

Petro Matad Limited
Preliminary results for year ended 31 December 2009

Petro Matad Limited ('Petro Matad' or 'the Company'), the AIM quoted Mongolian oil explorer, announces its audited results for the year ended 31 December 2009.

Highlights:

- Commencing drilling the first of a three well 2010 drilling programme
- Production Sharing Contracts over two new exploration blocks awarded
- Technical team strengthened
- Raised an aggregate of c.US\$12.5 million during 2009
- Welcomed the European Bank for Reconstruction and Development as a shareholder

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COMBINED CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S STATEMENT

It is our pleasure, as Chairman and Chief Executive Officer, to present our preliminary final results for the financial year ended 31 December 2009 and to reflect upon an important year for Petro Matad, a period in which the Company has made significant progress.

At the time of publishing this report the Company is in the process of drilling the first well of a planned three well programme that will be completed during the 2010 drill season. Whilst we have suffered frustrating and unavoidable delays in the commencement of drilling, we are confident that there will be no material impact upon our operations and that the scheduled programme will be completed during the Mongolian summer.

It is with pride that we reflect upon the work that has been undertaken to enable Petro Matad to be in position to spud its first well. The Company has accomplished a great deal to get to this point and the corporate and technical platforms are now in place to progress our drilling exploration activities in Block XX, and to advance the exploration work on Blocks IV and V.

In the last annual report we reflected upon a period of economic turmoil that had global ramifications in its impact upon the world economy, the volatility of oil prices and general market sentiment. Fortunately Petro Matad was able to capitalise on the improvement in market sentiment in the second half of 2009. We returned to the equity markets with our compelling narrative, and successfully funded the advancement of our Company.

The Company is grateful for the support of its largest shareholder, Petrovis LLC, who acted as the important cornerstone investor for the Company's 2009 fund raising which was closed in September 2009. Petrovis's contribution to the birth and growth of our Company has been invaluable, and it is providing a model for modern Mongolian private corporations to emulate as they expand into the modern free market. We recently appointed the Chief Executive Officer of Petrovis, Ms D Enkhchimeg to our Board as a non-executive director. We anticipate that her contribution will add value to the development of Petro Matad, and look forward to working with her.

The Board was delighted to welcome yet another important shareholder in December when, following a lengthy period of negotiation and due diligence, the European Bank for Reconstruction and Development ("EBRD") agreed to invest US\$6 million. Its recently completed subscription involved the appointment of Ms Mary Ellen Collins to the Petro Matad Board, whose experience will be valuable to the Company as we move forward. Another

beneficial by-product of the EBRD subscription has been an enhanced corporate governance regime, along with an increase in our commitment to environmental, health and safety and social action matters. These matters have always been a priority of the Company and we have always carried out our responsibilities in an appropriate and responsible manner but, to further enhance our commitment, the Board has established a Committee, chaired by Ms Collins, specifically to overview those matters.

The aggregate c.\$12.5 million raised during 2009 is sufficient funding for Petro Matad to proceed with its exploration programme and to take advantage of the opportunities presented by the Company's three exploration blocks, Block XX, Block IV and Block V.

Block XX and the Davsan Tolgoi Prospect

The seismic surveys carried out on Block XX during 2008 showed a prospect inventory of 15 prospects with the mean unrisks prospective resources totalling 638 million barrels and the mean risks prospective resources being 112 million barrels. Of this, Davson Tolgoi is the largest feature with mean unrisks prospective resources of 122 million barrels, established after the 3D seismic survey over the area. The Company has concentrated its drilling efforts on Block XX and specifically DT-1 as part of a multi-well drilling programme.

Drilling and evaluation of DT-1 is planned to be followed by wells DT-2 and DT-3 during the 2010 drilling campaign. Together with DT-1, the wells are sited to target separate local structural closures with independent geological risk components. DT-2 will test a deeper feature, west of DT-1, lying up-dip from recent deep basin discoveries by Daqing near the southern boundary of their Block XIX. DT-3 will test a discrete local closure along the crest of the Greater Davsan Tolgoi area.

All wells will be tested with modern methods and qualified personnel. In this way, maximum benefit will be obtained from the drilling programme, aiding planning for future exploration and development.

The current drilling and most of the past exploration of Block XX has focused on the Davsan Tolgoi area near the northern boundary of the Block. Exploration efforts in 2010-11 will focus on the acquisition of 200 km of additional 2D seismic data and infill gravity data in the South Sharabog, Asgat, Erdenetsagaan and East Erdenetsagaan areas of the southern and western part of the Block.

