

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

Petro Matad announces that the Company's Davsan Tolgoi-7 well ("DT-7") has reached a total depth of 1,733m in metamorphic rocks below the Tsagaantsav Formation objectives.

DT-7 was drilled as a test of the Uppermost Tsagaantsav and the Lower Tsagaantsav reservoirs of the Davsan Tolgoi Mod Prospect, a fault and fold structural trap consisting of three subsidiary fault blocks.

The well penetrated the Uppermost Tsagaantsav at 1,149m depth, 22 metres high to prognosis. Initial petrophysical analysis has identified three zones of possible net pay totalling 4.8m in thickness and averaging 25% porosity. An additional 18.5m of water-bearing net reservoir with 19% average porosity is distributed between the three zones of moveable hydrocarbons. A similar pattern of alternating oil and water-bearing sandstone reservoirs is common in the Tolson Uul field on Block XIX to the north of Davsan Tolgoi. The three Uppermost Tsagaantsav hydrocarbon zones are being evaluated as candidates for future testing, and additional well locations are being evaluated up to 75m up-dip (higher) to DT-7, where more complete hydrocarbon saturation may be expected.

The Lower Tsagaantsav objective was penetrated between 1,208 and 1,703m depth with minor hydrocarbon saturation at 1,542m depth. 23m of reservoir quality sandstone is distributed between twelve thin zones that average 17% porosity.

Drilling, casing and cementing operations have been completed at DT-7 and the rig has been moved to the new DT-8 location as part of the Company's drilling program to evaluate its inventory of twelve independent prospects in the Davsan Tolgoi area of Block XX.

The DT-8 well is scheduled to be spud today and is located 700m northeast and 38m lower than the DT-5 well that was drilled in June, and 1.8 km south and 80m higher than the Daqing 19-62 oil well in Block XIX. The well will test a stratigraphic pinch-out of the Uvgan Gol paleovalley reservoir between the thin hydrocarbon-saturated sandstones at DT-5 and the thick oil-producing sandstones of the 19-62 well. On further analysis and comparison of data from the DT-5 and 19-62 wells, a secondary stratigraphic trap objective in Lower Zuunbayan sandstones has been identified and the location of DT-8 is well situated to test this objective. Lower Zuunbayan sandstones are the primary reservoirs in the North Tolson Uul field of Block XIX and if productive at DT-8, they will confirm a new play for the Davsan Tolgoi area.

A plan showing the locations of Wells DT-1 through to DT-8 is included on the website version of this News Release which can be found at www.petromatad.com.

The Company also wishes to give an update on the progress of the planned well-testing programme for Davsan Tolgoi. As of today, 135 truckloads of equipment accompanying the workover rig are waiting at the Chinese side of the border post, 150kms south of Petro Matad's Block XX operations. Mongolian national holidays are in progress, and the border point is due to re-open today. Whilst there is a large back-up of cross-border traffic awaiting that re-opening, Petro Matad and its contractor DQE International are confident that mobilisation will continue shortly.

The Company is also well advanced in all other aspects of the extensive testing programme. Matters such as explosives for well perforation, permits, extended test equipment and international specialists are all either in place or planned.

In other matters pertaining to Davsan Tolgoi, the Company's geo-scientists are currently completely re-mapping the Davsan Tolgoi 3D survey, using a newly processed set of data that adds new definition and clarity to the model. Additionally, data from the drill holes is being added and used in the assessment as it becomes available. This large undertaking is scheduled to be completed by the end of August.

In the immediate vicinity of Davsan Tolgoi, the recently completed 2D seismic lines have been processed, and are currently being incorporated into the previous 2,700kms of survey, ready to be re-mapped. This is expected to add much greater clarity to the areas adjacent to Davsan Tolgoi, both to the east and the west, and enable the generation of new volumetrics, as well as possibly defining drill targets.

Additionally, the Company advises that the 2D seismic surveys over the three sub-basins in the south of Block XX have now been completed and processed. Early processing results indicate similar depths of basins as those in the northernmost parts of Block XX, near Davsan Tolgoi. Interpretation and collation of the entire 1,300kms of new 2D is proceeding.

Petro Matad CEO, Doug McGay stated:

"Once again, it is pleasing to note that we have encountered hydrocarbons in our Davsan Tolgoi drilling programme and to have the reservoir formations' prognosis confirmed.

"We are methodically working our way through our portfolio of targets in the Davsan Tolgoi area, having so far encountered hydrocarbons in all but one of the seven wells drilled to date. Our management and exploration team note the less-than-resounding results in DT-5 and DT-7 and the dry hole at DT-6, and conclude that is a statistically anticipated outcome of the type of exploration drilling programme needed on such a structure as Davsan Tolgoi. Each of the wells has already given us important information that is being used to refine our geologic model, and hence our drill site selection. This should serve us well not only for the continued drilling of our prospect inventory, but also for the ongoing exploration of the remainder of Block XX.

"Progress is being made with the other aspects of the exploration of Block XX, particularly the complex well-testing programme. The re-mapping of the newly re-processed 3D survey will also be an important milestone. The area outside of Davsan Tolgoi is also being methodically explored, and we are looking forward to refining our portfolio of leads and prospects in the immediate vicinity, as well as furthering the more grass-roots exploration of other sub-basins."

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 10,340km² 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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