

## **Petro-Reef Resources Ltd. Announces Q3- 2009 Results and Operational Update**

**Calgary, Alberta, November 25, 2009** – Petro-Reef Resources Ltd. ("Petro-Reef" or the "Corporation") is pleased to release its Q3 - 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)

### **Q3 - 2009 Financial Highlights:**

- Gross revenue of \$1,932,320
- Cash flow from operations of \$832,555
- CFPS of \$0.02
- Total assets of \$34,240,237

Weak commodity prices during the period resulted in a significant reduction in revenue and cash flow from operations. Realized natural gas prices fell 51.7% to \$3.76 / mcf with crude oil prices falling 41.5% to \$65.88 / bbl. At the end of the second quarter, Petro-Reef acquired a price floor of \$4.00 / GJ on approximately 65% of its natural gas production. These price floors are in place until March 31, 2011, providing long-term price support for Petro-Reef. During the 3rd quarter, Petro-Reef realized a hedging gain of \$232,189 which increased Petro-Reef's realized natural gas price by \$0.60.

Offsetting the low commodity prices was an extremely low effective royalty rate which averaged 5.0% during the period. The low royalty rate was due to a combination of additional production paying freehold royalties and higher gas cost allowance deductions on Crown lands. Royalty payments are expected to increase in subsequent quarters as commodity prices increase.

Focusing on cost control again resulted in reduced general & administrative expenses of \$3.66 / boe, representing an 18.0% decrease as compared to fiscal 2008. Petro-Reef continues to focus on reducing expenses to ensure positive cash flow is maintained during this period of low commodity prices.

During the quarter, Petro-Reef's working capital deficit decreased to \$11,146,279 through a combination of higher than expected cash flows as well as the closing of a \$1,500,000 flow-through equity offering during the quarter.

### **Operational Highlights:**

- Production averaged 845 boe/d
- Crude oil and NGL production of 131 bbls/d

During the quarter, Petro-Reef closed a \$1,500,000 flow-through equity offering, allowing it to proceed with the licensing of three high impact exploration drilling locations. The wells were all spud in the early part of the fourth quarter and, as a result, Petro-Reef did not incur significant capital expenditures during the 3rd quarter. Petro-Reef has until December 31, 2010 to incur

eligible exploration expenditures to meet its obligation under its flow-through share offering. Based on preliminary analysis of exploration expenditures, Petro-Reef anticipates meeting its flow-through obligation early in 2010.

## **Outlook**

Petro-Reef announced significant exploration drilling success subsequent to the quarter end. Petro-Reef achieved 100% drilling success with the three wells it drilled. Based on test information from the wells, Petro-Reef anticipates adding approximately 500 boe/d of production, including 125 bbls/d of crude oil by year end, increasing production to approximately 1,250 - 1,300 boe/d, including over 200 bbls/d of crude oil production. As a result of the exploration drilling success, Petro-Reef has identified several low risk, follow-up locations it intends to drill in the coming months. Petro-Reef is in the process of obtaining well licenses for two development locations, one of which is a twin to a recently drilled exploration location where Petro-Reef had multi-zone drilling success which requires a second well to produce the remaining zones.

Petro-Reef is finalizing its 2010 capital expenditures budget and anticipates releasing its planned expenditures, including forecasted production volumes by the end of this year.

*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.*

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