 million shares as consideration, bringing its total shares outstanding to 72,288,433. The transaction is expected to be completed by the end of June 2008.

## **BUSINESS AND PROPERTIES OF THE COMPANY**

The following table summarizes the Company's interest in leases and gas wells at December 31, 2007.

	<b>Average Interest %</b>	<b>Producing Wells</b>	<b>Gross Undeveloped Acres</b>
<i>Canada</i>			
Alberta	25	9	5725.1
B.C.	3.3	3	0
<i>Trinidad</i>			
Icacos Block	25	3	1,959

### **Properties**

The following is a description of the Company's properties located in Canada and Trinidad:

#### **Western Canada – Shallow Gas Program**

At year end 2006 the Company had interests in three successful gas wells and when production levels stabilized in January 2007 production amounted to 327,000 cubic feet per day or 54 barrels of oil equivalent per day. During 2007 five successful wells were drilled and four of them were put on stream during the last four months of the year. The remaining well began producing early in January 2008. In addition the Company acquired four gas wells in November 2007, two of which are currently suspended. Exit production in December, 2007 amounted to 99 barrels of oil equivalent per day.

In January of 2007 the shallow gas joint venture participated in a land sale and Kroes acquired a 25% interest in a prospective section of land adjacent to one of the successful wells. In addition, the Company agreed to participate in a seismic survey on it and another adjacent section. In July a further 1.75 sections adjoining producing acreage were acquired at a land sale where Kroes participated at 25% and in November it acquired a 12.5% interest in a prospective section that is on trend to current production.

#### **Trinidad**

On the Cedros Peninsula of Trinidad, the Icacos field produces approximately 20 barrels per day from three shallow wells that were drilled in the 1960's. In 2007 Kroes' 25% share of production amounted to 5 barrels per day and generated operating cash flow before administrative costs of \$14,800. On January 12, 2008 this interest was sold for US\$250,000 and a 1% overriding royalty was retained on any production developed in the future below 4,000 feet. The override is capped at a maximum of US\$1 million.

### Reserves

The Company's reserves, prepared in accordance with National Instrument 51-101 are, contained in Appendix I of this Annual Information Form.

### Production

	<b>Crude Oil</b>		<b>Natural Gas</b>	
	<b>(MBbls)</b>		<b>(MMcf)</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Continuing Operations				
- Canada	-	-	116	1
Discontinued Operations	52	87	-	-

### Capital Expenditures

The Company's capital expenditures for 2007 and 2006 are detailed below:

	<b>2007</b>	<b>2006</b>
Continuing Operations		
Canada	\$1,753,395	\$550,970
Office Equipment	-	3,467
Continuing Operations	\$1,753,395	\$554,437
Discontinued Operations	\$685,960	\$829,808

### Government Regulation

The Company is not the operator for any of its oil and gas producing operations. The oil and gas industry in Canada is subject to extensive regulation imposed by various levels of government, including those related to operating standards and protection of the environment.

The Company is subject to government royalties in Canada. Current royalty rates are approximately 18% in Canada.

### Foreign Operations

The Company had oil and gas interests in Trinidad at December 31, 2007. This property was sold effective January 12, 2008 as described on Page 4 of this document.

### **Marketing**

The average price received for the Company's products for continuing operations is as follows:

	<b>2007</b>	<b>2006</b>
Crude Oil – Cdn \$ per barrel	\$74.71	\$ -
Natural Gas –Cdn \$/Mcf	\$6.48	\$6.43

Natural gas in Canada is sold on the spot market at the AECI price.

### **Competition**

The oil and gas industry is competitive in all phases of activities, including the search for and development of crude oil and natural gas, the acquisition of petroleum and natural gas rights, the contracting of drilling equipment and the marketing of production.

### **Other**

The Company does not spend any of its funds on research activities. At December 31, 2007 the Company has provided \$32,736 in its accounts as an asset retirement obligation for its continuing operations.

At the present time, Kroes has five employees under contract. The President and Vice President spend essentially all of their time on the activities of the Company. The Controller is a contract employee who spends approximately 50% of his time on the activities of the Company and an Office Manager is a part time contract employee. Management compensation and stock option benefits are disclosed in the Information Circular which is incorporated herewith by reference. The Company has a stock option plan that provides incentive for the Directors, Officers and Consultants.

## **RISK FACTORS**

The Company involvement in the exploration for, and the acquisition, development and production of, oil and natural gas is a speculative business. Exploration for oil and natural gas involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that further commercial quantities of oil and natural gas will be discovered by the Company.

The Company's operations are subject to the risks normally associated with the operation and development of oil and natural gas properties and the drilling of oil and natural gas wells, including encountering unexpected formations or pressures, premature decline of reservoirs, invasion of water into producing formations, blow-outs, cratering, fires and oil spills, all of which could result in personal injury, loss of life and/or damage to the property of the Company and

others. Although the Company and/or the operator of its interests maintain insurance in amounts and coverages which it considers adequate, in accordance with customary industry practice, the Company will not be fully insured against all of these risks, nor are all such risks insurable, and, as a result, the liability of the Corporation arising from these risks could have a materially adverse effect upon its financial condition.

Title to oil and natural gas interests is often not susceptible to determination without incurring substantial expense. In accordance with industry practice, the Company will conduct such title reviews in connection with its principal properties as it believes are commensurate with the value of such properties. The actual interest of the Company in certain properties may vary from the Company's records.

