

**Petro Matad Limited**  
**('Petro Matad' or the 'Company')**

**Interim results for the six months ended 30 June 2011**

LONDON, 30 September 2011: Petro Matad Limited ('Petro Matad' or 'the Company'), the AIM quoted Mongolian oil explorer, announces its unaudited interim results for the six months ended 30 June 2011 and updates shareholders on events since the period end.

**Highlights:**

*Block XX*

- Of the eight wells drilled during 2011, all but one showed presence of hydrocarbons
- Testing programme continues with a full schedule until year's end
- Deferment of drilling through winter until the Company's understanding of Davsan Tolgoi is further developed
- Reprocessed 3D seismic survey providing greater definition of Davsan Tolgoi stratigraphic traps and faults
- Exploration on Block XX has greatly expanded beyond the immediate Davsan Tolgoi area with a significant 2D seismic acquisition programme
  - The new seismic is being processed in conjunction with reprocessing of existing data.
  - Early results indicate multiple areas of great interest
  - A promising new basin has been identified in the southern portion of Block XX
- Technical review and analysis of data ongoing in preparation for recommencement of the Company's drilling and exploration programmes in the Mongolian spring

*Block V*

- 946kms of seismic survey completed over two basins
- Early seismic profiles over the Tugrug Basin indicate a variety of trap styles
- Analytical results from the stratigraphic drill hole's core have demonstrated that the Tugrug basin contains a productive hydrocarbon system. The present-day depth of the top of the paleo-oil window is around 1400-1500m, and basin depths may be as much as 4500m
- Geological surveys further define source and reservoir rocks
- The emergence of oil shale occurrences as a potential unconventional play

*Block IV*

- 896kms of 2D seismic acquisition over several basins
- Field examination confirms continuation of source and reservoir sequences and suitable traps over the entire block to its western limit
- The newly identified Argalant area has about 700m of Cretaceous section, including thick sequences of visually rich oil shale. Analytical results are pending
- The Khoid Ulaan Bulag oil shale occurrence may have commercial potential for an unconventional play
- Stratigraphic core drilling is scheduled for the Biger basin in western Block IV

*Corporate*

- Establishment of in-house legal and compliance department
- Ongoing liaison with the Mongolian Government regarding the possible amendments to Mongolia's petroleum law
- Current cash balance of approximately US\$25 million

*Enquiries:*

Petro Matad Limited  
Douglas J. McGay- CEO  
+976 11 331099

Westhouse Securities Limited  
Richard Baty/Petre Norton  
+44 (0)20 7601 6100

CHIEF EXECUTIVE OFFICER'S STATEMENT

## Details

### Summary

This statement accompanies the Company's accounts for the first six months of 2011 and makes note of significant developments in that period, as well as matters that have arisen between 1 July and this date. Thus the period discussed in this statement encompasses the nine months since 1 January 2011.

From an operations viewpoint, the Company has experienced even further growth, and achieved many of its goals for the period. Our 2011 drilling programme at Davsan Tolgoi has run smoothly, with increasing efficiency and economy; the well testing programme is progressing; our extensive 2011 seismic programme has been executed according to plan; and our in-house professional geoscience services have served the Company's exploration and operational philosophies with distinction. In addition, our corporate, legal and administration teams have established strong corporate governance routines and set a benchmark for modern business operations in Mongolia.

That said, it has been a somewhat sobering time for our advancement of Davsan Tolgoi. The Company believes that the Davsan Tolgoi Prospect will prove to be a viable oilfield, but the drilling and testing results to date have demonstrated that the geological settings are complex and will require further work before a more complete understanding can be attained and the resource more definitively outlined.

This realisation, along with the general weakness in the world's markets in the latter part of the period under review, has resulted in the Company's market capitalisation falling 63% from 1 January until now. It has also caused the Board to curtail the introduction of year round drilling at Davsan Tolgoi whilst a geological re-assessment of all the data we have thus far generated is reviewed and a proficient and positive way forward can be mapped. Rather than investing heavily in winterised equipment and year round drilling, the Board has decided to focus for the time being on the completion and testing of the Company's existing wells and the subsequent evaluation that can be determined from such information, along with the other exploration work undertaken to date.

In addition to the work on Davsan Tolgoi, exploration programmes on Petro Matad's other extensive acreage covering the rest of Block XX and the vast area of Blocks IV and V in central Mongolia have revealed very encouraging results, as will be outlined herein.

The Board and management remain very confident in Petro Matad's future. We have sufficient cash reserves to carry us forward and the Company has an excellent professional team in place, giving us the platform to enable us to maximise the immense exploration prospects that exist in our Mongolian portfolio.

In this report, I will detail those exploration opportunities as well as outline the Company's achievements of the past 9 months.

### *Block XX Davsan Tolgoi*

#### *Drilling*

The Company has now drilled 11 wells on the Davsan Tolgoi Prospect. The first three were drilled in 2010 and the rest in 2011. The last, DT-11 has just been completed and will shortly be reported upon, and the contractor's (DQE International) rig has been stacked on site for an early re-commencement of drilling in 2012.

