

Petro-Reef Resources Reports Drilling Success, Releases Q2 2007 Results

Calgary, Alberta, August 29, 2007 – Petro-Reef Resources Ltd. (TSX-V: PER), a junior oil and gas company operating in Alberta, drilled five successful wells in the Alexander/Qui Barre prospect area in the first half of 2007. These wells are currently in various stages of production, production testing, and being tied-in to a plant facility. The company plans to drill 10 more wells before year end.

Petro-Reef also continued to grow in production and cash flow in the first six months of 2007 compared to the same period in 2006. The average BOE/d increased slightly year over year to 571 BOE/d in the first half of 2007 from 563 BOE/d in the same period 2006. Petro-Reef produced an average 544 BOE/d in the second quarter of 2007. There is additional production behind pipe in wells that have been drilled. The amount of this, which may be crude oil and/or natural gas, will be determined upon completion of production testing. Cash flow from operations increased 13% to \$2,671,861 in the first half of 2007 from \$2,363,091 in the same period of 2006. Petro-Reef achieved cash flow of \$1,104,425 in the second quarter of 2007.

Additional highlights include the company's June 30 bank balance of \$8 million, a 500% increase over the same period of 2006. The company also has no bank debt as of June 30, 2007.

Highlights of Financial and Operations Results for the First Half of 2006 and 2007

Financial	June 30 2006	June 30 2007	2006 to 2007 % Change
Crude oil and natural gas revenue net of Royalties and ARTC (\$)	3,505,958	3,819,136	+9
Cash flow from operations (\$)	2,363,091	2,671,861	+13
Cash flow from operations per share (\$)	0.11	0.08	-18
Net income for the period (\$)	78,072	464,210	+495
Net income per share (\$)	0.00	0.01	-
Capital expenditures (\$)	2,715,881	4,619,352	+70
Bank balance	1,348,291	8,088,729	+500
Bank line of credit used	0	0	-
Shareholder's equity (\$)	6,600,111	18,506,051	+180
Common shares outstanding weighted average	22,134,124	33,574,781	+52
Operations			
Daily Average Production			
Crude oil and NGLs (Bbls/day)	11	25	-12
Natural gas (Mcf/day)	3,300	3,274	-1
Total BOE/day	563	571	+1
Average Selling Price			
Crude oil (\$per Bbl)	62.55	55.22	-12
Natural gas (\$per mcf)	6.74	7.67	+14
NGL (\$per Bbl)	54.70	53.16	-3

Petro-Reef's production in the first half of 2007 came mainly from two core properties in Alberta. Alexander/Qui Barre produced about 92%, Peavey/Morinville produced about 7%, and about 1% came from non-operated minor working interest and royalty properties. Approximately 96% of the production was natural gas with about 4% crude oil and natural gas liquids.

During the first six months of 2007, Petro-Reef drilled five wells in the Alexander/Qui Barre prospect area all of which were successful.

- In January a well was drilled on Alexander First Nations land. Petro-Reef is currently production testing this well.
- In February Petro-Reef drilled a successful crude oil well. The well is to be tied in to the plant, with a new prorating oil well battery being built.
- Another well was drilled in June and has tested commercial quantities of natural gas. This well was subsequently tied in to the plant facility.
- A well drilled in March was a twin well to an existing well. The first well is producing natural gas. The second well is producing natural gas from a different zone.
- Another well was drilled in July and is in the process of being tested for production of crude oil and/or natural gas. A short pipeline will be required to tie in the well and place it on stream.

Petro-Reef plans to drill 10 more wells before year end beginning with the well at 13-06 which spudded on August 21. Locations have been prepared for new wells at 11-10, 11-11, and 15-29. Acquisition of surface leases at four additional locations is in progress.

A major central plant facility was constructed at 08-01 and began operation on July 5, 2007. Plant operations include compression, dehydration, separation and water disposal. Smaller existing compressors will be replaced and/or relocated now that the plant is operational. With Petro-Reef's drilling success a new challenge was created as production from each new well was added. This increased the back pressure in the pipeline system significantly and consequently reduced the ability of the lower pressure formations to maintain the same levels of production. The plant is capable of handling low pressure solution gas from the oil wells as well as increased productivity of all the natural gas wells up to a maximum volume of 23 MMcf/d.

Petro-Reef's complete second quarter 2007 financial statements and management's discussion and analysis are available for review on the SEDAR website (www.sedar.com) and on Petro-Reef's website (www.petro-reef.ca).

Petro-Reef Resources Ltd. is a Calgary based junior oil and natural gas company focused on petroleum and natural gas lease acquisition and exploration, and development of crude oil and natural gas properties in Alberta, Canada.

Forward-Looking Statements: All statements, other than statements of historical fact, set forth in this news release, including without limitation, assumptions and statements regarding reservoirs, resources and reserves, future production rates, exploration and development results, financial results, and future plans, operations and objectives of the Corporation are forward-looking statements that involve substantial known and unknown risks and uncertainties. Some of

these risks and uncertainties are beyond management's control, including but not limited to, the impact of general economic conditions, industry conditions, fluctuation of commodity prices, fluctuation of foreign exchange rates, environmental risks, industry competition, availability of qualified personnel and management, availability of materials, equipment and third party services, stock market volatility, timely and cost effective access to sufficient capital from internal and external sources. The reader is cautioned that assumptions used in the preparation of such information, although considered reasonable by the Corporation at the time of preparation, may prove to be incorrect. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.

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.

The TSX Venture Exchange does not accept responsibility for the adequacy or accuracy of this news release.

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