The marketability and price of oil and natural gas that may be acquired or discovered by the Company and its partners may be affected by numerous factors beyond the control of the Company. The ability of the Company to market its oil and natural gas may depend upon its ability to acquire space on pipelines. The Company will be subject to market fluctuations in the prices of oil and natural gas, deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities, and extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business. The Company will also be subject to compliance with federal, provincial and local laws and regulations controlling well abandonments, site restoration and the discharge of materials into the environment or otherwise relating to the protection of the environment. The Company is not aware of any present material liability related to environmental matters. However, the Company may, in the future, be subject to liability for environmental offences of which it is presently unaware.

The extent that the Company is not the operator of its oil and natural gas properties, the Company will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operations. In addition, the success of the Company will be largely dependant upon the performance of its key operators.

It should not be assumed that the discounted future net production revenues contained in the report Fekete Associates Inc. represent fair market value. The process of estimating oil and gas reserves is complex, requiring significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each reservoir. As a result, such estimates are inherently imprecise. Actual future production, oil and gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and gas reserves may vary substantially from those estimated in the report of Fekete Associates Inc.

The Company has reviewed the ownership records associated with its properties, but no assurances can be given that material title defects do not exist. If material title defects do exist, it is possible that the Company may lose all or a portion of the interest in the properties to which the defect relates.

The Company's ability to increase its oil and natural gas reserves in the future will depend on not only its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects in the future. No assurance can be given that commercial accumulations of oil and natural gas will be discovered or acquired as a result of the

efforts of the Company. To the extent additional financing is not available, lease expiry dates, work commitments, rental payments and option payments may not be satisfied and could result in a loss of property ownership by the Company.

Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including premature decline of reservoirs and the invasion of water into producing formations.

### **DIVIDENDS**

The Company has not paid dividends nor does it expect to in the foreseeable future. As noted on Page 5, the Company distributed shares of Shelton to its shareholders on August 22, 2007 and this distribution was deemed to be a return of capital to the shareholders.

### **CAPITAL STRUCTURE**

The Articles of the Company provide for two share classes: common shares (“Kroes Shares”) and preferred shares. Kroes has issued 36,233,488 Kroes Shares and has not issued any preferred shares.

The rights, privileges, restrictions and conditions attaching to the Kroes Shares are as follows:

- (a) **Payment of Dividends:** The holders of the Kroes Shares shall be entitled to receive dividends if, as and when declared by the Board of Directors of Kroes out of the assets of Kroes properly applicable to the payment of dividends in such amounts and payable in such manner as the board of directors may from time to time determine. Subject to the rights of the holders of any other class of shares of Kroes entitled to receive dividends in priority to or rateably with the holders of the Kroes Shares, the Board of Directors may in their sole discretion declare dividends on the Kroes Shares to the exclusion of any other class of shares of Kroes.
- (b) **Participation upon Liquidation, Dissolution or Winding-Up:** In the event of the liquidation, dissolution or winding-up of Kroes or other distribution of assets of Kroes among its shareholders for the purpose of winding-up its affairs, the holders of the Kroes Shares shall, subject to the rights of the holders of any other class of shares of Kroes entitled to receive the assets of Kroes upon such a distribution in priority to or rateably with the holders of the Kroes Shares, be entitled to participate rateably in any distribution of the assets of Kroes.
- (c) **Voting Rights:** The holders of the Kroes Shares shall be entitled to receive notice of and to attend all annual and special meetings of the shareholders of Kroes and to one vote in respect of each Kroes Share held at all such meetings.

## **MARKET FOR SECURITIES**

The outstanding common shares of Kroes are listed for trading on the TSX Venture Exchange under the symbol KRS.

### **2007 SHARE PRICES AND VOLUMES**

<b>Month</b>	<b>Hi</b>	<b>Low</b>	<b>Close</b>	<b>Volume</b>
January	0.21	.14	.145	783,001
February	.175	.145	.155	271,315
March	.17	.15	.15	73,257
April	.175	.12	.13	277,750
May	.13	.115	.115	255,201
June	.14	.12	.125	140,000
July	.145	.10	.145	1,171,658
August	.155	.075	.085	968,000
September	.080	.065	.075	859,500
October	.11	.065	.075	6,463,000
November	.095	.075	.080	1,028,700
December	.080	.075	.080	864,149

### **DIRECTORS AND OFFICERS**

The name, province or state and country of residence, position and principal occupation of each of the directors of the Company are described below. Each director will hold office until the next annual meeting of shareholders of the Company.

<b>Name and Residence</b>	<b>Offices Held and Time as Director</b>	<b>Principal Occupation During the Past 5 Years</b>
C. James Cummings Alberta, Canada <sup>1,2</sup>	Director since February 2006	Partner, International Energy Counsel LLP
Fred Callaway <sup>1</sup> Alberta, Canada	President, Director since June 1996	President of the Corporation

<b>Name and Residence</b>	<b>Offices Held and Time as Director</b>	<b>Principal Occupation During the Past 5 Years</b>
Stewart Gossen <sup>3</sup> Alberta, Canada	Director since June 2006	Vice President of the Corporation since 2004, prior thereto, Vice President of Enbridge Inc.
David Powell <sup>1,3</sup> Panama City, Panama	Director since June 1996	Director of the Corporation
Edward Southern Alberta, Canada	Director since January 2002	Executive Vice President of the Corporation
Dr. James Werbicki <sup>3</sup> Saskatchewan, Canada	Director since January 2002	Medical Doctor
Darrell Zakreski <sup>1,2</sup> Alberta, Canada	Director since January 2002	Real Estate Developer

<sup>1</sup>Member of the Audit Committee

<sup>2</sup>Member of the Compensation Committee

<sup>3</sup>Member of the Reserves Committee

As at December 31, 2007 the directors and officers of Kroes, as a group, beneficially owned or controlled, indirectly or directly, 10,672,462 common shares of the company, representing 29.5% of the issued and outstanding common shares.

