

Petro-Reef Resources Achieves Record Cash Flow, Production in Q1 2006

Calgary, Alberta, June 1, 2006 – Petro-Reef Resources Ltd. (TSX-V:PER), a junior oil and gas company operating in Alberta, increased its cash flow from operations in the first quarter of 2006 by 164% and increased its production by 175% compared with the same period in 2005. In the first quarter of 2006, the company achieved cash flow from operations of \$1.3 million (\$0.06 per share) and average daily production of 593 barrels of oil equivalent (BOE/d). Petro-Reef's current production is approximately 600 to 700 BOE/d. First quarter revenue increased 156% to \$1.8 million in 2006 compared with \$701,154 in 2005.

On May 9, 2006, Petro-Reef announced that it is in the process of completing a five-well drilling program offsetting its October 2005 natural gas discovery in Alexander, Alberta. Based on the initial success of the program, the company is in the process of drilling a sixth well in the area. Petro-Reef will release the results of its drilling efforts as soon as testing is complete. Including the five wells drilled to date in 2006, the company expects to drill up to 25 wells (11.94 net) during the year, rig availability permitting. The company has contracted two rigs for the remainder of 2006.

First Quarter Highlights

Financial	March 31 2006	March 31 2005	% Change
Crude oil and natural gas revenue net of Royalties and ARTC (\$)	1,797,362	701,154	156
Cash flow from operations (\$)	1,252,007	473,740	164
Cash flow from operations per share (\$)	0.06	0.03	100
Net income (loss) for the period (\$)	75,453	(14,869)	-
Net income (loss) per share (\$)	0	0	-
Capital expenditures (\$)	497,869	430,681	15
Bank balance (loan) (\$)	1,031,868	(235,011)	-
Shareholders' equity (\$)	6,103,921	4,059,186	50
Weighted average common shares outstanding	21,438,924	17,738,937	21
Operations			
Daily Average Production			
Crude oil and NGL (Bbls/day)	1	1	0
Natural gas (Mcf/day)	3,552	1,295	174
Total BOE/day	593	216	175
Average Selling Price			
Crude oil (\$per Bbl)	45.78	36.72	24
Natural gas (\$per Mcf)	6.78	6.16	10
NGL (\$per Bbl)	43.93	55.54	-21

Petro-Reef's complete first quarter 2006 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 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 has not reviewed and does not accept responsibility for the adequacy or accuracy of this news release.

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