Blocks IV and V

On 8 July 2009, the Company announced that its 100% owned subsidiary, Central Asian Petroleum Corporation Limited, had been awarded two new Production Sharing Contracts ("PSC") by the Petroleum Authority of Mongolia. The PSCs are for two petroleum blocks in the southern, central part of Mongolia. The petroleum blocks Bogd Block IV ("Block IV") and Ongi Block V ("Block V") adjoin each other and jointly cover an area of approximately 71,000 km² (approximately 27,400 square miles).

Whilst Petro Matad's main focus has been on exploration of Block XX, the PSCs for Blocks IV and V add a further dimension to the Company's portfolio of opportunities, and preliminary evaluation work has already commenced.

Petro Matad has compiled a database of geological and gravity data collected in previous studies by the Mongolian government that is being augmented with acquisition of an additional 4,500 infill gravity stations undertaken by Mongolian geological services company, Geosan LLC.

An initial 400 km 2D seismic acquisition programme by the Mongolian contractor, Khet Company Ltd, will commence in mid July 2010 to image both regional and prospect scale features that have been highlighted by surface geology and gravity. At the time of this report, Petro Matad is commencing a major field geological study, led by our in-house technical team and augmented by Mongolian and international professional personnel. They

will be carrying out geological mapping and sampling for source rock geochemistry, isotopic dating, reservoir petrography and generally ground-truthing the data sourced and collated in the preceding 6 months and referred to above.

Published activity on adjoining non Group blocks

Daqing Oilfields Limited (the parent company of the operator of the Production Sharing Contracts immediately to the north of the Company's Block XX) continued its large exploration and evaluation programmes to the end of 2009. Like our own programme on Davsan Tolgoi, Daqing's exploration activities were curtailed by the early onset of an exceptionally harsh winter. However, approximately 80 of their production test wells continued to operate throughout the winter months.

In February 2010, the Chairman of the Petroleum Authority of Mongolia announced that Daqing had defined, *"119.02 million tons of proven oil reserve, being an estimated 13.67 million tons of extractable proven oil reserve, together with 2.589 billion cubic metres of proven dissolved gas reserve, estimated to be 296 million cubic metres of extractable proven dissolved gas reserve"*. This has been translated/converted by Petro Matad to be approximately 900MMBO and 99.1BCF gas in situ; and 100MMBO and 10.5BCF recoverable reserves, and the publicly available data has enabled Petro Matad to add to its understanding of the basin that we share with Daqing.

It is understood that negotiations are now being held by the parties involved in order to further develop this significant find, and to update the resources outlined in Daqing's 2009 drilling campaign.

In-house exploration team

During 2009 the Board decided it was time to expand the in-house technical capabilities of the Company. In September 2009, Rodney Graham agreed to join Petro Matad as Head of Operations. Rod has accumulated an unparalleled knowledge of Mongolian geology and general operations, having been living and working in Mongolia for the last decade. Since joining the Company in October, Rod has worked tirelessly and with outstanding effect in identifying and securing the services of a dedicated oil industry professional exploration team for Petro Matad. This resulted in the appointment of an exceptional team leader in the person of Dr James Coogan, as Exploration Manager. Dr Coogan has been joined by Dr Kurt Constenius as Chief Geophysicist and Justin Tully as Geologist. In another first for the petroleum sector of Mongolia, this in-house team of scientists is based in Mongolia.

These new additions to the professional capacity of the Company join the existing Petro Matad Mongolian geoscientists, led by General Manager and geophysicist, Mr Dendevchuluun. Mr Dendevchuluun was honoured by the President of Mongolia during the year when he was awarded one of the highest Mongolian State awards for his services to the petroleum industry, the "Order of the Red Banner of Labour".

The synergy and information exchange that has resulted from the Company's expansion has been significant in the short time that Dr Coogan's team has been active. The in-house team has been supplemented by consultation with geo-scientists such as Dr W Dickson Cunningham of Leicester University and Dr Brian Horton of the University of Texas.

Looking forward, there are two key elements in our exploration strategy. First, we will focus on our exploration activities on Block XX. This will involve the undertaking of the 2010 three well programme, plus further exploration works. Second, we intend to deploy resources to the further exploration on Blocks IV and V.

We gratefully acknowledge our partner in our PSCs, the Government of Mongolia. The Ministry of Resources and Energy and its implementing agency the Petroleum Authority of Mongolia have been helpful, courteous and consistent in their advice and their sensible supervision of the exploration activities which our Company has carried out.

We would like to thank you for your continued support of the Company. We also acknowledge the cohesive and pro-active Board of which we are pleased to be a part. In addition, both the Mongolian and international consultants and contractors who worked for our Company during the period of this report deserve our thanks for their valuable input. Importantly, we wish to recognise the efforts of our employees, staff and management who continue to work hard to make your Company a success. The achievements of 2009 and the positive outlook for Blocks XX, IV and V is due to their hard work and we sincerely appreciate their contributions.

