

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

Davsan Tolgoi-1 Exploration Well Update

The Petro Matad Davsan Tolgoi-1 ("DT-1") exploration well reached a final measured depth of 1,220m on 14 July 2010. The well passed through the Tsagaantsav formation from 1,075m to 1,146m, then entered metamorphic basement. The entire 71m section of the Tsagaantsav formation contained oil shows and elevated mud gas, with indications of live oil through six sandstone and conglomerate units totalling about 35m in aggregate. Several of these intervals included very good shows that included cut, fluorescence, oil staining and a strong petroliferous odour. Good reservoir quality is indicated by fast drilling breaks through all sandstone and conglomerate intervals.

The lower Tsagaantsav formation was encountered about 150m high to the 3D seismic prognosis, with about half of the anticipated lower Tsagaantsav thickness. The 13 July 2010 operational update by the Company initially reported the uppermost oil shows were within the lower Zuunbayan formation, however these intervals consist of volcanoclastic sandstone and conglomerates that are characteristic of Tsagaantsav reservoirs. The 3D seismic prognosis has been re-interpreted utilising the actual downhole observations. This corroborates that the well drilled the structural crest of the local four-way closure, with progressively thickening lower Tsagaantsav sandstones eastwards from the well.

Wireline logging will be carried out on the DT-1 well and following completion of that process the drill will move to DT-2.

Subject to Board consideration and approval, DT-2 is to be a 2,000m test of the lower Tsagaantsav that is located 4 km west of DT-1 within an independent structural closure, and adjacent to the Tamsag Basin generative area.

A further statement will be made by the Company in due course.

CEO Douglas McGay said “To have achieved success on the first well has been both a significant achievement for our Company and Mongolia, and also a tribute to our technical teams. Although the scientific testing and analysis of the discovery is only just commencing, DT-1 has gone a long way towards proving that the Davsan Tolgoi Prospect is, in total, as viable a target as first hypothesised. Not only have we encountered significant hydrocarbons, the increase in our scientific knowledge will lessen the risks associated with further wells.

“It also adds confidence to our assessment of the other leads and prospects on Block XX, and the other 6 sub-basins in Block XX that are still to be explored and tested.

“We look forward to the future of Block XX with confidence”.

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 14,250km² in the far eastern part of the country. The two other Blocks, IV and V are located in central Mongolia and jointly cover 73,498km².

Further information:

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