

Petro-Reef Resources increases production, cash flow, earnings in 2005

Calgary, Alberta, April 3, 2006 – Petro-Reef Resources Ltd. (TSX-V:PER), a junior oil and gas company operating in Alberta, capitalized on its drilling success and strong commodity prices to earn \$248,714 on cash flow from operations of \$2,193,361 in 2005. This compares to a loss of \$542,087 on cash flow from operations of \$1,514,596 in 2004. The Company exited 2005 producing 706 barrels of oil equivalent per day compared to an exit rate of 238 boe/d in 2004. Petro-Reef expects to exit 2006 producing between 1,100 and 1,550 boe/d with cash flow in excess of \$8.5 million, or \$0.40 per common share.

Other highlights of 2005 include Petro-Reef's operating costs of \$11.37 per boe, finding, development and acquisition costs of \$5.27 per boe, a recycle ratio of 2.41 and netbacks of \$34.26 per boe.

With Petro-Reef's steady cash flow, no debt and approximately \$400,000 in working capital, the Company is in a strong position in 2006 to pursue the active drilling program it launched in 2005. The Company expects to spend \$10.3 million to drill, complete or recompleat up to 25 (11.94 net) wells in 2006. This includes 21 new wells in Alexander/Qui Barre, Alberta and one new well in Peavey/Morinville, Alberta. Another \$522,000 has been set aside for three recompletions in Alexander/Qui Barre. Petro-Reef's total capital budget for 2006, including the acquisition of land and seismic data, is \$11.9 million. Petro-Reef expects to finance its drilling program through a combination of working capital, cash flow from operations and the Company's existing operating line of credit.

Highlights of Financial and Operating Results for 2004 and 2005:

| | Year Ended December 31, 2005 | Year Ended December 31, 2004 | % Change |
|--|------------------------------------|------------------------------------|----------|
| Financial | | | |
| Crude oil and natural gas revenue | \$3,224,567 | \$2,162,656 | +49 |
| Cash flow from operations | \$2,193,361 | \$1,514,596 | +45 |
| Net earnings (loss) from operations | \$248,714 | (\$542,087) | - |
| Capital expenditures | \$2,381,174 | \$1,148,725 | +107 |
| Bank loan | - | \$700,000 | -100 |
| Shareholders' equity | \$6,029,968 | \$4,021,269 | +50 |
| Weighted average common shares outstanding | 18,994,641 | 17,701,232 | +7 |
| Operations | | | |
| Daily Average Production | | | |
| Crude oil and NGLs (bbls/d) | 2 | 13 | -85 |
| Natural gas (mcf/d) | 1,080 | 954 | +13 |
| Total boe/d | 182 | 172 | +6 |
| Exit production (boe/d) | 706 | 238 | +197 |
| Average Selling Price | | | |
| Crude oil (\$ per bbl) | 58.16 | 45.25 | +28 |
| Natural gas (\$ per mcf) | 9.54 | 6.51 | +47 |
| NGL (\$ per bbl) | 55.50 | 48.25 | +15 |

| | December 2005 | December 2004 | % Change |
|---------------------------------|--------------------------|--------------------------|-----------------|
| Operations | | | |
| Daily Average Production | | | |
| Crude oil and NGLs (bbls/d) | 1 | 0 | - |
| Natural gas (mcf/d) | 2,725 | 1,437 | +90 |
| Total boe/d | 455 | 240 | +90 |
| | | | |
| Average Selling Price | | | |
| Crude oil (\$ per bbl) | 44.81 | - | - |
| Natural gas (\$ per mcf) | 12.85 | 6.38 | 101 |
| NGL (\$ per bbl) | 55.50 | - | - |

Petro-Reef's complete 2005 results, including financial statements and management's discussion and analysis, will be posted on SEDAR before the end of April 2006.

Petro-Reef Resources Ltd. is a Calgary-based junior oil and 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" and "netbacks" do not have standardized meanings prescribed by Canadian generally accepted accounting principles and are 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. Petro-Reef calculates netbacks as net dollars per barrel after Crown royalties, operating expenses and general and administrative expenses.

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 has not reviewed and does not accept responsibility for the adequacy or accuracy of this news release.

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