

## **Petro-Reef Resources Ltd. Announces 2008 Capital Expenditures Budget**

**Calgary, Alberta, January 10, 2008** – Petro-Reef Resources Ltd. (TSX-V: PER),

Petro-Reef Resources Ltd. (“Petro-Reef”) is pleased to announce its Board of Directors has approved its 2008 capital expenditures budget. Petro-Reef is forecasting to spend \$13.5 million in capital expenditures in 2008 broken down as follows:

Drilling / Work-overs - \$5.5 million  
Completions - \$2.5 million  
Facilities - \$3.5 million  
Undeveloped Land / Seismic / Other - \$2.0 million

Petro-Reef’s proposed capital expenditures budget does not include any major acquisitions which may occur in 2008. Petro-Reef seeks Board of Directors approval for acquisitions as they may arise.

For 2008, Petro-Reef is forecasting to drill / work-over approximately 10.0 net wells. As a result of drilling successes in 2007, a majority of Petro-Reef’s drilling activity will be focused on development locations offsetting exploration discoveries in 2007. While predominantly focusing on development drilling locations, Petro-Reef intends to maintain an active exploration drilling program in 2008. Using proprietary 3-D seismic, Petro-Reef has identified structural anomalies on lands immediately adjacent to Petro-Reef’s existing producing assets in Alexander. These structural anomalies are similar to ones successfully drilled by Petro-Reef in 2007. Petro-Reef intends to drill exploration wells targeting these structures in 2008 focusing on sections of land where Petro-Reef has a 94% working interest. Petro-Reef intends to shoot a 3-D seismic program over recently acquired Crown and freehold lands which is expected to generate drilling opportunities later in 2008 and into early 2009.

Petro-Reef’s core area of Alexander provides both crude oil and natural gas development and exploration drilling opportunities. To take advantage of the high crude oil prices and to diversify Petro-Reef’s production mix, development drilling locations will be focused on light sweet crude oil.

### **2008 Forecast**

Based on conservative price and production forecasts, Petro-Reef estimates generating cash flow from operations of \$7.5 million in 2008, representing an approximately 50% increase in cash flow as compared to 2007. In preparing the cash flow estimate, Petro-Reef utilized a natural gas price forecast of \$6.00 per thousand cubic foot which is lower than current market prices. Petro-Reef’s cash flow is sensitive to movements in natural

gas prices. A \$1.00 increase in realized natural gas prices in 2008 will result in an approximate \$2.0 million increase in cash flow from operations.

Petro-Reef entered 2008 with a strong balance sheet with zero debt. Based on forecasted capital expenditures and cash flow from operations, Petro-Reef's debt to cash flow is not expected to exceed 1.0x, providing financial flexibility throughout 2008. Petro-Reef believes maintaining a strong balance sheet will create opportunities to either increase drilling later in the year or acquire strong assets with significant upside from companies who are required to sell assets due to weakened balance sheets.

Petro-Reef is forecasting average production in 2008 of approximately 1,200 boe/d, representing an increase in year over year average production of approximately 90%.

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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