

Petro-Reef Resources Ltd. Announces Completion of Strategic Alternative Analysis

Calgary, Alberta, December 9, 2011 – Petro-Reef Resources Ltd. (TSX VENTURE:PER) ("Petro-Reef" or the "Company") -

Further to its press announcement on October 4, 2011 to review strategic alternatives Petro-Reef has received several expressions of interest and today announces that it has entered into a letter of intent with a private company, in connection with a potential transaction that, if completed on its current terms, would result in a recapitalization of Petro-Reef by way of a private placement of Petro-Reef Common Shares at an issue price of \$0.47 per share for gross proceeds of approximately \$40 million.

The proceeds of the proposed transaction would be used as to approximately \$25 million to complete the purchase of certain heavy oil properties which are producing approximately 500 bbl/d. The balance would be used for general corporate purposes. The transaction would also involve the replacement of substantially all of the directors and officers of Petro-Reef with individuals to be identified in a following press announcement.

The proposed transaction is subject to the completion of arrangements with investors, the completion of arrangements with the new management team, the negotiation of mutually acceptable definitive agreements the completion of commercial and legal diligence by all parties, the receipt of required regulatory and shareholder approvals and other customary conditions. Petro-Reef has agreed to work to negotiate these arrangements exclusively with the private company until December 13, 2011.

There are can be no assurance that the transaction will be completed on the proposed terms or that it will be completed at all. The parties have agreed to Petro-Reef requesting that the TSX Venture Exchange place a trading halt on Petro-Reef's Common Shares until the sooner of the completion of the negotiation of the definitive agreements, including the terms of the financing, and December 13, 2011. Additional press releases will be issued to provide an update as to the status of the transaction.

Petro-Reef is a Calgary based junior oil and natural gas corporation, engaged in the exploration, development, acquisition and production of natural gas and medium to light gravity crude oil reserves in Alberta.

Petro-Reef's common shares trade on the TSX Venture Exchange under the symbol PER. The Company's primary corporate objective is to achieve non-dilutive growth and enhance shareholder value through internal prospect development, strategic production acquisitions and prudent financial management.

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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 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.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.