

Petro-Reef Resources Ltd. Announces Private Placement Financing

Calgary, Alberta – December 19, 2006 – Petro-Reef Resources Ltd. (TSXV: PER; “Petro-Reef” or “the Corporation”) is pleased to announce that it has entered into an engagement letter with Primary Capital Inc. (“Primary”) pursuant to which Primary has agreed, subject to completion of satisfactory due diligence, to sell on a “best efforts” basis, up to a maximum of 4,782,609 units (“Units”) at a price of \$1.15 per Unit for an aggregate purchase price of \$5,500,000.35 (\$5,115,000.33 net of commissions). Primary will also receive an Over-Allotment Option to offer and sell an additional 478,261 Units for additional gross proceeds of up to \$550,000.15 (the “Over-Allotment Option”), which if exercised and fully sold, would give Petro-Reef gross proceeds of \$6,050,000.50 (\$5,626,500.47 net of commissions). Primary may exercise the Over-Allotment Option up to 2 business days prior to the Closing Date. The Closing Date is expected to be on or about January 19, 2007, or as otherwise agreed by Petro-Reef and Primary.

The Units are comprised of one common share of the Corporation (“Share”) and one-half of one warrant (“Warrant”), each whole Warrant being exercisable to purchase one Share for a period of 18 months after the Closing Date at an exercise price of \$1.75 per Share, provided that if the closing price of the Shares on the TSX Venture Exchange is equal to or greater than \$2.20 per Share for a period of 20 consecutive trading days any time after four months and one day after the Closing Date, the Corporation may accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire on the 30th day after the date on which such notice is given by the Corporation.

Petro-Reef has agreed to pay Primary a commission equal to 7% of the gross proceeds raised, and to issue broker warrants (“Broker Warrants”) to it, entitling Primary to purchase up to that number of Units which is equal to 7% of the number of Units issued under the Offering, at an exercise price of \$1.15 per Unit at any time on or before the date which is 18 months after the Closing Date. These Units will be identical to those being offered under the private placement.

Assuming the exercise of all Warrants (including the Warrants comprising the Broker Warrants), Petro-Reef will realize additional gross proceeds of \$4,477,717.68 (\$4,925,489.54 if the Over-Allotment Option is fully exercised).

The Units will be issued as a private placement to certain investors identified by Primary. The net proceeds received from the sale of the Units will be used to fund the continued exploration and development of Petro-Reef’s properties. Closing is subject to normal regulatory approvals. The Units will be subject to a four month hold period from the Closing Date.

This news release shall not constitute an offer to sell or the solicitation of an offer to buy the securities in any jurisdiction. Such securities have not been registered under the United States Securities Act of 1933 and may not be offered or sold in the United States without registration or exemption from the registration requirements.

Operations update

Petro-Reef is pleased to report continued positive results from its field operations in Alexander. The well at 2-1 tested natural gas at an initial rate of 1.6 million cubic feet per day with approximately 10 barrels of oil per day. The 14-20 well has been drilled and production casing has been run. Testing will be done as soon as practical. The first twin well at 9-33 is drilling and Petro-Reef expects to run production casing before Christmas. Details will follow when available.

Options grant

In other news Petro-Reef announces that on December 6, 2006 a director of the Corporation was granted options to purchase up to 140,000 shares under the Corporation's Incentive Stock Option plan. The exercise price for the grant has been set at \$1.20, which was the closing price for Petro-Reef shares on December 6, 2006. The options will fully vest after one year and expire five years from the date of the grant. With this grant, Petro-Reef will have 2,080,000 stock options outstanding with an average exercise price of \$0.84 per share, taking the total number of fully diluted shares outstanding to 28,698,911.

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.

The TSX Venture Exchange does not accept responsibility for the adequacy or accuracy of this news release.

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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 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.

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.

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