### **LEGAL PROCEEDINGS**

Kroes has knowledge of one legal claim against it.

In a Statement of Claim in the Court of Queen's Bench of Alberta filed on January 12, 2004, Plaintiffs Sutherland Developments, Nelson Meyers, Edward E. Zederayko and Ruscan International Inc. make allegations against Defendants Zhoda Corporation, Kroes Energy Inc., UK-Ran Oil Corporation, Zhoda 2001 Corporation, Edward M. Southern and Orest Senkiw. The Statement of Claim was amended on March 18, 2007 by adding Canargo Energy Corporation to the list of Claimants.

The Claim alleges that the Plaintiffs hold an overriding royalty on the 45% share of production from the Lelyaki field, Ukraine that was owned by Kroes through its previously wholly owned subsidiary Zhoda 2001 Corporation. The Plaintiffs claim to have been instrumental in acquiring the license in 1995 and were awarded an override of one-quarter of 1% each, for a total of 1%.

Kroes is of the firm view that the claim is not valid for a number of reasons:

- (a) There is the possibility that the Claim will be barred by limitations. The action was commenced on January 12, 2004, almost 5 years after the execution of the Settlement Agreement and some 7 years after first production was received by Kashtan Petroleum Ltd.;

- (b) The Settlement Agreement under which Zhoda 2001 Corporation received the 45% interest in Kashtan provided that the interest was received “free and clear of all charges, claims (and) liens” thus, if the claim for override is valid, it remains an obligation of UK-Ran Oil Corporation;
- (c) Kroes sought the opinion of International Energy Counsel LLP with respect to the validity of the Override agreement and that opinion concluded that “...there is insufficient certainty with respect to the subject matter of the purported grant of the ORR and insufficient certainty with respect to consideration set forth in the contractual terms and provisions to establish the ORR Agreement as a valid subsisting agreement, to the extent set forth in the “legal analysis” under Section B hereof. It is our conclusion that the ORR Agreement may be void for uncertainty”; and
- (d) In its Statement of Defence, UK-Ran Oil Corporation noted that the Plaintiffs ceased to have any rights under the GORR Agreements following the sale of their shares to UK-Ran.

There has been no activity in this litigation since July of 2007. Should the override agreement be judged to be valid and Kroes found liable for payment under the agreement, the dollar amount of liability is not material.

### **TRANSFER AGENTS**

The Transfer Agent of Registrar of Kroes is Equity Transfer & Trust Company, whose offices are located at 505 – 3<sup>rd</sup> Street S.W., Suite 850, Calgary, Alberta, T2P 3E6.

### **MATERIAL CONTRACTS**

Kroes executed a definitive Preacquisition Agreement with Vecta Energy Corporation on April 28, 2008. This Agreement sets out the terms and conditions for the acquisition of Vecta by Kroes. A copy of the Agreement will be available at [WWW.SEDAR.COM](http://WWW.SEDAR.COM)

### **ADDITIONAL INFORMATION**

Information relating to directors’ and officers’ remuneration, the principal holders of Kroes securities, options to purchase common shares and interests of insiders in material transactions is contained in the Information Circular. Copies of this AIF, the Financial Statements, and the Information Circular may be obtained upon request from the Company at:

Kroes Energy Inc.  
#1840, 444 – 5<sup>th</sup> Avenue S.W.  
Calgary, Alberta T2P 2T8  
(403) 265-7711

Additional information about the Company can be found in the SEDAR website at [www.sedar.com](http://www.sedar.com). These public documents can be accessed from the Company Profile site for Kroes Energy Inc. [www.kroesenergy.com](http://www.kroesenergy.com)

**Appendix 1**

**Form 51-101F1**

**Kroes Energy Inc.**

**STATEMENT OF RESERVES DATA  
AND OTHER OIL AND GAS INFORMATION**

Effective December 31, 2007

Prepared on March 13, 2008

## ABBREVIATIONS AND CONVERSION

In this document, Kroes Energy Inc. is referred to as Kroes or the Company and the abbreviations set forth below have the following meanings:

### Oil, Natural Gas Liquids and Natural Gas

Bbl	barrel	Mcf	thousand cubic feet
Bbls	barrels	Mmcf	million cubic feet
Mbbls	thousand barrels	Mcf/d	thousand cubic feet per day
Mmbbls	million barrels	Mmcf/d	million cubic feet per day
Mstb	1,000 stock tank barrels	MMBTU	million British Thermal Units
Bbls/d	barrels per day	Bcf	billion cubic feet
BOPD	barrels of oil per day	GJ	Gigajoule
STB	standard tank barrels		
NGLs	natural gas liquids		

### Other

AECO	EnCana Corp's natural gas storage facility located at Suffield, Alberta
API	American Petroleum Institute
°API	an indication of the specific gravity of crude oil measured on the API gravity scale. Liquid petroleum with a specified gravity of 28° API or higher is generally referred to as light crude oil.
ARTC	Alberta Royalty Tax Credit
BOE	barrel of oil equivalent on the basis of 1 BOE to 6 Mcf of natural gas. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 1 BOE for 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
BOE/d	barrel of oil equivalent per day
m <sup>3</sup>	cubic meters
MBOE	1,000 barrels of oil equivalent
\$000 or M\$	thousands of dollars
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade.

