

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

Operational Update

Petro Matad has completed a geological and geophysical reassessment of resources for the Davsan Tolgoi Prospect area of the Company's Block XX in eastern Mongolia and is pleased to announce that the re-interpretation of existing seismic surveys has resulted in a notable increase in the resources of the Davsan Tolgoi Prospect and immediate environs ("the Focus Area"). The Focus Area is a 365 km² area in the northeastern corner of Block XX.

Highlights

Following the Company's successful three well drilling programme on the Davsan Tolgoi anticline in 2010, data and observations from those wells were utilised in a complete technical revision by Petro Matad of the previous 3D and 2D seismic surveys in the Focus Area. Highlights of the analysis include:

- Revised inventory of 18 prospects and three leads
- Additional 275 MMbbl unrisks and 211 MMbbl risks recoverable resource for prospects and leads in the Focus Area, compared to the previous (2009) inventory
- Results greatly enhance the Company's understanding of the trapping mechanisms and reservoir characteristics
- Discovery of a newly defined unit; the Uppermost Tsagaantsav Stratigraphic Play
- Results will form the basis of Petro Matad's 2011 drilling programme

Commenting on the results Petro Matad's CEO Douglas McGay said "This re-defining of the Davsan Tolgoi Prospects has been another milestone for our Company. We are very pleased with the methodical and rigorous manner in which our professional team has applied the results of last year's successful drilling programme to the re-interpretation of the seismic surveys. The discovery and definition of the new Uvgan Gol paleovalley prospects are very exciting and add a new dimension to resource definition in this region. In total, the results will form the basis of how the Company's 2011 drilling and exploration programme in this portion of Block XX is planned and executed. The dramatic increase in the Company's resource inventory is also very welcome."

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Following the Company's successful three well drilling programme on the Davsan Tolgoi anticline in 2010, data and observations from those wells were utilised in a complete technical revision of the previous 3D and 2D seismic surveys. Additional information was sourced from the partially completed DT-4 well and scout data from previous exploration and production in the general region carried out by others. The revision was carried out by the Company's technical team, led by Dr. James Coogan and Dr. Buyan-Arivjikh Davaa.

The Company's revised inventory comprises 18 prospects and three leads that are divided into three separate hydrocarbon plays. The total unrisks recoverable resource for all Prospects within the Focus Area is 293 MMbbl, with a risks recoverable resource of

225 MMbbl. In terms of unrisks recoverable resource, this represents an approximate tripling of what was previously postulated for Prospects at Davsan Tolgoi.

The leads within the Focus Area provide an additional 145 MMbbl and 45 MMbbl of unrisks and risks recoverable resource, respectively.

The above probable resource figures have been derived from a calculated 1.87 BBbl of oil-in-place in the Focus Area. The Focus Area comprises the 137 km² 3D seismic survey area that contained the previously announced main Prospect on the Davsan Tolgoi anticline and smaller closures such as Davsan Tolgoi West; plus an adjoining area of 228 km² immediately to the east. The easterly extension has 2D seismic survey coverage of varying density.

The new geological and geophysical results of the revision have provided a more complete understanding of critical play elements of the subsurface structure of the Focus Area. The results greatly enhance the Company's understanding of the trapping mechanisms and the reservoir characteristics for oil that was identified during drilling, logging, and subsequent petrophysical and sample analysis for DT-1, DT-2, and DT-3. This more complete understanding of critical play elements resulted in the significant revision to the Company's prospect and lead inventory for this Focus Area of Block XX.

The prime reason for the increase in the inventory is the discovery of a newly defined unit in the Focus Area, termed the Uppermost Tsagaantsav Stratigraphic Play. Previously the Company's Davsan Tolgoi Prospect resources were based solely on the Lower Tsagaantsav Structural Play. In addition there is a minor new play termed the Upper Zuunbayan Structural Play. In summary, the Focus Area now comprises:

- The Lower Tsagaantsav Structural Play
- The Uppermost Tsagaantsav Stratigraphic Play, and
- The Upper Zuunbayan Structural Play.

