

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

Exploration Activities Update

Petro Matad (AIM: MATD) provides an update on the Company’s drilling operations on Block XX and also its exploration activities on Blocks IV and V in Mongolia.

Block XX Drilling programme

As previously reported on 14 July 2010, the Company’s Davsan Tolgoi-1 ("DT-1") exploration well reached a final measured depth of 1,220m. The well passed through the targeted Tsagaantsav Formation from 1,075m to 1,146m, then entered metamorphic basement. The entire 71m section of the Tsagaantsav Formation contained oil shows and elevated mud gas, with indications of live oil through six sandstone and conglomerate units totalling about 35m in aggregate.

Subsequent to 14 July, wireline logging, casing and cementing operations have been undertaken and the Company is pleased to report that initial petrophysical analysis of the Weatherford wireline logs confirm earlier reported results from the drilling shows.

Whilst further analysis is still to be undertaken, the wireline logs indicate good log porosities (25% average) and permeabilities concentrated in six sandstone zones, with a total net pay of 12m. The reservoir quality at DT-1 is attributed to a lack of compaction combined with early and continuous entrapment of hydrocarbons along the crest of the Davsan Tolgoi anticline, which forms the highest structural closure within the Tamtsag Basin.

Samples have been forwarded to laboratories in the United States for reservoir and oil characterisation. Results from petrophysical and laboratory analyses will be utilised in the design of the subsequent well testing portion of the programme. The company is currently sourcing and evaluating workover rigs for those tests and a decision on which well will be tested this year will be made on completion of the drilling element of the three well drill programme.

The drill rig will shortly be moved to the site of the Company’s second well, DT-2, and a further announcement will be made when drilling operations commence.

Blocks IV and V exploration

The first 2D seismic survey has commenced on the Company’s Blocks IV and V in central Mongolia. Mongolian geophysical contracting company Khet LLC is undertaking the 360 km survey, covering 7 seismic lines, under Petro Matad’s management and supervision.

In addition, an in-fill gravity survey over the entire two blocks is currently being performed by Mongolian geophysical consultants, Geosan LLC. The 4,500 station survey will be added to the previous modern gravity data, providing a 2km x 2km grid over the entire 73,498km² combined area of the Blocks. The existing gravity data delineated five sub basins that are the initial focus of the seismic programme.

Seismic acquisition during 2010, rather than during 2011 as originally planned, is the result of rapid advancement of the Company's geological knowledge of the central Mongolian basins. The Company's in-house Exploration team recently completed field expeditions with the assistance of international and Mongolian experts that identified prospective structures and confirmed principal elements of Mesozoic hydrocarbon systems across the Blocks. These recent advances have streamlined the exploration programme with the goal of defining drillable targets in a much shorter time frame than originally envisaged.

The Petroleum Authority of Mongolia recently approved the Company's revised exploration programme and budget. The revisions and extra work have resulted in an 18% increase in exploration expenditure for both Blocks.

CEO Douglas McGay said: "The completion of the wireline testing of DT-1 confirms that good reservoir quality should be expected along the length of the Davsan Tolgoi trend relative to the Tolson Uul oil fields in the deeper, more northerly part of the Tamsag Basin.

"Furthermore, this is another step toward confirming our original model of Davsan Tolgoi structure being a regional trap for the basin.

"We are very happy with the initial results from our first well to date, and look forward to the completion of the analysis. The remaining two wells of the 2010 drilling programme will be designed to maximise our knowledge and confirm the potential of the main Davsan Tolgoi anticline. In addition we are optimistic about the long term potential of Blocks IV and V."

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.

Note to Editors:

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 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

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