

Petro-Reef Resources Ltd. Earns \$437,000 in Q1 2007

Calgary, Alberta, May 31, 2007 – Petro-Reef Resources Ltd. (TSX-V:PER), a junior oil and gas company operating in Alberta, earned \$436,755 in the first quarter of 2007, an increase of 479% over net income of \$75,453 in the first quarter of 2006. The company's strong earnings were largely a result of increased prices, production and cash flow in the first three months of 2007 compared to the same period in 2006. Although the average daily production increased only slightly year over year to 594 barrels of oil equivalent per day (BOE/d) in the first quarter of 2007 from 593 BOE/d in 2006, the exit production for March 2007 was higher than 700 BOE/d with about 400 BOE/d behind pipe waiting to be put on stream. The higher product prices in 2007 helped the company increase its cash flow from operations in the first quarter year over year by 25% to \$1.6 million, or \$0.05 per share.

Financial	March 31 2006	March 31 2007	% Change
Crude oil and natural gas revenue net of Royalties and ARTC (\$)	1,797,362	2,011,941	+20
Cash flow from operations (\$)	1,252,007	1,567,436	+25
Cash flow from operations per share (\$)	0.06	0.05	-
Net income for the period (\$)	75,453	436,755	+479
Net income per share (\$)	0	0.01	-
Capital expenditures (\$)	497,869	2,427,755	+388
Bank balance (\$)	1,031,868	6,759,787	+555
Working capital (deficit) (\$)	(484,201)	2,458,052	-
Shareholder's equity (\$)	6,103,921	16,168,187	+165
Weighted average common shares outstanding	21,438,924	31,744,781	+48
Operations			
Daily Average Production			
Crude Oil and NGLs (Bbls/day)	1	26	+2,500
Natural Gas (Mcf/day)	3,552	3,426	-4
Total BOE/day	593	594	0
Average Selling Price			
Crude Oil (\$per Bbl)	45.78	51.67	+12
Natural Gas (\$per mcf)	6.78	7.49	+10
NGL (\$per Bbl)	43.93	49.66	+13

During the first three months of 2007, Petro-Reef drilled three wells, all of which were successful, in the Alexander/Qui Barre prospect area. A well drilled in January at 11-14 is waiting for the necessary approvals before it can be tied in. In February, a well drilled at 14-01 was recently tied in for natural gas production. In March, the second part of a twin well drilled at 11-27 will be production tested in the next month.

Petro-Reef plans to drill another seven wells in the core area of Alexander/Qui Barre between June and August. A major central plant facility has been designed for installation at 8-01, involving compression, dehydration, separation, and water disposal. The compressor has been constructed in Calgary and is awaiting delivery. Installation of the compressor is expected to allow Petro-Reef to handle low pressure solution gas from its oil wells as well as increase the productivity of its natural gas wells up to a maximum rate of 23 MMcf/d (12.86 MMcf/d or 2144 BOE/d net to Petro-Reef).

Petro-Reef's complete first 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.

Petro-Reef cautions that "cash flow from operations" does not have a standardized meaning prescribed by Canadian generally accepted accounting principles and is therefore unlikely to be comparable to similar measures presented by other issuers. Management believes "cash flow from operations," defined as cash provided by operations before changes in non-cash working capital, is a useful indicator of the Company's ability to fund future capital expenditures.

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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