

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

### **Operational Update**

The board of directors (the “Board”) of Petro Matad wishes to provide an update on the Company’s operational progress.

#### **Block XX drilling programme**

The 2009/2010 three-hole drilling programme on the Davsan Tolgoi prospect on the Company’s Block XX in the east of Mongolia, is due to recommence shortly, following the winter shutdown.

Petro Matad’s advance team and contractors have been at Davsan Tolgoi since 27 April 2010 carrying out preparatory site-works and maintenance on the camp and the three well sites. Following an unusually cold and long winter in Mongolia, maintenance items are more numerous than anticipated; however work, is proceeding on these matters and the Company expects this maintenance to be completed without any undue delays or longer term problems.

Petro Matad’s drilling contractor, Ansai Yuehua Oil Tech Company Ltd, is currently finalising visa and work permit procedures for its Chinese drilling personnel, who are expected to arrive on site this week. On their arrival they will commence a period of rig repairs and maintenance in preparation for spudding later in the month.

The Company has hired an experienced drilling supervisory team, led by Drilling Superintendent Richard Cole, and supplemented by international and Mongolian drilling professionals. The international members of the drilling team, namely the Drilling Supervisor, Wellsite Geologist/Petrophysicist and Field Services Manager, have previously worked on similar programmes in Mongolia, and possess extensive international experience.

This post-winter start-up procedure is on a similar timetable to the Petro China (Daqing) drilling operations on Block XIX, immediately to the north of the Company’s Block XX.

#### **Exploration**

Petro Matad’s newly appointed Exploration Manager, Dr James Coogan, commenced work on 15 April with the newly appointed Chief Geophysicist, Dr Kurt Constenius, and Field Geologist, Mr Justin Tully. The new team will work with the existing and newly appointed Mongolian professionals, on the Company’s exploration programmes.

In addition to establishing the exploration unit’s database, software and hardware resources they have been liaising with the Company’s academic collaborators and planning the 2010 geophysical and field geology programmes. Together, they have imported, and added to Petro Matad’s extensive database of Block XX exploration data.

Amongst the additional information gathered and assessed by Petro Matad was the February 2009 announcement by the Petroleum Authority of Mongolia (PAM) of the geological resources established by Petro China’s subsidiary, Daqing Tamsag Mongolia LLC, on Block

XIX. PAM announced in-situ reserves of approximately 900 million barrels of oil and 2.5 million cubic metres of gas. Whilst the Company has had access to little technical detail, Petro Matad very cautiously welcomes this news and the possible positive aspects for the Company's exploration of Block XX.

One of the abovementioned academic collaborators is Dr W D Cunningham of Leicester University in the United Kingdom. Dr Cunningham is a noted researcher with an extensive publication list, who has been actively researching the Altai and Gobi Altai regions for over 15 years. This includes the area covered by the Company's Production Sharing Contracts for Blocks IV and V. The initial part of the collaboration involved a detailed geological examination of those Blocks with a view to identifying areas with hydrocarbon potential.

Dr Cunningham's study has identified at least eight important hydrocarbon prospects in Blocks IV and V. The three prospects identified as having the most potential each show large anticlines in basins with outcropping oil shales or, in one instance, a bitumen deposit. These three anticlines cover areas of 300km<sup>2</sup>, 1,000km<sup>2</sup> and 3,100km<sup>2</sup>.

Utilising this initial appraisal, the Company's new exploration team is planning the 2010 field exploration programme for Blocks IV and V. Mongolian geophysical contractor, Geosan LLC, has commenced the first part of that field exploration programme with a 4,000 point infill gravity survey. On completion, Petro Matad will add this survey to the database of previous modern gravity surveys that the Company has obtained from the appropriate Mongolian Government agencies.

### **Corporate Governance, Social Action, Environment and Health and Safety**

In January 2010, the Board resolved to establish a Corporate Governance, Social Action and Environment Committee. When finalised, that Committee will guide the Company in achieving best practice in corporate governance and formulate and apply social action and environmental policies. Whilst Petro Matad already has in place appropriate guidelines, plans and actions in those areas, and operates in accordance within all national and international statutory requirements, the incoming investment by the European Bank for Reconstruction and Development in the Company provided the opportunity to introduce further best practice and relevant international guidelines to the Company's operations.

Part of this best practice will be the formal adoption and implementation of the Combined Code on Corporate Governance published by the Financial Reporting Council (the "Combined Code"), the Corporate Governance Guidelines for AIM Companies published by the Quoted Companies Alliance (the "QCA Guidelines"), and the Extractive Industries Transparency Initiative published by the EITI International Secretariat (the "EITI Rules").

The Company has also amended its previous Detailed Environmental Impact Assessment (DEIA) for Block XX, which was recently approved by the appropriate Mongolian Government Ministry. The amended DEIA has the effect of upgrading the previous DEIA from compliance with Mongolian Law only, to compliance with World Bank standards with respect to environmental impact assessments.

The Company is also finalising a Social Action Plan to formalise and further improve its current close relationship with local communities and government and has developed a fully

compliant Occupational Health and Safety Management System which is integrated with the management of all aspects of its operations.

Commenting on the operational update the Company's CEO, Douglas McGay, said: "In the past eight months Petro Matad has added significant internal capacity to its operations with the expansion of its exploration team and the establishment of its in-house drilling supervision facility. This has advantageously positioned our Company for a productive 2010 drilling and exploration season.

"With respect to the Davsan Tolgoi three hole drilling programme, we wish to highlight the long and harsh winter the whole of Mongolia has had to endure, with tragic livestock, human and economic toll. One innovative feature of our drilling programme is the addition of six Mongolian nationals as Drilling Interns, as well as employing further Mongolian professionals on other aspects of the drilling programme. The Company is committed to widening the opportunities for Mongolian professionals in the oil sector and is actively engaged in providing on-the-job training, and meaningful positions for those pre-qualified to participate in our operations.

"The results from our initial desktop geological studies on Blocks IV and V are particularly pleasing, and I believe we have accelerated our exploration on those areas to a significant degree. The imminent arrival of the new members of our resident geological team will complement our existing Mongolian workforce and those initial studies and we are looking forward to a productive field season."

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 14,250km<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 73,498km<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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