

**PETRO-REEF RESOURCES LTD.**

**NEWS RELEASE**

TSX Venture Exchange  
Symbol PER  
Common Shares Outstanding 17,705,603

Calgary, Alberta  
August 03, 2004

Petro-Reef Resources Ltd. drilled a well in its core area in central Alberta in July 2003 with encouraging initial indications of production potential for crude oil and natural gas. In November 2003 this well was placed on production and by July 2004 was reaching economic limits. As a result the producing zone was shut in and an up-hole zone completed. The upper zone would appear to have stabilized at a production rate of about 720 thousand cubic feet of natural gas per day. Petro-Reef has a 44% working interest in this well.

During the last week of June 2004 Petro-Reef drilled an offsetting well on the same geologic structure. The location was picked based on an earlier 3D seismic program in the area. A back-pressure test has now been completed in a lower Cretaceous zone which is expected to be placed on production at a rate of four million cubic feet of natural gas per day. To produce this gas a pipeline of about one half a mile will be required. Work has begun on the pipeline and it is expected to be ready by mid-August. Actual production may be delayed depending on the availability of production equipment. Petro-Reef has a 34% working interest in this well.

Another well operated by an industry participant is currently being recompleted for production of lower Cretaceous natural gas at a rate that will be determined upon completion of a production test. This well is scheduled to be producing within about 2 weeks. Petro-Reef has a 21% working interest in this well.

For the first four months of 2004 Petro-Reef's average production has been 129 barrels of oil equivalent per day. The additional production from the three wells referred to above should take the average production for Petro-Reef over 300 barrels of oil equivalent per day by September 2004. This will result in a significant increase in natural gas reserves for Petro-Reef. Estimates of increased reserves before several months of production history could be misleading. Calculated reserves will be reported in due time.

Petro-Reef Resources Ltd. is a Calgary based crude oil and natural gas company with producing properties in Western Canada. The company trades on the TSX Venture Exchange under the symbol "PER".

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