

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

Drilling Update

Petro Matad advises that it has suspended drilling operations at its Davsan Tolgoi-4 ("DT-4") well site due to worsening winter weather conditions. The DT-4 well is being drilled vertically to an estimated target depth of 2,020 metres with the principal objective of testing a four-way fold closure that is part of a fault block prospect named Davsan Tolgoi West, that has a pre-drill potential mean un-risked resource of 21 MMBO. This prospect is separate from the main Davsan Tolgoi Prospect and its published Prospective Resources, and on which DT-1, DT-2 and DT-3 wells were drilled in 2010.

DT-4 is being drilled by a partially winterised rig and is currently at a depth of 1,271 metres, at the bottom of the intermediate section. With current and forecast minimum temperatures of minus 20 degrees centigrade and below, the rig is at the limits of its tolerances and the decision has been made by the Company in conjunction with its drilling consultants “add ips pty ltd” and contractor, “DQE International”, to suspend operations.

The well is currently at an ideal stage to suspend operations, enabling an orderly shutdown and re-commencement. The well has been logged to the current depth, the casing and cementing of the intermediate section has been completed, the wellbore is in a safe position and the reservoir section is yet to be disturbed. The drilling rig will remain on location and is being prepared for hibernation over the winter. It is anticipated that drilling operations will recommence in early April 2011.

Currently, analysis of the results ascertained from the highly successful 2010 drilling programme is being undertaken. Results from the DT-1, DT-2 and DT-3 wells will enable the Company to undertake a revaluation of the published Prospective Resources of Davsan Tolgoi. The 3D seismic survey is being both re-processed and re-mapped, and the previous risking analysis is being re-assessed. Following that in-house assessment, Petro Matad will engage a Competent Person to undertake an independent review of the Company’s findings. That work will be completed before spring.

CEO Douglas McGay stated “The DQE International rig and crew have performed remarkably well under increasingly arduous conditions and this has enabled the Company to extend its drilling operational window by well over one month. With a similar advantage expected in the spring, Petro Matad will have extended the drilling season by two months at relatively little extra cost.

“While the drilling of DT-4 has been suspended, it is poised just above the Company’s target formations and will be able to quickly recommence, providing an almost immediate evaluation of those targets.”

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 10,340km² in the far eastern part of the country. The two other Blocks, IV and V are located in central Mongolia and jointly cover 71,040km².

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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