The table below summarises the prospects and leads in each of the plays:

| | Mean STOIP (MMbbl) | Mean Recoverable Resource (MMbbl) | Mean Risks Recoverable Resource (MMbbl) |
|------------------------------------------------------|-----------------------------------|------------------------------------------------------|------------------------------------------------------------|
| LOWER TSAGAANTSAV STRUCTURAL PROSPECTS | 469.6 | 119.1 | 71.5 |
| LOWER TSAGAANTSAV STRUCTURAL LEADS | 90.7 | 20.4 | 3.6 |
| UPPER TSAGAANTSAV STRATIGRAPHIC PROSPECTS | 700.1 | 172.1 | 152.8 |
| UPPER TSAGAANTSAV STRATIGRAPHIC LEADS | 550.5 | 124.6 | 41.1 |
| UPPER ZUUNBAYAN PROSPECTS | | 2.1 | |

The Lower Tsagaantsav Structural Play:

The Lower Tsagaantsav structural play was the original play concept for the Davsan Tolgoi area. The Lower Tsagaantsav Formation is the primary contributor to the 100 MMbbl of

recoverable reserve reported by Petrochina Daqing Tamtsag Mongolia, LLC in the neighbouring Tolson Uul production area that adjoins the Davsan Tolgoi prospects to the north.

The current Petro Matad Lower Tsagaantsav assessment eliminates some former prospects or leads, reconfigures others, and defines new prospects and leads. The current prospect inventory for the Focus Area consists of 10 Lower Tsagaantsav prospects that total 119 MMbbl in unrisks recoverable resource.

The refinement of the previous Lower Tsagaantsav prospects and leads for the same area is based on results from 2010 drilling, which effectively tested and eliminated some previous Lower Tsagaantsav traps from consideration. However, because measurable oil was encountered in Tsagaantsav rocks of DT-1, DT-2, and DT-3, the drilling campaign effectively de-risked the source and timing/migration elements for the remaining prospects.

In addition, improved stratigraphic, depth, and fault definition contributed to decreases in closure and seal risk, leading to a Probability of Success (POS) of 60% for the Lower Tsagaantsav Play inventory.

These 10 Prospects have been given Mongolian nomenclature, starting with Davsan Tolgoi and suffixed by the Mongolian names for those various sectors of the compass.

Of these, the Davsan Tolgoi Shoroo (“Southwest”) Prospect contains the site of the DT-4 well that is scheduled to resume drilling in April. The mean recoverable resource for the entire DT Shoroo Prospect is 41MMbbl with a 69% POS.

The Lower Tsagaantsav lead inventory contains two new leads that lie within the eastern part of the Focus Area, but that do not have equivalents in the 2009 assessment. These leads total 20.4 MMbbl in unrisks recoverable resource, with a mean POS of 18%. These have been given the name of a nearby Mongolian topographical feature, Lag Nuur.

The Uppermost Tsagaantsav Stratigraphic Play

The stratigraphic play within the uppermost Tsagaantsav Formation is a new play concept that is proven by DT-1 and DT-2 drilling results, as well as by Daqing production on the southern margin of Block XIX. The uppermost Tsagaantsav reservoir is a newly defined unit that has been correlated from the DT-1 & 2 well ties through a continuous 100 km² subsurface area of the 3D and 2D seismic grid. In addition, smaller 1-2 km² prospects lay within the 3D, and a 70 km² lead is mapped east of Davsan Tolgoi from 2D data.

This uppermost Tsagaantsav stratigraphic sequence is a paleovalley with up to 240m of stratigraphic relief, eroded into the underlying Upper and Lower Tsagaantsav Formations. The coarse sand lithology encountered in DT-1 & 2 and the reservoir quality inferred by commercial production at 19-62 make it likely that the valley fill is sand-dominated. It is overlain and locally truncated by the regional unconformity at the base of the Lower Zuunbayan shale.

