

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

Petro Matad provides an update on its operations at its Davsan Tolgoi Project, part of the Company's Production Sharing Contract (PSC) on Block XX in eastern Mongolia.

The Company has completed the analysis of initial test results for the Davsan Tolgoi 4 well (DT-4) and is designing a stimulation program and contracting stimulation services for final completion of the well. Testing of DT-4 was conducted from 3-13 September 2011 with oil analyses received on 23 September 2011.

The Company tested two zones in the Lower Tsagaantsav Formation. The primary test objective was between 1,785 and 1,801m and the secondary interval from 1,838 to 1842m.

Swabbing of the primary test objective recovered 2 litres of 42.5° API oil with no water, with an indicated un-stimulated flow rate of 2 barrels of oil per day. Pressure build-up data indicate that the production rate was affected by invasion of drilling fluids. The modest natural flow rate is typical of producing wells from Lower Tsagaantsav reservoirs in Tolson Uul field in Block XIX where fracture stimulation is almost always required for commercial production. The Company is expecting that trend will continue in the Lower Tsagaantsav reservoirs of Davsan Tolgoi, but is alert to the possibility that higher porosity and permeability in the Uppermost Tsagaantsav paleovalley formation could lead to greater initial natural flows.

No formation fluid was recovered from the deeper secondary test interval between 1,838m and 1,842m. Pressure build-up data indicate that this interval is tight, and the interval is not considered a candidate for stimulation at this time.

The DT-4 location lies on the western flank of an anticlinal closure. Correlation to the Davsan Tolgoi 3D seismic survey has identified additional development locations along the crest of the anticline at elevations up to 25 metres higher than DT-4.

The workover rig was moved to DT-8, where testing is currently being undertaken. When that is completed the next well scheduled to be tested is DT-11.

Petro Matad CEO Doug McGay said "The testing of DT-4 has provided valuable information regarding the reservoir characteristics in the deeper parts of the Davsan Tolgoi area. The recovery of oil without water provides encouragement for the development of the DT-4 oil accumulation. The Lower Tsagaantsav reservoir characteristics at DT-4 compare favourably with historical production data from Block XIX, where all but four wells are reported to have required fracture stimulation, and where fracture stimulation is believed to have substantially increase production.

"Furthermore, the 42.5° API high quality oil recovered has confirmed the Company's previous statement about the quality of the oil expecting to vary across the Davsan Tolgoi Prospect. The final analysis of the oil obtained from DT-1 has revised the preliminary API announced on 31 August, 2011 upwards to a grade of 26°API. When these results from DT-1 and DT-4 are compared with the reported average of 38 °API of the oil obtained by Petro China in the adjacent Block XIX, a clear picture of medium to high quality petroleum in the reservoirs fed by the Tolson Uul kitchens is emerging."

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 10,340km² in the far eastern part of the country. The two other Blocks, IV and V are located in central Mongolia. Block IV covers 28,998.60km² and Block V covers 21,149.72km².

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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