## RESERVES DATA AND FUTURE NET REVENUE

In accordance with National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities, Fekete Associates Inc. (“Fekete”) prepared an independent engineering evaluation, as at December 31, 2007 of Kroes’ oil and gas interests and reserves. The date of preparation of the “Fekete Report” was March 13<sup>th</sup>, 2008. The tables below are a summary of the oil, NGL and natural gas reserves of the Company and the net present value of future net revenue attributable to such reserves as evaluated in the Fekete Report based on forecast price and cost assumptions. The tables summarized the data contained in the Fekete Report and as a result may contain slightly different numbers than such report due to rounding. Also due to rounding, certain columns may not add exactly. **The net present value of future net revenue attributable to the Company’s reserves is stated without provision for interest costs and general and administrative costs, but after providing for estimated royalties, production costs, development costs, other income, future capital expenditures, and well abandonment costs for only those wells assigned reserves by Fekete. It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to the Company’s reserves estimated by Fekete represent the fair market value of those reserves. Other assumptions and qualifications relating to costs, prices for future production and other matters are summarized herein. The recovery and reserve estimates of the Company oil, NGL and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided herein.**

The Fekete Report is based on certain factual data supplied by the Company and Fekete’s opinion of reasonable practice in the industry. The extent and character of ownership and all factual data pertaining to the Company’s Corporation’s petroleum properties and contracts (except for certain information residing in the public domain) were supplied by Kroes to Fekete and accepted without any further investigation. Fekete accepted this data as presented and neither title searches nor field inspections were conducted.

Effective August 1, 2007 the Company sold all of its reserves in Ukraine to Shelton Canada Corporation. Accordingly, the Company had no reserves in Ukraine at year end 2007. The Company has not evaluated its oil reserves in Trinidad at December 31, 2007 as these reserves are not material. The Company sold its interests in Trinidad effective January 12, 2008.

### PART 2 DISCLOSURE OF RESERVES DATA

#### Item 2.1 Reserves Data (Forecast Prices and Costs)

##### *Summary of Oil and Gas Reserves*

	Gross Reserves			Net Reserves		
	Light and Medium Crude Oil	Natural Gas Liquids	Natural Gas	Light and Medium Crude Oil	Natural Gas Liquids	Natural Gas
	(MSTB)	(MSTB)	(MMSCF)	(MSTB)	(MSTB)	(MMSCF)
<b>Proved</b>						
Developed Producing	3.5	0.3	318	3.2	0.2	256
Developed Non-Producing	-	-	40	-	-	37
Undeveloped	-	-	-	-	-	-
<b>Total Proved</b>	3.5	0.3	358	3.2	0.2	293
<b>Probable</b>	0.8	0.1	79	0.8	0.1	64
<b>Total Proved plus Probable</b>	4.3	0.4	437	4.0	0.3	357

*Net Present Value of Future Net Revenue of Oil and Gas Reserves*

	Before Future Income Tax Expenses and Discounted at				
	0% (M\$)	5% (M\$)	10% (M\$)	15% (M\$)	20% (M\$)
<b>Proved</b>					
Developed Producing	1422.1	1250.9	1128.5	1035.8	962.6
Developed Non-Producing	48.1	36.4	26.7	18.5	11.6
Undeveloped	-	-	-	-	-
<b>Total Proved</b>	1470.2	1287.3	1155.2	1054.3	974.2
<b>Probable</b>	391.8	305.8	252.3	215.4	188.3
<b>Total Proved plus Probable</b>	1862.0	1593.1	1407.5	1269.7	1162.5

	After Future Income Tax Expenses and Discounted at				
	0% (M\$)	5% (M\$)	10% (M\$)	15% (M\$)	20% (M\$)
<b>Proved</b>					
Developed Producing	1422.1	1250.9	1128.5	1035.8	962.6
Developed Non-Producing	48.1	36.4	26.7	18.5	11.6
Undeveloped	-	-	-	-	-
<b>Total Proved</b>	1470.2	1287.3	1155.2	1054.3	974.2
<b>Probable</b>	391.8	305.8	252.3	215.4	188.3
<b>Total Proved plus Probable</b>	1862.0	1593.1	1407.5	1269.7	1162.5

*Future Net Revenue by Production Group (Net Present Value and Net Unit Value Basis)*

	Before Future Income Tax Expenses and Discounted at 10%			
	Light & Medium Crude Oil <sup>(1)</sup>	Natural Gas <sup>(2)</sup>	Light & Medium <sup>(3)</sup> Crude Oil	Natural Gas <sup>(4)</sup>
	(M\$)	(M\$)	(\$/bbl)	(\$/Mcf)
<b>Proved</b>				
Developed Producing	183.7	944.8	52.49	2.97
Developed Non-Producing	-	26.7	-	0.67
Undeveloped	-	-	-	-
<b>Total Proved</b>	183.7	971.5	52.49	2.71
<b>Probable</b>	31.4	220.9	39.25	2.80
<b>Total Proved plus Probable</b>	215.1	1192.4	50.02	2.73

Notes: (1) Including solution gas and other by-products.

