

Petro-Reef Resources Ltd. Proposed Recapitalization and Change of Management

Calgary, Alberta, December 19, 2011 – Petro-Reef Resources Ltd. (TSX VENTURE:PER) ("Petro-Reef" or the "Company") -

Further to its trading halt on December 5, 2011 and its press release on December 9, 2011, announcing entering into a letter of intent with a private company on December 2, 2011, Petro-Reef announces that the letter of intent has terminated due to the failure of the private company to secure financing.

The Board of Directors of Petro-Reef has decided to continue with its review of strategic alternatives. Emerging Equities Inc. will continue to act as exclusive financial advisor to Petro-Reef. Concurrent with this course of action Petro-Reef shall pursue the opportunities identified in the recent reinterpretation of 36 sections of 3D seismic.

The new oil well at 9-12-57-26W4 continues to flow at a net 190 boe/d. With the restart of the 6-7 and 11-7 wells (currently shut in due to allowable restrictions) the total corporate production in January, 2012 is expected to be 1,050 boe/d. The increased cash flow will allow licencing and drilling of up to 3 wells prior to spring breakup.

An adjoining operator is planning to drill an offset to Petro-Reef's lands in the Alexander area that if successful could significantly increase the size of the pool and the proved reserves on Petro-Reef lands.

The term barrel of oil equivalent may be misleading, particularly if used in isolation. A boe conversion ratio of 6,000 cubic feet per barrel of natural gas to barrels of oil equivalence is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All boe conversions in the report are derived from converting gas to oil in the ratio mix of 6,000 cubic feet of gas to one barrel of oil.

For further information, please contact:

Hugh M. Thomson
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
Email: info@petro-reef.ca
Website: www.petro-reef.ca

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.

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