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

**Fundraising of up to US\$46.8 million**

Petro Matad is pleased to announce that the Company is conditionally raising up to US\$46.8 million before expenses through a placing and subscriptions for up to 22,483,878 new ordinary shares of \$0.01 per share in the Company (“Share(s)”) at a price of 135 pence (approximately US\$2.08) per Share (the “Share Issue”).

The Company, through its broker Westhouse Securities Limited, has received commitments to subscribe for 13,640,203 new Shares (the “Placing Shares”) raising approximately US\$28.4 million. Petro Matad will also issue up to 8,843,675 new Shares through direct subscriptions (the “Direct Subscription(s)”).

In addition to the Share Issue and pursuant to a subscription agreement between Petro Matad and The European Bank for Reconstruction and Development (the “EBRD”) dated 18 December 2009, the EBRD has the right to subscribe, at the same price, for such number of Shares so as to maintain its percentage holding in the Company at the level prior to the Share Issue (the “Prospective EBRD Subscription”). The EBRD is able to subscribe for all or part of its entitlement and its right to subscribe on these terms will expire on 11 October 2010. A further announcement of the EBRD’s intention will be made by the Company in due course.

*Timetable*

The issue of the Placing Shares, the Shares to be issued pursuant to the Direct Subscriptions and the Prospective EBRD Subscription will each take place separately.

Application has been made for the Placing Shares to be admitted to AIM and it is expected that trading will commence in the Placing Shares at 8.00 a.m. on 22 September 2010. The Placing is expected to complete on admission of the Placing Shares to trading.

The issue of the Shares to be issued pursuant to the Direct Subscriptions is expected to be completed at 8.00 a.m. on or around 1 October 2010 on admission of the Direct Subscription Shares to trading on AIM.

### *Use of Proceeds*

The net proceeds of the Share Issue will enable the Company to accelerate its drilling programme on Block XX. The Company now intends to test all wells in its three well programme instead of the single test that was previously budgeted in 2010. Weather permitting, Petro Matad plans to drill a fourth well in Davsan Tolgoi in 2010.

It is also proposed to immediately commission further seismic surveys in other parts of Block XX. Priority will be in the southern portion of the Block, where other sub-basins have been previously identified and partially explored. In addition, supplementary exploration of the other leads and prospects outlined in the northern part, adjacent to Davsan Tolgoi, will be commenced.

The net proceeds will also be applied to accelerated and additional exploration on Blocks IV and V with extra 2D seismic surveying and stratigraphic borehole drilling. In addition, other exploration opportunities in Mongolia will be assessed and if promising, pursued.

### *Shares in issue*

Following the issue of the Placing Shares there will be 170,341,649 Shares in issue.

The Placing Shares will, following allotment, rank pari passu in all respects with the existing issued Shares.

### *Changes to notifiable holdings following the Placing*

John Robertson, who is a director of the Company, is subscribing for 103,950 Placing Shares. On completion of the Placing it is anticipated that the following change will occur to Mr Robertson's shareholdings:

Previous Shareholding	New Shareholding	Percentage of Petro Matad's Issued Share Capital as enlarged by the Placing Shares
300,000	403,950	0.24%

If other directors of the Company subscribe for Shares through Direct Subscriptions, the Company will make a further announcement to confirm such directors' notifiable holdings following the issue of Shares pursuant to the Direct Subscriptions.

Commenting on the Share Issue, Petro Matad's CEO, Douglas McGay, said:

“The proceeds from the Share Issue will allow us to increase the momentum of the Company’s drilling programme on Davsan Tolgoi, and to enable value to be added to the results of that programme with further tests, studies and appraisals. It will set the stage for further development.

“Just as importantly the proceeds will give the resources to our professional exploration team to build and accelerate their activities on the other areas of interest that our company is exploring with its partner, the Government of Mongolia. The remainder of Block XX and Blocks IV and V in central Mongolia will now benefit from more detailed exploration programmes, carried out even faster.

“It is notable and gratifying to see so many of our existing shareholders continuing to support Petro Matad. In addition, our Company is pleased to welcome all new shareholders that are participating in this placement. This Share Issue allows Petro Matad to continue to explore Mongolia for oil and gas in an even more effective and unique manner.”

*Related party transactions*

The prospective placing of Shares to the EBRD will constitute a related party transaction in accordance with Rule 13 and Rule 16 of the AIM Rules for Companies. The independent directors (being each of the directors with the exception of Mary Ellen Collins, who is the EBRD’s nominee on Petro Matad’s board), having consulted with the Company's nominated adviser, Westhouse Securities Limited, consider that the terms of the transaction are fair and reasonable insofar as the shareholders are concerned.

*Enquiries:*

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*Note to Editors:*

### **About Petro Matad Limited**

Petro Matad is the parent company of a group focused 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 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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