(2) Including by-products, but excluding solution gas from oil wells.

(3) Net present value of oil, solution gas and NGLs (\$) divided by total net oil reserves (bbl)

(4) Net present value of natural gas and NGLs (\$) divided by total net gas reserves (Mcf)

*Additional Information Concerning Future Net Revenue – (Undiscounted)*

	Revenue	Royalties	Operating Costs	Development Costs	Abandonment and Reclamation Costs	Future Net Revenue Before Income Taxes	Income Taxes	Future Net Revenue After Income Taxes
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)
Total Proved Reserves	2946	498	783	78	117	1470	-	1470
Total Proved plus Probable Reserves	3657	615	982	78	120	1862	-	1862

**Item 2.2 Supplemental Disclosure of Reserves Data (Constant Prices and Costs)**

The Company has elected not to disclose reserves based on constant prices and costs.

**Item 2.3 Reserves Disclosure Varies With Accounting – N/A**

**Item 2.4 Future Net Revenue Disclosure Varies With Accounting – N/A**

**PART 3 PRICING ASSUMPTIONS**

**Item 3.1 Constant Prices Used In Estimates**

No supplemental disclosure under Item 2.2 has been made.

**Item 3.2 Forecast Prices Used In Estimates**

Fekete employed the following pricing and exchange rate assumptions as of December 31, 2007 in estimating Kroes' reserves data using forecast prices and costs.

**Oil and Liquids Forecast**

Year	W.T.I. (\$US/STB)	Edmonton Light (\$Cdn/STB)	Bow River Medium (\$Cdn/STB)	Edmonton Propane (\$Cdn/STB)	Edmonton Butane (\$Cdn/STB)	Inflation Rate (%)	U.S./CDN Exchange Rate (\$US/\$Cdn)	
<b>Historical</b>								
2002	26.08	39.94	31.67	19.87	25.84	2.1	0.637	
2003	31.04	43.17	32.67	30.15	33.44	2.2	0.716	
2004	41.40	52.54	37.60	33.39	39.47	2.0	0.770	
2005	56.59	68.72	44.83	40.29	47.48	2.0	0.825	
2006	66.22	72.77	51.53	40.84	50.84	2.0	0.882	
2007	72.31	76.42	53.36	44.71	51.75	2.0	0.935	
<b>Forecast</b>								
2008	85.00	88.35	64.35	53.00	66.25	2.0	0.950	
2009	82.50	85.75	62.75	51.45	64.30	2.0	0.950	
2010	80.00	83.10	61.10	49.85	62.33	2.0	0.950	
2011	77.50	80.50	58.50	48.30	60.35	2.0	0.950	
2012	75.00	77.85	55.85	46.70	58.35	2.0	0.950	
2013	76.50	79.40	57.40	47.65	59.55	2.0	0.950	
	...escalate at 2% per year thereafter...							...0.950 thereafter...

## Natural Gas Price Forecast

Year	Alberta Plantgate <sup>1</sup>						B.C Plantgate
	Henry Hub Spot	AECO-C Hub	Alberta Gas Reference Price	Pan Alberta	Progas	Wellhead Spot	Spot
	(\$US)	(\$Cdn)	(\$Cdn)	(\$Cdn)	(\$Cdn)	(\$Cdn)	(\$Cdn)
<b>Historical</b>							
2002	3.36	4.07	3.88	3.43	4.08	3.91	3.93
2003	5.49	6.67	6.17	5.41	6.20	6.50	6.28
2004	5.90	6.51	6.34	6.32	6.32	6.36	6.30
2005	8.60	8.79	8.29	8.18	8.54	8.63	8.49
2006	6.74	6.51	6.56	6.45	6.62	6.32	6.11
2007	6.98	6.44	6.21	6.27	6.37	6.23	6.24
<b>Forecast</b>							
2008	7.25	6.70	6.45	6.40	6.40	6.50	6.45
2009	8.00	7.50	7.30	7.30	7.30	7.30	7.30
2010	8.25	7.75	7.55	7.55	7.55	7.55	7.55
2011	8.40	7.90	7.70	7.70	7.70	7.70	7.70
2012	8.55	8.05	7.85	7.85	7.85	7.85	7.85
2013	8.75	8.25	8.05	8.05	8.05	8.05	8.05

...escalate at 2% per year thereafter...

Note: <sup>1</sup> Years 2002 - 2007 historical aggregator prices shown are prior to receipt transportation deduction. Forecast prices are Plantgate assuming \$0.20/MMBTU receipt transportation deduction.

## PART 4 RECONCILIATIONS OF CHANGES IN RESERVES

### Item 4.1 Reserves Reconciliation

The following table sets forth a reconciliation of Kroes' total proved, probable and total proved plus probable gross reserves as at December 31, 2007 against such reserves as at December 31, 2006 based on forecast price and cost assumptions.

