

## **Petro Matad Limited (“Petro Matad” or the “Company”)**

### **Block XX Exploration Drilling Update**

Petro Matad (AIM: MATD) is pleased to provide an update on its drilling activities on the Davsan Tolgoi Prospect on Block XX in Eastern Mongolia.

Drilling operations on the DT-3 well were completed on 27 October 2010 at a measured depth of 1,266m, in basement rocks.

Significant hydrocarbon shows were encountered while drilling both the primary objective Lower Tsagaantsav formation and the overlying Upper Zuunbayan formation.

Upper Zuunbayan sandstones exhibited live oil shows from 750m to 765m. Preliminary petrophysical analysis of wireline logs delineates 5.5m of potential net pay within this zone. Porosity within the net pay intervals averages 23%.

The Lower Tsagaantsav sandstones included 10m of weak live oil shows from 1,005m to 1,015m with elevated pentane gas levels from 945m to 1216m. Preliminary petrophysical analysis of wireline logs indicate that the Lower Tsagaantsav sandstones include more than 50m of high-quality reservoir rocks with average porosities above 20% that are evenly distributed over the 281m gross interval from 935m-1,216m. However, calculated hydrocarbon saturations are low throughout the Lower Tsagaantsav reservoir, indicating that the Tsagaantsav is a poor candidate for testing at this location.

DT-3 was designed to test the continuity of hydrocarbons in Tsagaantsav reservoirs between the area of the earlier DT-1 and DT-2 test wells, about 8 km to the northeast. Comparison of the high calculated hydrocarbon saturations at DT-1 and DT-2 with low saturations at DT-3 indicate that DT-3 lies within a separate fluid compartment from DT-1 and DT-2. The extent of each compartment will be evaluated by the remapping of the 3D seismic survey.

DT-3 was also designed to provide a wider sampling of Tsagaantsav reservoir quality along Greater Davsan Tolgoi prospect. The actual 50m or more of reservoir quality rock encountered at DT-3 compares favourably with the assumed 10.35m net reservoir thickness that formed the basis of the 2009 mean recoverable resource estimate of 121.5 MMBO for the prospect.

DT-3 is the third and final well of the 2010 drilling program along the crest of Davsan Tolgoi anticline, in the Greater Tavsan Tolgoi prospect. The drilling rig and the contractor, Ansai Yuehua, will be released from their contract, after casing and cementing the well.

Reservoir and depth measurements from these three wells will be incorporated into revisions to resource estimates for the Greater Davsan Tolgoi area during the winter,

with an independent evaluation of these estimates by competent persons early in 2011.

Testing of the wells had been proposed as part of the 2010 program. As a result of the slow start and at times delayed progress of the drilling campaign, and with temperatures starting to fall below normal workover rig capabilities, commencing a comprehensive testing programme is becoming problematical. As a consequence of this and other reasons related to the unsuitability of available workover rigs, the Company's consulting testing engineer recommended that Petro Matad defer the testing program until Spring 2011. The Company has accepted that recommendation.

The Company has located a partially winterised drilling rig that is available to continue drilling in this calendar year. In similar geographical circumstances, and normal weather conditions, this rig and crew have drilled until mid-December. Negotiations to contract this rig are in the final stages, and if a contract is executed drilling could commence by mid-November.

This short programme will in all likelihood only allow the drilling of one well, although the capacity for two wells is built into the proposed contract. The Company's technical team have chosen and designed a well on a separate closure to the Greater Davsan Tolgoi prospect. Further details on both the well location and proposed targets and depths will be forthcoming if the drilling rig is contracted, and the well spudded.

Petro Matad CEO Douglas McGay said

"While the results from DT-3 have not proven very positive for hydrocarbons in the Tsagaantsav formation at this location, we consider it important that the well encountered a significant hydrocarbon interval in the overlying Zuunbayan Formation. The elevated gas levels and the reservoir quality of the Tsagaantsav are also technically meaningful, demonstrating the capability of long-range oil and gas migration to the Greater Davsan Tolgoi prospect.

"In its maiden year of drilling, Petro Matad is pleased to have discovered hydrocarbons on all three wells drilled. Having successfully completed the initial drilling phase of the exploration programme for Davsan Tolgoi, we will now advance to the next step in the process; the compilation and assessment of the data from that drilling. This part of the programme will also include the re-processing and re-mapping of the 3D seismic survey over Davsan Tolgoi with a view to updating the resources. Finally, the results of these studies will form the basis for the planning of the 2011 appraisal drilling programme for Davsan Tolgoi.

"This brings us to the end of the originally planned 2010 drilling programme. Being unable to locate a suitable workover rig for the intended testing component of the programme is frustrating but will not impede the assessment work that our technical team and consultants will now undertake.

"Other exploration programmes are being advanced at this time. The most significant current development is the possibility of a further add-on drilling

programme at Davsan Tolgoi before the end of this year. Additionally, tenders for 2D and 3D seismic surveys on Block XX are currently being evaluated, with a view to undertaking those surveys during the winter months. In Blocks IV and V in central Mongolia the 4,000 station gravity in-fill survey has just been completed, and that data will be integrated with the completed 2D seismic survey, currently undergoing processing.”

Technical information in this news release has been reviewed by the Company’s Exploration Manager, Dr James Coogan. Dr Coogan is a petroleum geologist with 29 years of experience in North American and international exploration and development. He is a member of the American Association of Petroleum Geologists and the Geological Society of America.

Note to Editors:

#### About Petro Matad Limited

Petro Matad is the parent company of a group focussed on oil exploration, as well as future development and production in Mongolia. The Group holds the sole operatorship of three Production Sharing Contracts with the Government of Mongolia. The principal asset is the PSC for Block XX, a petroleum block of 10,340km<sup>2</sup> in the far eastern part of the country. The two other Blocks, IV and V are located in central Mongolia and jointly cover 71,040km<sup>2</sup>.

Petro Matad Limited is incorporated in the Isle of Man under company number 1483V. Its registered office is at Victory House, Prospect Hill, Douglas, Isle of Man, IM1 1EQ.

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