

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

The vast majority of field season exploration operations have been completed on Petro Matad's Block IV and V Production Sharing Contract (PSC) areas in central Mongolia. The Company is pleased to provide a progress report on those operations.

Summary

The Company's 2011 exploration programme in Blocks IV and V consisted of stratigraphic core drilling, 2D seismic acquisition and field geology operations. Results of those activities have provided the first documentation of live oil and active oil migration in central Mongolia, and permit extrapolation of a viable hydrocarbon system along the 550km length of the "Valley of the Lakes" basins in Blocks IV & V. When combined with the 24,000 stations of gravity data acquired in 2010, the expanded seismic network has delineated a robust inventory of fold, fault and unconformity traps which will focus the Company's delineation of future drill targets.

Blocks IV and V consist of a linked system of Jurassic through Cretaceous rift basins that contain the same lacustrine and deltaic source, seal, and reservoir sequences that produce oil in similar basins throughout Central and Northeast Asia. The Block IV and V rift basins are located beneath the modern "Valley of the Lakes", where Cenozoic strike-slip faulting and local contractional folding have enhanced the trap potential compared with the producing basins of eastern Mongolia.

Highlights from the exploration programme include:

- Confirmation of oil generation and migration in the Tugrug Basin of Block V
- Documentation of thick, rich oil shale source rock throughout Blocks IV & V
- Identification of favourable reservoir characteristics in core and outcrop
- Acquisition of 1,842 km of 2D seismic data for the two Blocks in 2011
- Delineation of approximately circa 6,700km² of potential oil generation kitchen areas within the two Blocks
- Preliminary identification of multiple anticline, fault, and unconformity trap leads within and adjacent to kitchens

Ongoing activities include:

- A second, 1,600m deep stratigraphic core hole is being drilled by Major Drilling in the Biger Basin (Block IV)
- Ongoing interpretation of seismic and other work will continue over winter
- Further 2-D seismic planned in 2012
- Possibility of exploration drilling in 2012, subject to the results of the seismic studies and budget approval

A copy of this announcement augmented by the inclusion of maps, photographs and diagrammatic illustrations is available in the Investors' section of the Company's website www.petromatad.com.

Details

Oil in 5-4-1900 Stratigraphic Core

The 5-4-1900 stratigraphic drill hole was drilled to provide the first age and geochemical constraints for deep basin strata within Blocks IV & V. 5-4-1900 was also sited to provide depth control and stratigraphic identification of reflections along seismic line 5-4, which was acquired in 2010 as the first reflection seismic profile ever acquired in central Mongolia.

Coring and logging operations were completed for SC-1 in May 2011 at a total depth of 1,603m. The drill location was situated on the northern edge of the Tugrug sub-basin, the most easterly basin in Block V which is located 400 km west of Ulaanbaatar. It recovered core of a complete Mesozoic-aged sedimentary succession before entering volcanic rocks at 1,523m. Seismic data confirm that the 1.5 km sedimentary interval expands southward to approximately 4.5 km thickness in the centre of the Tugrug basin, 12 km south of the drill hole.

Detailed descriptions of lithology, sedimentary structures and interpreted geologic environment were completed in June, with systematic sampling for source rock geochemistry, hydrocarbon presence and reservoir characterisation. Analytical results have been received from international laboratories.

The most significant of the analytical results is from a study of fluid inclusions in reservoir sandstone samples. Three populations of oil fluid inclusions were identified in the samples: upper-low to moderate gravity oil, moderate gravity oil, and upper-moderate gravity oil inclusions. These three oil phases indicate that the sandstones acted as carrier beds for multiple periods of oil migration. The oil is presumed to have migrated through the borehole location from the deeper basin centre to the south.

Approximately one third of the Mesozoic rocks in the drill core consist of grey and dark grey mudstone and shale of varying organic content. Oil shale samples between 1,385m and 1,481m average over 3% Total Organic Carbon and are characterised as good to excellent oil-prone source rocks, with a secondary good source rock interval between 1,015m and 1,075m. Pyrolysis data from the deeper zone gave average thermal maturation values that are indicative of the earliest stage of oil generation. These maturation levels, along with occurrence of the oil inclusions, imply that basin areas deeper than 1.5 km constituted oil generation "kitchens" in the geologic past. Zones of brown staining between 1,240 and 1,260m correlate to oil inclusion concentrations and are the focus of ongoing petrographic study to delineate the age of oil migration.