We look forward with significant optimism, energy and enthusiasm.

Gordon L. Toll
Chairman

Douglas J. McGay
CEO

24 June 2010

Notes to Editors

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 ("**PSCs**") 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.

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

STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2009

	Consolidated		Parent	
	31 Dec 2009 USD\$'000	31 Dec 2008 USD\$'000	31 Dec 2009 USD\$'000	31 Dec 2008 USD\$'000
Continuing operations				
Revenue				
Interest income	73	190	-	-
	73	190	-	-
Expenditure				
Consultancy fees	562	1,174	552	599
Depreciation and amortisation	22	16	4	1
Employee benefits expense	1,594	930	1,189	363
Exploration expenditure	1,567	2,828	23	-
Finance expenses	-	240	-	-
Other expenses	1,408	1,279	468	352
Profit/(loss) from continuing operations before income tax	(5,080)	(6,277)	(2,236)	(1,315)
Income tax expense/(benefit)	-	-	-	-
Profit/(loss) from continuing operations after income tax	(5,080)	(6,277)	(2,236)	(1,315)
Net Profit/(loss) for the year	(5,080)	(6,277)	(2,236)	(1,315)
Other comprehensive income				

Exchange rate differences on translating foreign operations	(76)	-	-	-
Other comprehensive income for the year, net of income tax	(76)	-	-	-
Total comprehensive income for the year	(5,156)	(6,277)	(2,236)	(1,315)
Profit/(loss) attributable to owners of the parent	(5,080)	(6,277)	(2,236)	(1,315)
Total comprehensive income attributable to owners of the parent	(5,156)	(6,277)	(2,236)	(1,315)
Earnings/(loss) per share (cents per share)				
Basic and diluted earnings/(loss) per share	(4.7)	(7.6)	-	-

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

	Consolidated		Parent	
	31 Dec 2009 USD\$'000	31 Dec 2008 USD\$'000	31 Dec 2009 USD\$'000	31 Dec 2008 USD\$'000
ASSETS				
Current Assets				
Cash and cash equivalents	5,215	3,248	1,198	15
Trade and other receivables	34	1	12,976	10,005
Prepayments and other assets	103	20	81	-
Total Current Assets	5,352	3,269	14,255	10,020
Non-Current Assets				
Exploration and evaluation	15,275	15,275	-	-
Property, plant and equipment	199	98	13	13
Investment in subsidiaries	-	-	19,163	19,163
Total Non-current assets	15,474	15,373	19,176	19,176
TOTAL ASSETS	20,826	18,642	33,431	29,196
LIABILITIES				
Current Liabilities				
Trade and other payables	796	245	663	981
Total Current Liabilities	796	245	663	981
TOTAL LIABILITIES	796	245	663	981
NET ASSETS	20,030	18,397	32,768	28,215

EQUITY**Equity attributable to owners of the parent**

Issued capital	35,115	28,928	35,308	29,121
Reserves	1,766	1,240	1,011	409
Accumulated losses	(16,851)	(11,771)	(3,551)	(1,315)
TOTAL EQUITY	20,030	18,397	32,768	28,215

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2009

	Consolidated		Parent	
	31 Dec 2009 USD\$'000	31 Dec 2008 USD\$'000	31 Dec 2009 USD\$'000	31 Dec 2008 USD\$'000
Cash flows from operating activities				
Payments to suppliers and employees	(4,079)	(6,817)	(1,184)	(803)
Interest received	73	190	-	-
Net cash flows from/(used in) operating activities	(4,006)	(6,627)	(1,184)	(803)
Cash flows from investing activities				
Purchase of property, plant and equipment	(124)	(81)	(4)	(14)
Proceeds from the disposal of plant and equipment	-	21	-	-
Net cash flows from/(used in) investing activities	(124)	(60)	(4)	(14)
Cash flows from financing activities				
Proceeds from issue of shares	6,431	10,000	6,431	10,000
Capital raising costs	(258)	(235)	(258)	(42)
Loans to related parties	-	-	(4,302)	(10,005)
Proceeds from loans to related parties	-	-	500	879
Net cash flows from/(used in) financing activities	6,173	9,765	2,371	832
Net increase/(decrease) in cash and cash equivalents	2,043	3,078	1,183	15
Cash and cash equivalents at beginning of the year	3,248	170	15	-
Net foreign exchange differences	(76)	-	-	-
Cash and cash equivalents at the end of the year	5,215	3,248	1,198	15

