

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

**Operational Update**

Petro Matad announces that the Company's Davsan Tolgoi-10 well ("DT-10") reached a total depth of 1,740m in volcanoclastic basement rocks below the Tsagaantsav objectives. Drilling has been terminated, wireline logging completed and the petrophysics analysed. The DT-10 well did not encounter moveable hydrocarbons and will be plugged and abandoned.

DT-10 was drilled on a structural closure situated between the Company's Shoroo and Gal prospects, but separate from either. The well targeted two objectives, a Lower Tsagaantsav primary objective and an Uppermost Tsagaantsav secondary objective on the edge of the Uvgan Gol SW Prospect. The well drilled 45m of non-reservoir claystone in the Uppermost Tsagaantsav, and more than 335m of interbedded sandstone and claystone in the Lower Tsagaantsav. No shows were observed during drilling and petrophysical analysis indicates only thin scattered zones of probable residual oil.

The drilling rig will next be moved to a site about 225m south of the DT-1 well. DT-11 will be drilled as a replacement for the DT-1 well, which has been abandoned due to probable formation damage (see RNS 1970N, 30 August 2011). It is anticipated that DT-11 will be spud during the week commencing 12 September 2011 and unless there is a material change to the spudding timetable no further announcement will be made.

Petro Matad CEO, Douglas McGay stated "The absence of hydrocarbons in DT-10 is disappointing, but once again we have seen evidence of a hydrocarbon charge that has been breached and flushed. The picture that is developing at Davsan Tolgoi is one of complicated stratigraphy and a complex structural history. Exploration here will require a significant amount of drilling. The positive note is that we continue to demonstrate that hydrocarbons have migrated into the structures that we are imaging on the seismic. In fact, out of ten wells drilled to date only one has been completely dry. While we would obviously prefer to be reporting more significant successes, our drilling has consistently shown that oil has migrated over long distances and has been trapped in stratigraphic traps as well as several different styles of structural traps. We are confident that persistent exploration, including a significant component of drilling, will lead to future commercial production at Davsan Tolgoi."

Technical information in this news release has been reviewed by the Company's Chief Geophysicist, Dr. Kurt Constenius. Dr. Constenius is a geophysicist and 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.

### Further information:

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