	Light and Medium Oil			Heavy Oil		
	Proved (MSTB)	Probable (MSTB)	Proved Plus Probable (MSTB)	Proved (MSTB)	Probable (MSTB)	Proved Plus Probable (MSTB)
December 31, 2006	5,320.0	3,381.0	8,701.0			
Extensions <sup>(1)</sup>	0.0	0.0	0.0	0.0	0.0	0.0
Improved Recovery	0.0	0.0	0.0	0.0	0.0	0.0
Technical Revisions <sup>(2)</sup>	0.0	0.0	0.0	0.0	0.0	0.0
Discoveries <sup>(3)</sup>	0.0	0.0	0.0	0.0	0.0	0.0
Acquisitions <sup>(4)</sup>	3.8	0.8	4.6	0.0	0.0	0.0
Dispositions (neg.) <sup>(5)</sup>	(5,270.3)	(3,381.0)	(8,651.3)	0.0	0.0	0.0
Economic Factors	0.0	0.0	0.0	0.0	0.0	0.0
Production (neg.)	(50)	0.0	(50)	0.0	0.0	0.0
December 31, 2007	3.5	0.8	4.3	0.0	0.0	0.0

Does not include Trinidad.

	Associated and Non-Associated Gas			Natural Gas Liquids		
	Proved	Probable	Proved Plus Probable	Proved	Probable	Proved Plus Probable
	(MMSCF)	(MMSCF)	(MMSCF)	(MSTB)	(MSTB)	(MSTB)
December 31, 2006	127	174	301	0.0	0.0	0.0
Extensions <sup>(1)</sup>	0	0	0	0.0	0.0	0.0
Improved Recovery	0	0	0	0.0	0.0	0.0
Technical Revisions <sup>(2)</sup>	(1)	(15)	(16)	0.0	0.0	0.0
Discoveries <sup>(3)</sup>	347	(80)	267	0.3	0.1	0.4
Acquisitions <sup>(4)</sup>	0	0	0	0.0	0.0	0.0
Dispositions (neg.) <sup>(5)</sup>	0	0	0	0.0	0.0	0.0
Economic Factors	0	0	0	0.0	0.0	0.0
Production (neg.)	(115)	0	(115)	(0.0)	0.0	(0.0)
December 31, 2007	358	79	437	0.3	0.1	0.4

Does not include Trinidad.

Notes:

3. These reserves were added through the Company's shallow gas joint venture in East Central Alberta.
4. The Company acquired reserves in Flat Rock off B.C. effective August 01, 2007.
5. The Company sold its interest in Ukraine reserves effective August 01, 2007

## PART 5 ADDITIONAL INFORMATION RELATING TO RESERVES DATA

### Item 5.1 Undeveloped Reserves

**KROES ENERGY**  
**SUMMARY OF COMPANY INTEREST UNDEVELOPED RESERVES**  
**TOTAL COMPANY**  
**DECEMBER 31, 2007**

	Light & Medium Oil		Heavy Oil		Natural Gas	
	1st Attributed	Cumulative @ Year End	1st Attributed	Cumulative @ Year End	1st Attributed	Cumulative @ Year End
	(MSTB)	(MSTB)	(MSTB)	(MSTB)	(MMSCF)	(MMCDF)
<b>Ukraine</b>						
<b><u>Proved Developed</u></b>						
pre 2005	0	7,856	0	0	0	0
2005	0	5,497	0	0	0	0
2006	0	3,654	0	0	0	0
2007	0	0	0	0	0	0
<b><u>Proved Plus Probable Undeveloped</u></b>						
pre2005	0	11,528	0	0	0	0
2005	0	8,982	0	0	0	0
2006	0	5,886	0	0	0	0
2007	0	0	0	0	0	0

The following discussion generally describes the basis on which Kroes attributes Proved and Probable Undeveloped Reserves and its plans for developing those Undeveloped Reserves.

1. **Proved Undeveloped Reserves**

Proved undeveloped reserves are generally those reserves related to wells that have been drilled and cased, tested and/or not yet tied-in by the end of the fiscal year. In addition, such reserves may relate to planned infill drilling locations. All assigned proved undeveloped reserves are planned to be on stream within a two year timeframe.

2. **Probable Undeveloped Reserves**

Probable undeveloped reserves are generally those reserves tested or indicated by analogy to be productive, infill drilling locations and lands contiguous to production. All assigned probable undeveloped reserves are planned to be on stream within a two year timeframe.

**Item 5.2 Significant Factors or Uncertainties**

The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering, and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, prices and economic conditions. Kroes' reserves are evaluated by Fekete Associates Inc., an independent engineering firm.

As circumstances change and additional data become available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions.

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, the subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year-end oil and gas prices, and reservoir performance. Such revisions can be either positive or negative.

**Item 5.3 Future Development Costs**

Reserve Category	Development Costs (M\$) Discounted at 0%
Proved Reserves (forecast prices and costs)	78
Proved Plus Probable (forecast prices and costs)	78

All development capital expenditure is forecast to be spent in 2008. No development costs are forecast after 2008.

## **PART 6 OTHER OIL AND GAS INFORMATION**

### **Item 6.1 Oil and Gas Properties and Wells**

1. The Corporation's important properties, plants, facilities and installations are:

- a) located exclusively in Canada and more specifically within the Provinces of Alberta and British Columbia.
- b) located onshore.
- c) for wells not producing but capable of production:

Well Location	Oil / Gas	In this Condition Since	Pipeline Proximity / Transportation
102/07-30-051-09W4	Gas	2004-09	Tie in (0.1 mi), install compression and equip wellsite
100/11-06-052-09W4	Gas	2004-09	Tie in (1.25 mi), install compression and equip wellsite

- d) without associated statutory or mandatory relinquishments, surrenders, back-ins, or changes in ownership.