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

Consolidated				
<i>Attributable to equity holders of the parent</i>				
	Issued capital	Accumul- ated Losses	Other Reserves Note 15	Total
	USD\$'000	USD\$'000	USD\$'000	USD\$'000
As at 1 January 2008	11,903	(5,494)	1,829	8,238
Net loss for the year	-	(6,277)	-	(6,277)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	(6,277)	-	(6,277)
Transactions with owners in their capacity as owners				
Issue of share capital	15,000	-	-	15,000
Issue of shares on conversion of convertible note	7,260	-	(998)	6,262
Cost of capital raising	(5,235)	-	-	(5,235)
Share-based payments	-	-	409	409
As at 31 December 2008	28,928	(11,771)	1,240	18,397
Net loss for the year	-	(5,080)	-	(5,080)
Other comprehensive income	-	-	(76)	(76)
Total comprehensive income for the year	-	(5,080)	(76)	(5,156)
Transactions with owners in their capacity as owners				
Issue of share capital	6,431	-	-	6,431
Cost of capital raising	(244)	-	-	(244)
Share-based payments	-	-	602	602
As at 31 December 2009	35,115	(16,851)	1,766	20,030

Parent				
<i>Attributable to equity holders of the parent</i>				
	Issued capital	Accumul- ated Losses	Other Reserves Note 15	Total
	USD\$'000	USD\$'000	USD\$'000	USD\$'000
As at 1 January 2008	11,903	-	-	11,903
Net loss for the year	-	(1,315)	-	(1,315)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	(1,315)	-	(1,315)
Transactions with owners in their capacity as owners				
Issue of share capital	15,000	-	-	15,000
Issue of shares on conversion of convertible note	7,260	-	-	7,260
Cost of capital raising	(5,042)	-	-	(5,042)
Share-based payments	-	-	409	409
As at 31 December 2008	29,121	(1,315)	409	28,215
Net loss for the year	-	(2,236)	-	(2,236)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	(2,236)	-	(2,236)
Transactions with owners in their capacity as owners				
Issue of share capital	6,431	-	-	6,431
Cost of capital raising	(244)	-	-	(244)
Share-based payments	-	-	602	602
As at 31 December 2009	35,308	(3,551)	1,011	32,768

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1. CORPORATE INFORMATION

The financial report of Petro Matad Limited for the year ended 31 December 2009 was authorised for issue in accordance with a resolution of the directors on 21 June 2010.

The financial report covers the consolidated entity of Petro Matad Limited and its controlled entities.

Petro Matad Limited is a Company incorporated in the Isle of Man on 30 August 2007, which has 4 wholly owned subsidiaries, Capcorp Mongolia LLC and Petro Matad LLC, situated in Mongolia, and Central Asian Petroleum Corporation Limited ("Capcorp") and Petromatad Invest Limited, incorporated in the Cayman Islands.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report is a general purpose financial report, which complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

On 12 November 2007, 23,340,000 ordinary shares were issued pursuant to the completion of agreements with the shareholders of Capcorp providing for the acquisition of the whole of the share capital of that company held by them, in consideration for the issue of such ordinary shares.

This transaction has been accounted for as a combination of entities under common control and as such is outside the scope of AASB 3 'Business Combinations'. Australian Accounting Standards currently do not provide guidance in relation to common control transactions therefore in accordance with AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors' other international pronouncements have been applied to account for the business combination. The transaction has been accounted for using merger accounting under UK Accounting Standard FRS 6 'Acquisitions and Mergers' where two or more companies are combined to form one group on terms such that the equity shareholders in each company become the equity shareholders in the combined entity. The accounts therefore represent a continuation of the financial statements of Capcorp, the legal subsidiary acquired.

This financial report has been prepared on a historical cost basis, except where otherwise stated.

3. EARNINGS PER SHARE

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

	Consolidated	
	31 Dec 2009	31 Dec 2008
	cents per share	cents per share
Basic earnings per share	(4.7)	(7.6)
Diluted earnings per share	(4.7)	(7.6)
	USD\$'000's	USD\$'000's
The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:		
Net loss attributable to ordinary shareholders	(5,080)	(6,277)
Weighted average number of ordinary shares for the purposes of basic earnings per share	106,975	82,311

Share options and performance awards could potentially dilute basic earnings per share in the future, however they have been excluded from the calculation of diluted earnings per share because they are anti-dilutive for both years presented.

There have been further transactions involving ordinary shares since the reporting date and before the completion of these financial statements, details of these can be found in Note 22 Events after balance sheet date.

4. TIMETABLE AND DISTRIBUTION OF ACCOUNTS

The financial information set out in this announcement does not constitute the Company's statutory accounts for the years ended 31 December 2009 or 2008. The statutory accounts for the year ended 31 December 2009 have been finalised on the basis of the financial information presented by the directors in this preliminary announcement.

The Company's statutory annual report and accounts will be dispatched to shareholders shortly. Additional copies of the Annual Report and Accounts may be requested directly from the Company and an electronic copy will be available on the Company's website www.petromatad.com.