Preliminary analysis of sandstones in the core demonstrates deposition in a variety of delta and lake environments. Importantly, good visible porosity and reservoir quality are preserved throughout the core. Cementation by clay and volcanic-derived cements is minor compared to Mesozoic reservoirs from eastern Mongolia, where such cements can limit reservoir productivity and necessitate fracture stimulation for commercial oil production. Sandstone samples from outcrops throughout Blocks IV & V show similarly favourable porosity, which likely reflects the greater distance of Blocks IV & V from the volcanic provinces of eastern Mongolia during Mesozoic time.

Block V Seismic Acquisition & Interpretation.

Petro Matad's 2010 and 2011 2D seismic programmes delineated 1,800km² of Mesozoic basin areas within Block V that are deeper than the 1.5 km depth that is considered to be the top of the paleo-oil window in the SC-1 core. The Company acquired, processed, and interpreted four 2D seismic lines totalling 176 km in Block V during 2010 and this was followed by the acquisition of an additional 946 km of 2D data in 2011 which is currently being processed. The 2010 and 2011 data define possible hydrocarbon kitchens in the most easterly basin of central Block V (Tugrug) and the Taatsiin Tsagaan basin of western Block V. These sub-basins were the focus of the 2011 2D program that delineated several dozen fold, fault, and unconformity traps within and adjacent to the sub-basins.

Block IV Seismic Acquisition & Interpretation.

Petro Matad acquired, processed and interpreted 173 km of 2D seismic data in Block IV during 2010 and these results guided the placement of 896 km of 2D data in 2011. This data indicates that a vast 4,900 km² area of the Block IV consists of Mesozoic sedimentary basins in excess of 1.5 km depth. These potential kitchen areas are concentrated in the Baatsagaan trough of central

Block IV and the Biger basin in the westernmost part of the Block. A stratigraphic core hole is being drilled in the Biger basin to confirm the level of hydrocarbon generation in western Block IV. As in Block V, an inventory of fold, fault and unconformity traps within and adjacent to the Block IV sub-basins has been identified.

Block IV & V Geologic Expeditions

The 2010 and 2011 field geology expeditions provided the first comprehensive re-examination of the hydrocarbon potential of the Gobi Altai region since the reconnaissance Soviet and Mongolian mapping expeditions of the 1980s. Petro Matad's field efforts included collaboration with academics from the Mongolian Academy of Sciences, University of Leicester, University of Utah, Stanford University, University of Texas and the University of Arizona. These expeditions recovered over 1,000 surface samples tied to nine logged reference stratigraphic sections, which average 750m in thickness and form a correlation network for Cretaceous source and reservoir rocks along the 550 km trend. The geologic surveys also discovered the presence of significant surface exposures of oil shale. Separate analysis of these occurrences is on-going.

Together with the seismic and Tugrug Basin 5-4-1900 stratigraphic core results, these studies provide the first documentation of viable source, reservoir, seal, and trap components within and surrounding the newly identified and extensive hydrocarbon kitchens. These studies have also substantially revised the geologic understanding of the history of faulting, folding and associated basin sedimentation in central Mongolia.

The sizable lead inventory in Blocks IV & V will be evaluated for prospective drilling locations as part of the seismic processing and seismic and gravity interpretation workflow. Volumetric and risk assessment will be conducted on the better defined features. With the possible exception of closely spaced seismic grids that were acquired in the Tugrug and Taatsiin Tsagaan basins, most leads and prospects are expected to require additional 2D seismic delineation during the first half of 2012.

Petro Matad CEO Doug McGay said "This year's exploration programme in Blocks IV and V was designed to progress the Company's knowledge towards identifying drillable prospects. The programme has achieved this objective and also confirmed the presence of a working petroleum system in the Tugrug basin, in Block V, which bodes well for the rest of the sub-basins in these two Blocks.

"The identification of multiple phases of live hydrocarbons in Block V is a highly significant development for hydrocarbon exploration in central Mongolia. Petro Matad has pioneered the previously unexplored basins in the eastern two-thirds of Mongolia and provided the first documentation of a viable hydrocarbon system in this vast unexplored area. Additionally, the source rock quality, thickness, and maturity compare very favourably with the producing fields of eastern Mongolia (Tolson, Tsagaan Els and Zuunbayan). The potential for higher quality reservoir rocks in central Mongolia is also a most encouraging development.

"We look forward to the finalisation of stratigraphic drill hole in the Biger Basin on Block IV. Further analysis and interpretation will be undertaken during the winter. As well as providing us with even better understanding of these exciting areas, the studies will help our 2012 exploration programmes, including investigating the potential for exploration drilling."

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 10,340 km² in the far eastern part of the country. The two other Blocks, IV and V are located in central Mongolia. Block IV covers approximately 29,000 km² and Block V covers 21,150 km².

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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