2. The number of the Corporation's oil wells and gas wells producing and non-producing, expressed on a gross and net basis, by location, is as follows:

	Oil Wells				Gas Wells			
	Producing		Non-Producing		Producing		Non-Producing	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Alberta, Canada	-	-	-	-	9.0	2.25	2.0	0.5
British Columbia, Canada	3.0	0.1	-	-	-	-	-	-

### **Item 6.2 Properties With No Attributed Reserves**

- a) The Corporation has an interest in unproved properties with a gross area of 5725.1 acres or 2318.7 hectares.
- b) The Corporation has an interest in unproved properties with a net area of 1240.2 acres or 502.3 hectares.
- c) All of the Corporation's unproved properties are located in Canada.
- d) The Corporation has no work commitments associated with its unproved properties.

The Corporation does not expect its rights to explore, develop and exploit its unproved property to expire before December 31, 2008.

### **Item 6.3 Forward Contracts**

1. The Corporation is not bound by any agreements under which it may be precluded from fully realizing, or may be protected from the full effect of, future market prices for oil or gas. (describe the agreement(s), discussing dates or time periods and summaries or ranges of volumes and contracted or reasonably estimated values.)

**Item 6.4 Additional Information Concerning Abandonment and Reclamation Costs**

- a) The estimate of costs is determined through a review of engineering studies, industry guidelines, and management's estimate on a site by site basis.
- b) The number of net wells for which the Corporation expects to show such costs is 4.1.
- c) An estimate of abandonment and reclamation costs, net of salvage:
  - a. Total Proved Case
    - i. Undiscounted: \$117,000
    - ii. Discounted at 10%: \$76,400
  - b. Total Proved Plus Probable Case
    - i. Undiscounted: \$120,000
    - ii. Discounted at 10%: \$72,600
- d) The entire amount disclosed in (c) herein was deducted as abandonment and reclamation costs in estimating the Corporation's future net revenue.
- e) The portion of the amounts disclosed in (c) herein that the Corporation expects to pay in the next three financial years is approximately 27%.

**Item 6.5 Tax Horizon**

The Company is not required to pay income taxes for 2007 and is not expected to pay income taxes for the duration of its reserves life.

**Item 6.6 Costs Incurred**

Costs incurred for year ended December 31, 2007 – Canada only

Property acquisition – undeveloped land	\$ 508,418
Acquisition of lands from Shelton	430,000
Exploration Costs	630,795
Development Costs	<u>184,182</u>
Total	<b><u>\$1,753,395</u></b>
Dispositions	<u>0</u>
<b>Net Expenditures</b>	<b><u>\$1,753,395</u></b>

**Item 6.7 Exploration and Development Activities**

- 1. In the Corporation's most recent financial year ended December 31, 2007, the number of well events completed was as follows:

		Gross		Net	
Canada	Exploratory Wells	Dry	2.00	Dry	0.50
		Oil	0	Oil	0
		Gas	9.00	Gas	2.25
		Service	0	Service	0
	Development Wells	Dry	0	Dry	0
		Oil	0	Oil	0
		Gas	0	Gas	0
		Service	0	Service	0

2. The Corporation's most important exploration and development activities are all located in Canada, as follows:

*Plain/Warwick, Alberta, Canada*

The Company has participated in a joint venture project for Mannville/Devonian gas exploitation in East Central Alberta Canada. In the past year, nine well events were completed:

- 100/16-25-052-13W4/00 (Flowing Nisku gas)
- 100/16-25-052-13W4/02 (Flowing Sparky gas)
- 100/15-36-052-13W4/00 (Flowing Nisku gas)
- 100/15-36-052-13W4/00 (Flowing Sparky gas)
- 102/16-01-053-13W4/00 (Abandoned Camrose gas)
- 102/16-01-053-13W4/02 (Abandoned Lower Glauconitic gas)
- 102/16-01-053-13W4/03 (Flowing Glauconitic gas)
- 102/16-01-053-13W4/04 (Flowing Sparky gas)
- 100/10-14-053-14W4/00 (Flowing Glauconitic gas)

Seven of the nine completions are currently flowing gas.

The Company has the following current and likely exploration and development activities planned for the upcoming year.

The Company expects to participate in the drilling of its east-central shallow gas program in 2008. In addition, the Company is currently in the process of merging with Vecta Energy Corporation. Assuming the transaction is completed later this year, the Company anticipates that it will participate in the drilling of 2 to 4 wells in the Brewster and Gilby areas of Alberta.

