

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

Petro Matad is pleased to provide an update on its current activities and outline details of its proposed work programme for the coming months.

*Block XX – DT-4*

In early December 2010 the Company suspended the drilling of its Davsan Tolgoi-4 well ("DT-4") in advance of the onset of the worst of the Mongolian winter conditions. The well was suspended at a depth of 1,271 metres and an orderly shutdown and hibernation was successfully carried out.

The Company and its drilling contractor, DQE International, are working towards the recommencement of the drilling of DT-4 in April. The well is being drilled vertically to an estimated target depth of 2,020 metres. The additional wells to be drilled in 2011 will be based on the results of the 3D seismic re-interpretation, as noted below.

In addition to the drilling of DT-4, the scheduled testing programme on the wells drilled during 2010 has been advanced. Arrangements for a workover rig, associated instrumentation and contractors are currently progressing with the testing programme estimated to start in May, once both day and night time temperatures are above freezing. The first hole scheduled to be tested is DT-1.

*Block XX Seismic Contract*

The Company has awarded geophysical services group BGP Inc. ("BGP") to undertake a 1,000 kilometre 2D seismic survey in Block XX. The survey will consist of in-fill coverage over existing leads and prospects in the northern portion of the Block, and broad based exploration lines over six grabens in the central and southern parts of the Block.

The oil encountered in the DT-1, DT-2, and DT-3 wells has extended known hydrocarbon occurrences a significant distance southward into Block XX. The current 2D seismic programme is designed to test new plays for hydrocarbon generation and migration in the central and southern sub-basins of the Block.

The Company has previously worked with BGP, most recently in 2008 when BGP undertook the 3D seismic survey over the Davsan Tolgoi project in Block XX. BGP is currently mobilising equipment and personnel, and in-field operations will commence in the next few days and are expected to take 6-8 weeks to complete. The contract allows for additional surveys if required.

*Blocks IV and V – Stratigraphic Drilling and Exploration Progress*

Petro Matad has commissioned TSX-listed, Major Drilling Group International Inc. to carry out stratigraphic drilling in Blocks IV and V in Central Mongolia. A minimum of 1,500m of continuous diamond drill core will be collected from the first hole, located along one of the 2D seismic profiles Petro Matad shot in 2010. The goals for the stratigraphic drilling are to provide factual constraints on what is observed in the seismic surveys, and to obtain direct measurements of the geothermal gradient. Drilling began on March 7, and is expected to take 6-8 weeks per hole. Stratigraphic drilling is an essential step in the Company's exploration of Blocks IV and V, as there has been no previous oil exploration in the region that could otherwise assist in the accomplishment of the abovementioned goals.

Interpretation of the results of the Company's 2010 geological and geophysical programme on Blocks IV and V has been advanced during the winter. The Company undertook extensive geological field work with its own in-house exploration team, which has been supplemented by previous and new academic studies, and consultant field expeditions. The 19,324 gravity

survey points collected by previous government surveys were supplemented by 4,500 new points collected in 2010 by the Company. This has provided a uniform grid of gravity survey points over the two Blocks.

The first seismic surveys in the central Mongolian region were also carried out in 2010. 349 line kilometres of 2D seismic survey were undertaken, providing three seismic profiles in Block IV and four in Block V. Preliminary results of the processed and interpreted gravity and seismic data, along with the geological data, show clear evidence of the presence of the asymmetric Cretaceous basins which are the principal hydrocarbon targets in Central Asia.

The combined field, gravity, and seismic results corroborate the Company's initial hypothesis that both Blocks contain suitably thick sequences of source, reservoir, and seal rocks to have generated and trapped significant hydrocarbons. These data also delineate a wider suite of structural and stratigraphic play types than have been explored elsewhere in Mongolia.

Upon the completion of the Blocks IV and V data interpretation, a summary of pertinent results will be announced, and plans for the 2011 exploration programme on Blocks IV and V will be finalised.

#### *Establishment of an in-house Drilling Department*

The Company advises that it has established an in-house Drilling Department, to complement its Exploration Department. The Drilling Department is being headed by Mr Mark Zebrowitz BSc (Pet Eng) MBA. Mr Zebrowitz has 25 years' diverse international exploration, development, and project management experience, with a proven track record through cross-functional expertise in finance, safety, and drilling/facilities/production operations. Appropriately for the Company's mission of pro-actively assisting in the development of the Mongolian oil sector's national capabilities, Mr Zebrowitz has extensive experience in mentoring and development of technical personnel. Recent experience with Regal Petroleum, TNK-BP and Nations Energy (Azerbaijan) particularly equip him for drilling operations in Mongolia.

The Company has also appointed Mr Earl Edmonds BSc (Pet Geo) as Operations Geology Manager in the Drilling Department. Mr Edmonds has 20 years of experience in modelling, operations, development geology and oil & gas field management. Mr Edmonds has a broad-based background with particular expertise in field development, water flood management, drilling, work-over and completion programmes.

#### *Davsan Tolgoi 3D Seismic Survey revision*

Since the completion of drilling at DT-3, the third of three wells drilled on the Davsan Tolgoi anticline in 2010, Petro Matad has been remapping the 135km<sup>2</sup> 3D seismic survey, and adjacent 2D seismic surveys previously undertaken on and around Davsan Tolgoi.

Data from the three wells drilled during 2010 has been integrated with existing and additional new data to enable a complete review of the structural and stratigraphic composition of Davsan Tolgoi, along with volumes and risking factors of the prospect. Work is currently progressing on the re-interpretation and it is envisaged that the results will be a significant factor in the planning of the Company's 2011 drilling programme.

CEO Douglas McGay said "During the past three months the Company has made excellent progress in both its exploration activities as reported above, and also at a corporate level. The establishment of a Drilling Department is another step in the development of Petro Matad. We are particularly pleased with the management team of Messrs Zebrowitz and Edmonds who are heading this expansion. This department will supply management, design, procurement and supervision of our drilling operations. It is another first for the Mongolian oil sector, with a home-grown company leading the way by establishing international standard in-country expertise in oil exploration.

“It is noteworthy that we are advancing our field exploration activities further into both ends of the harsh Mongolian winter. In 2010 we drilled well after the onset of winter, and in 2011 we are commencing drilling and seismic surveys before winter ends. The Company is working towards an all-year round operation for the first time in Mongolian oil exploration history.

“Petro Matad’s further growth of its in-house technical expertise, along with an increased corporate and administration capacity establishes a firm foundation for a very active and productive 2011 programme.”

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.

#### 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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