

Petro-Reef Resources Ltd. Announces Operations Update

Calgary, Alberta, January 25, 2008 – Petro-Reef Resources Ltd. (TSX-V: PER),

Petro-Reef Resources Ltd. (“Petro-Reef”) is providing an update to our news release dated October 18, 2007 for our deep exploration test at 15-29 in Alexander, Alberta along with additional information on drilling and workover activities as well as a review of preliminary Q4 – 2007 results.

Petro-Reef estimates Q4 – 2007 production of 800 boe/d, representing a 34% increase from Q3 – 2007 and a 126% increase from Q4 - 2006. Production for all of 2007 is estimated at 620 boe/d, representing a 37% increase year over year. Current production is estimated at 900 boe/d, representing an approximate 13% increase from Q4 – 2007.

Petro-Reef maintains significant balance sheet liquidity exiting 2007 with zero bank debt and over \$4,500,000 in cash. Petro-Reef intends to prudently use debt financing in 2008 ensuring adequate funding is available for key exploration and development drilling opportunities.

Petro-Reef has two work-over operations currently underway in Alexander. Petro-Reef commenced operations at 14-01 with a recompletion of a highly prospective oil zone. Petro-Reef successfully tested the well and intends to bring the well on-stream shortly at a rate of 30-50 bbls/d (44% WI) on a 30-day production test. Petro-Reef has applied for down-spacing on section 1, allowing for up to 8 oil wells to be drilled. Upon receipt of approval, Petro-Reef intends to drill 6 follow-up wells on section 1, each targeting the prospective oil zone present in 14-01.

Petro-Reef drilled and tested a well at 15-29 in Alexander targeting deeper crude oil zones. Based on log interpretation, the target oil zones appeared to be hydrocarbon bearing, with over 100 feet of net pay. On initial test, the target formations tested at a volume in excess of 400 bbls/d of medium, sour crude oil. Subsequent tests produced increasing volumes of water. As a result, the lower zones were deemed uneconomic. Petro-Reef has identified an economic up-hole zone in the 15-29 well which it intends to complete upon receipt of partner approval. A pipeline right of way has been acquired and Petro-Reef will be required to construct a short 1/3 mile pipeline to bring the production onstream. Petro-Reef expects to have this natural gas production onstream by the second quarter.

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.

For further information, please contact:

Joseph Werner or
President and CEO

John Pantazopoulos
Vice-President Finance and CFO

Petro-Reef Resources Ltd.
970, 10655 Southport Road S.W.
Calgary, Alberta T2W 4Y1
Telephone (403) 265-6444
Facsimile: (403) 264-1348
E-mail: info@petro-reef.ca
Web Site: www.petro-reef.ca