**Item 6.8 Production Estimates**

1. All of the Corporation's properties are located in Canada. In 2008, production volume estimates as reflected in the estimates of future net revenue disclosed herein are as follows:

**Estimated First Year Production—Total Company**

	Gross Cumulative Production			Net Cumulative Production		
	Light and Medium Crude Oil	Natural Gas Liquids	Natural Gas	Light and Medium Crude Oil	Natural Gas Liquids	Natural Gas
	(MSTB)	(MSTB)	(MMSCF)	(MSTB)	(MSTB)	(MMSCF)
<b>Proved</b>						
Developed Producing	0.5	0.0	122	0.4	0.0	96
Developed Non-Producing	-	-	5	-	-	4
Undeveloped	-	-	-	-	-	-
<b>Total Proved</b>	0.5	0.0	127	0.4	0.0	100
<b>Probable</b>	0.0	0.0	8	0.0	0.0	7
<b>Total Proved plus Probable</b>	0.5	0.0	135	0.4	0.0	107

2. The Plain/Warwick property accounts for more than 20 percent of estimated production disclosed under section 1. In 2008, production volume estimates for the Plain/Warwick property as reflected in the estimates of future net revenue disclosed herein are as follows:

**Estimated First Year Production—Plain/Warwick Property**

	Gross Cumulative Production			Net Cumulative Production		
	Light and Medium Crude Oil	Natural Gas Liquids	Natural Gas	Light and Medium Crude Oil	Natural Gas Liquids	Natural Gas
	(MSTB)	(MSTB)	(MMSCF)	(MSTB)	(MSTB)	(MMSCF)
<b>Proved</b>						
Developed Producing	-	-	119	-	-	93
Developed Non-Producing	-	-	4	-	-	4
Undeveloped	-	-	-	-	-	-
<b>Total Proved</b>	-	-	123	-	-	97
<b>Probable</b>	-	-	9	-	-	7
<b>Total Proved plus Probable</b>	-	-	132	-	-	104

## Item 6.9

### 1. Production History For 2007 (Canada Only)

<b>2007 Net Average Daily Production</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total</b>
Oil & NGL (bbls/d)	0.0	0.0	1.5	1.7	0.9
Gas (mcf/d)	222	204	227	613	317
BOE/D (6:1)	37	34	38	104	53.7

### Prices

Oil & NGL (\$/bbls)	0	0	73.26	76.13	74.71
Gas (\$/mcf)	7.80	7.30	5.33	6.17	6.48
BOE (\$)	46.83	43.83	33.56	37.66	39.40
Royalties (\$/boe)	11.81	11.15	7.33	7.39	8.71
Production Costs (\$/boe)	11.75	10.65	10.47	9.87	10.41
Netback (\$/boe)	23.26	22.03	15.75	20.40	20.28

### 2. Production Totals by Field for 2007

	Gross Production Volumes			Net Production Volumes		
	Light and Medium Crude Oil (MSTB)	Natural Gas Liquids (MSTB)	Natural Gas (MMSCF)	Light and Medium Crude Oil (MSTB)	Natural Gas Liquids (MSTB)	Natural Gas (MMSCF)
<b>Canada</b>						
Plain/Warwick, Alberta	-	-	113	-	-	88
Flatrock, British Columbia	0.3	0.0	2	0.2	0.0	2
<b>Total</b>	0.3	0.0	115	0.2	0.0	90



Associates Inc.

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Reservoir Engineering & Geology - Oil & Gas Property Evaluation - Well Test Interpretation - Software Development

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**FORM 51-101F2**

**REPORT ON RESERVES DATA  
BY  
INDEPENDENT QUALIFIED RESERVES  
EVALUATOR**

March 31, 2008

To: The Board of Directors of Kroes Energy Inc.:

1. We have evaluated the Company's reserves data as at December 31, 2007. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2007, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us for the year ended December 31, 2007, and identifies the respective portions thereof that we have evaluated and reported on to the Company's board of directors:

Evaluation/Report Date	Country	Net Present Value of Future Net Revenue (M\$) (before income taxes, 10% discount rate)	
		Evaluated	Total
December 31, 2007	Canada	\$ 1,407.52	\$ 1,407.52

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.
7. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

Executed as to our report referred to above:

Fekete Associates Inc., Calgary, Alberta, Canada,

Dated March 31, 2008



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Gary D. Metcalfe, P. Eng.  
Vice-President

**FORM 51 – 101F3**

**REPORT OF  
MANAGEMENT AND DIRECTORS  
ON OIL AND GAS DISCLOSURE**

Management of Kroes Energy Inc. (the “Company”) is responsible for the preparation and disclosure of information with respect to the Company’s oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which consist of the following:

- a) proved and probable oil and gas reserve quantities estimated as at December 31, 2007 using forecast and constant prices and costs; and
- b) the related standardized measure of discounted future net cash flows.

Independent qualified reserves evaluators have evaluated the Company’s reserves data. The report of Fekete Associates Inc. (“Fekete”) will be filed with securities regulatory authorities concurrently with this report.

The Board of Directors of the Company has

- a) reviewed the Company’s procedures for providing information to Fekete
- b) met with Fekete to determine whether any restrictions affected the ability of Fekete to report without reservation; and
- c) reviewed the reserves data with management and Fekete.

The Board of Directors has reviewed the Company’s procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The Board of Directors has approved

- a) the content and filing with securities regulatory authorities of the reserves data and other oil and gas information;
- b) the filing of the reports by Fekete on the reserves data; and
- c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

*"Fred Callaway"*

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Fred Callaway, President and CEO

*"S. D. Gossen"*

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S. D. Gossen, Vice President

*"C. J. Cummings"*

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C. J. Cummings, Director

*"F. Callaway"*

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Fred Callaway, Director

DATED at the City of Calgary, in the Province of Alberta, this 24<sup>th</sup> day of April, 2008.