

**Petro Matad Limited**  
**("Petro Matad" or the "Company")**

**Operational Update**

Petro Matad announces that the Company's Davsan Tolgoi-8 well ("DT-8") has reached a total depth of 1,850m, in metamorphic rocks.

Beginning at 1,670m depth, the well penetrated a 127m gross thickness of the Uppermost Tsagaantsav Formation (the Uvgan Gol paleovalley). The well encountered elevated gas in the overlying Lower Zuunbayan seal that was maintained through the Uppermost Tsagaantsav interval. The highest sandstone zones of the Uppermost Tsagaantsav exhibited live oil shows from 1,714 to 1,720m depth that consisted of spotty fluorescence and fast bluish-white to yellow-gold cut indicating the presence of hydrocarbons. Initial petrophysical analysis has identified 8.5m of net pay averaging 18.5% porosity for the Uppermost Tsagaantsav interval.

The Lower Tsagaantsav was not an objective for DT-8, where the interval was absent due to erosion and faulting. The well drilled metamorphic basement rocks from 1,797m to the total depth.

DT-8 was designed to test a stratigraphic pinch-out of the Uvgan Gol paleovalley reservoir between thin hydrocarbon-saturated sandstones at the Company's DT-5 well and producing sandstones at Daqing's 19-62 well of the adjacent Block XIX. Identification of the stratigraphic trap followed revision to the Company's original interpretation of DT-5. It was previously announced on 8 June 2011 that the 3m of calculated net pay in DT-5 was within the top of the Lower Tsagaantsav Formation at 1,707m. Subsequent integration of the wireline velocity logs into the 3D seismic interpretation indicates that the entire pay interval lies within the basal part of the Uppermost Tsagaantsav paleovalley sequence.

Drilling, casing, and cementing operations have been completed at DT-8 and the rig is being moved to the new Davsan Tolgoi-9 ("DT-9") location.

DT-9 continues the Company's drilling program to evaluate its prospect inventory in the Davsan Tolgoi area of Block XX. The well targets the Lower Tsagaantsav reservoir at a location 2.5 km south of and 220m high to the Company's DT-4 well, which recovered oil-saturated core from the Lower Tsagaantsav. The DT-9 location is one of a series of Lower Tsagaantsav locations in the Shoroo, Tumor and Gal prospects that lie to the west of the Uvgan Gol paleovalley play. These Lower Tsagaantsav prospects have been recently reinterpreted with the benefit of enhanced processing of the Davsan Tolgoi 3D seismic survey.

The Company also announces that it has completed mobilisation of the workover rig and equipment to Davsan Tolgoi. Well testing operations commenced on 1 August at DT-1. The well-testing program at DT-1 is designed to sequentially test six separate zones of Uppermost Tsagaantsav reservoir over the coming weeks.

Following the DT-1 test the rig and equipment will move onto other wells. The Company's DT-2, DT-5, DT-7 and DT-8 wells have all been identified as production test candidates in the Uvgan Gol paleovalley reservoir. DT-3 and DT-4 are slated for production testing of the Lower Tsagaantsav reservoir. The Upper Zuunbayan reservoir will be tested in DT-3.

Commenting on the news, Petro Matad CEO Douglas McGay said “We are further encouraged by the results of DT-8 which has confirmed the presence of oil in the Uvgan Gol paleovalley. The ongoing exploration, combined with the commencement of our testing program is very positive for Petro Matad’s ongoing assessment of Block XX.”

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 30 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.

#### 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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