

## Petro-Reef Resources Ltd. Announces Q2-2009 Results

Calgary, Alberta, August 27, 2009 – Petro-Reef Resources Ltd. ("Petro-Reef" or the "Corporation") is pleased to release its Q2 - 2009 financial statements and management discussion and analysis. Access to Petro-Reef's 2009 financial results may be obtained at [www.sedar.com](http://www.sedar.com) or [www.petro-reef.ca](http://www.petro-reef.ca).

### Q2 - 2009 Financial Highlights:

- Gross revenue of \$2,061,794
- Cash flow from operations of \$619,432
- CFPS of \$0.02
- Total assets of \$35,365,058

Weak commodity prices during the period resulted in a significant reduction in revenue and cash flow from operations. Realized natural gas prices fell 62.6% to \$3.42 / mcf with crude oil prices falling 47.8% to \$58.49 / bbl. Offsetting the low commodity prices was an extremely low effective royalty rate which averaged 5.2% during the period. The low royalty rate was due to a combination of more production attracting freehold royalties and higher gas cost allowance deductions on Crown lands.

Focusing on cost control again resulted in reduced general & administrative expenses of \$3.57 / boe, representing a 46.1% drop as compared to fiscal 2008. Petro-Reef continues to focus on reducing expenses to ensure positive cash flow is generated during this period of low commodity prices.

As a result of cost control and lower royalty rates, Petro-Reef generated cash flow from operations of \$619,432 during the quarter. Petro-Reef generated cash flow from operations of \$1,620,793 for the six month period ended June 30, 2009.

### Operational Highlights:

- Production averaged 847 boe/d
- Crude oil and NGL production increased to 137 bbls/d

Petro-Reef took advantage of the annual spring break-up slow down to complete a key maintenance program on several wells which resulted in production to be temporarily shut-in during the period which cut production for the period. All work has been completed and current production is back to approximately 900 boe/d.

Petro-Reef focused efforts during the quarter towards finalizing a submission to approve the downspacing of five key sections of land where Petro-Reef has identified two significant crude

oil development formations. Based on well control in the area and interpretation of proprietary 3-D seismic data, Petro-Reef has identified approximately 50 development oil drilling locations. Petro-Reef anticipates regulatory approval for the downspacing application shortly.

## **Outlook**

On August 6, 2009, Petro-Reef announced that it had closed a \$1.5mm flow-through equity offering. With the equity proceeds, Petro-Reef intends to drill three exploration wells on Petro-Reef's 100% owned exploration acreage located immediately north of the Corporation's existing producing assets. In addition to the three exploration locations, Petro-Reef is in the process of obtaining approval for the drilling of four additional wells, three of which will be lower risk development oil locations on Petro-Reef's southern development lands with an additional exploration location on the northern acreage. Upon success with the exploration locations, Petro-Reef has identified several follow-up locations which Petro-Reef would drill in 2010. Petro-Reef continues to acquire undeveloped freehold acreage on lands adjacent to the exploration locations providing additional drilling opportunities.

Petro-Reef currently has its natural gas production hedged at a floor price of C\$4.00 / GJ on approximately 65% of natural gas production. With natural gas prices recently trading below \$2.25 / GJ, Petro-Reef's natural gas hedge is generating significant cash flow which will be used to finance a portion of Petro-Reef's development drilling program. Petro-Reef's natural gas hedge continues until March 2011, providing long-term price protection on existing production.

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*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.***