Mapping of the sequence indicates that rivers of the paleovalley system flowed north and east from the crest of Davsan Tolgoi anticline. Importantly, the main paleovalley system is directly correlated into the 2D grid to 19-62 producing area of the Daqing’s Block XIX

operations. Field observations by Petro Matad and local field staff indicate that the Daqing 19-62 well was in continuous oil production from late 2006 through late 2009.

The main Uppermost Tsagaantsav Stratigraphic Play Prospect has been given the generic name of Uvgan Gol (Mongolian for “Ancient River”), and covers 93 km² within the Block XX boundary, above the assumed level for the oil/water contact in the 19-62 well. The Uvgan Gol unrisks recoverable resource is estimated to be 165 MMbbl. The presence of oil shows, high hydrocarbon saturations, and high porosity in DT-1 & 2, as well as the correlation to production at 19-62, justify a high POS of 90%.

Two smaller paleovalley occurrences within the 3D survey are sufficiently defined to be classified as prospects. Uvgan Gol Southwest and Uvgan Gol Northwest have a combined unrisks recoverable resource of 7.1 MMbbl, with a POS of 60%.

The play also has one very large lead, Uvgan Gol East, which is defined by 2D seismic over a minimum of 70 km² in the eastern part of the focus area. The lead contains an unrisks recoverable resource of 125 MMbbl, with a POS of 33%.

Upper Zuunbayan Structural Play

The Cretaceous Upper Zuunbayan Formation is a secondary objective for Block XX exploration. It is a known producing interval in the northern part of the Tolson Uul field. Structural mapping adjacent to the oil show and calculated possible pay in DT-3, and trap proximity indicators in DT-1 and DT-2 indicate that these areas are adjacent to four-way fold closures. Five small four-way closures have been identified, for a total unrisks P10 resource of 2.1 MMbbl. Other trap types (fault and stratigraphic) are likely to be encountered during further exploration.

The above News Release will be posted on the Company’s website: www.petromatad.com along with plans & diagrams, and some complementary technical data.

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.

All resource information contained in today’s announcement has been prepared in accordance with the definitions and guidelines set forth in the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers. Total resource numbers are arithmetically summed in accordance with SPE 2007 PRMS guidelines; therefore, these totals do not include the portfolio effect that might result from statistical aggregation.

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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Glossary of Abbreviations, Geological and Technical Terms

| Abbreviation | Definition |
|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2D | Two dimensional |
| 3D | Three dimensional |
| BBbl | Billion US barrels |
| bbbl | US barrel |
| closure | The area, or areal closure, included in the lowest closing contour of a trap. Measurements of both the areal closure and the distance from the apex to the lowest closing contour are typically incorporated in calculations of the estimated hydrocarbon content of a trap |
| km ² | Square kilometres |
| lead | A potential trap for hydrocarbons which is not mature for drilling; additional information could make it mature to prospect status e.g. a structure which has sparse seismic control |
| Mean | Arithmetic average of a series of values |
| MMbbl | Million US barrels |
| P10 | High estimate - There should be at least a 10% probability that the quantities actually recovered will equal or exceed the high estimate |
| paleovalley | An ancient valley cut into underlying rock that has been filled with |

| | |
|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | sediments or sedimentary rock |
| play | The types of trap that may be present to entrap hydrocarbons in an area |
| POS | Probability of success |
| prospect | A project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target |
| Prospective Resources | Those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations according to the definitions of the Society of Petroleum Engineers, World Petroleum Council and American Association of Petroleum Geologists |
| Reserves | Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects known to accumulations from a given date forward under defined conditions |
| seismic | A geological technique in which the generation of sound waves near the ground surface or in the ocean and the recording of reflected signals from rock interfaces allows a picture of the subsurface structure of the earth to be generated |
| STOIIP | Stock tank oil initially in-place |
| Stratigraphy | The science of rock strata; the original succession of strata, their age relations, form, distribution, lithologic compositions, fossil content, geophysical & geochemical properties; their interpretation in terms of environment, mode of origin, geologic history |
| trap | Any barrier to the upward movement of oil or gas allowing either or both to accumulate; it includes both the reservoir rocks and the overlying or updip impermeable sealing rocks |