

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

Petro Matad is pleased to announce that the Company's Davsan Tolgoi-4 well ("DT-4") reached a total depth of 2,038m in volcanic basement rocks. Whilst work is ongoing, initial petrophysical analysis indicates that an interval of oil-saturated core retrieved at the top of the Lower Tsagaantsav contains a minimum of 6m of net pay. As a minimum, this zone will be tested as part of the 2011 well testing program. Additional, deeper zones in DT-4 have also exhibited the presence of hydrocarbons and are being evaluated through detailed petrophysical and core analysis.

The Company previously announced that DT-4 had penetrated the top of the Lower Tsagaantsav primary objective at 1,794m depth (adjusted to wireline logs). The objective was preceded by rapid build up of gas levels at the top of the Lower Zuunbayan seal that were sustained into the Lower Tsagaantsav reservoir. Lower Tsagaantsav cuttings exhibited good inferred porosity and live oil shows consisting of hydrocarbon odour, stain, fluorescence and cut.

Four conventional cores were cut between 1,797.5m and 1,831.3m depth. The uppermost 8 metres of core exhibited hydrocarbon odour, stain, fluorescence and cut with poor to good visible sandstone porosity and common microfractures. High oil saturation was also observed, with bleeding oil in the core at 1,800m and initial petrophysical analysis indicates a minimum of 6m net pay in this interval.

The remaining 26m of the cored interval exhibited progressively decreasing hydrocarbon saturation with discontinuous hydrocarbon odour, stain, fluorescence and cut to the base of the cored interval.

Four oil shows of varying quality were encountered below the cored interval at top depths of 1,840m, 1,870m, 1,905m and 1,982m. The show at 1,982m was preceded by increased gas levels and so a fifth core was cut from 1,983-1,992m. The core recovered volcanic-derived sandstone and claystone. The middle of the core included a 3m-thick sandstone zone with hydrocarbon odour, oil stain, fluorescence and streaming cut.

In total, the well penetrated 238m of gross Lower Tsagaantsav thickness before reaching volcanic basement rocks at 2,032m. The initial core and petrophysical analyses from DT-4 indicate that the interval contains approximately 90m of reservoir quality sandstone that averages approximately 15% porosity.

DT-4 was drilled to evaluate a four-way closure within the larger area of the Davsan Tolgoi Shoroo Prospect (previously known as Davsan Tolgoi West). Davsan Tolgoi Shoroo is a separate structure from that drilled by the DT-1, DT-2, and DT-3 wells. The Shoroo Prospect contains an estimated unrisks recoverable resource of 41 million barrels with a 69% pre-drill probability of success. The core recovery of significant oil and the good reservoir properties at DT-4 provide encouragement for future drilling at Shoroo Prospect, the crest of which lies 235m above the DT-4 location.

The retrieved cores are being shipped to the United States for extensive testing and the wireline logs will be further examined and analysed by both our internal exploration team and an outside consultant. Wireline logging, casing, and cementing

operations are completed on DT-4, and the DQE International rig is being mobilised to a new location, designated DT-5.

Petro Matad CEO Douglas McGay said “The discovery of significant hydrocarbons in DT-4 highlights the prospectivity of the Lower Tsagaantsav formation, particularly as it tested an entirely separate structure from the previously drilled Davsan Tolgoi anticline. This is a further step in our knowledge of the reservoir and its potential resource. The preliminary results from DT-4 indicate that it is very similar to wells that have successfully produced in the neighbouring Block XIX (operated by Daqing Oilfields) with which we share the Lower Tsagaantsav Formation.

“DT-4 was sited and spudded before the re-interpretation of the 3D seismic survey. It was designed to solely target the Lower Tsagaantsav formation within the greater Davsan Tolgoi complex. Petro Matad's revised geological model, including details of the newly interpreted Uvgan Gol play, are outlined in the Company's announcement dated 21 March 2011. Later wells in the 2011 drilling programme will target the Uvgan Gol plays as well as the Lower Tsagaantsav formation.”

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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