The results of the 11 wells can be summarised as follows:

Well	Calculated Net Pay	Formation	Average Porosity	Oil Shows	Gas Buildup	Notes	Forward work schedule
DT-1	17m	Uppermost Tsagaantsav	25%	Yes	Yes	Three zones, one tight	Plugged and abandoned (P&A) due to defective cement job
DT-2	5m	Uppermost Tsagaantsav	20%	Yes	Yes	One main zone	To be tested in 2011

<b>DT-3</b>	8m	Upper Zuunbayan	23%	Yes	Yes	Bolstered by Fluid Inclusion Test study	To be tested in 2011
"	5m	Lower Tsagaantsav	25%	Yes	Yes	Top of formation, rest is flushed	To be tested in 2011
<b>DT-4</b>	5m	Lower Tsagaantsav	11%	Yes	Yes	Core showed bleeding oil but tight rock	Awaiting fracture stimulation
<b>DT-5</b>	3m	Uppermost Tsagaantsav	10%	No	Yes	Basal sandstone of paleochannel	No test current scheduled
<b>DT-6</b>	none	Uppermost Tsagaantsav	16%	No	Weak	Dry hole - no hydrocarbons	P&A – dry hole
<b>DT-7</b>	5m	Uppermost Tsagaantsav	25%	No	Weak	Large water cut likely	No test current scheduled
<b>DT-8</b>	8m	Uppermost Tsagaantsav	19%	Yes	Yes	Oil shows at top of formation	Currently completing testing
<b>DT-9</b>	8m	Lower Tsagaantsav	23%	Yes	Yes	Shows and gas in thin zone ~50m above net pay	P&A – wet
<b>DT-10</b>	none	Lower Tsagaantsav	----	No	Weak	Breached and flushed - immovable residual oil	P&A – dry hole
<b>DT-11</b>		(in progress)		Yes	Yes	Good oil shows at 1078m, cored. Three test zones.	To be tested in 2011

Out of the 11 wells, 7 had visible shows of oil, a remarkable achievement when compared to the recorded success rates of 30.4% attributed to both SOCO International and Petro China on those companies' Block XIX exploration and appraisal drilling campaigns. That drilling campaign culminated in the Petroleum Authority of Mongolia announcing in 2009 that Block XIX had proven reserves of STOIP 835MMbbl and 2.5 billion m<sup>3</sup> of gas.

The above drilling results, along with other exploration activities at Davsan Tolgoi and environs, have led the Company to the following preliminary conclusions:

- Oil has migrated into both structural and stratigraphic traps, over long distances
- Traps are underfilled, indicating either that the volume of migrated oil was low or that filled traps were subsequently breached. Distribution of shows, fluid inclusion results, and calculation of residual oil in most wells suggests, but does not prove, the latter
- The Uvgan Gol paleovalley concept has been proven valid, but the internal stratigraphy of the paleovalley fill is complex
- The volumetrics on the paleovalley prospects will need to be revised. The results of that revision will more than likely result in lesser mean prospective resources than announced in March 2011
- Northwest to north trending faults are likely to be leaky, increasing the risk of breaching and flushing for prospects cut by them
- Fault traps closer to productive kitchens are less likely to have been breached and flushed due to greater lithostatic load
- The presence of oil in Petro China wells to the east of the Davsan Tolgoi anticlinal crest strongly suggests that the East Tolson kitchen is productive. This augurs well for exploration to the east of Davsan Tolgoi
- The area to the west of Davsan Tolgoi has had its previous 2D surveys re-mapped in the past few months, and some interesting deep prospects and/or leads are being defined. These have an analogy with the Tolson Uul fields, where optimal targets seem to lie on early-rising, cross-graben anticlines.

The workover rig has been performing to specification and the Company is satisfied with the progress of the programme.

### Testing

After considerable delays due to the remote location of the Company's operations, cross-border issues, logistics and a determination by the Company's drilling team to have an optimal testing package to western standards, a complete workover rig with appropriate testing tools was commissioned from DQE International and imported from China and commenced work in early August. The drilling team also added appropriate reservoir and testing engineers to our in-house team.

As reported, the wells drilled last year had flawed cementation jobs. Cement Bond Logs of DTs 1-3 taken at the time revealed possible issues, but the only way to ascertain the extent of the problems was to undertake the well testing programmes on these wells.

The test on DT-1 revealed that the heavy cement used by the previous contractor had indeed caused major problems, to the extent that the well has been deemed unusable for the main interval between 1073m and 1079m. DT-11 has been drilled as a replacement for that interval. The lower interval, tested first, indicated an initial flow rate of 20bbl/d of oil, with a high water cut. Subsequent analysis has indicated an API of 25° for the DT-1 oil. Pressure tests indicated that this interval may also be affected by formation damage and fracturing during cementation operations, and it has been concluded that long term production from this interval would not be sustainable or economic.

The next well to be tested was DT-9. Petrophysics had indicated a substantial hydrocarbon interval in the Tsagaantsav Formation. Testing proved that the interval contained fresh water, which had a similar resistivity signature as the hydrocarbons when compared to the saline water that normally permeates the Tsagaantsav Formation.

Testing continues, with the results from DT-4 announced earlier this week, and DT-8's results pending. The workover rig will then test DT-11 and then move to DT-2 and DT-3 before ceasing for the year.

A summary of the tests to date is as follows:

Well	Formation	Interval	Depths	Produced fluid	Notes
DT-1	Uppermost Tsagaantsav	C1-1	1123-1127	~20bbl/day oil 25API	High water cut
"			1117-1119		
"			1111-1113		
"	Uppermost Tsagaantsav	C2-1	1100-1104	negligible fluid	Tight rock
"			1090-1094		
"	Uppermost Tsagaantsav	C3-1	1073-1079	>1300bbl/day fresh water	Formation damage - tapping basement aquifers
DT-9	Lower Tsagaantsav	C1-1	1639-1648	200bbl/day fresh water	Formation fluid
DT-4	Lower Tsagaantsav	C1-1	1838-1842	negligible fluid, trace oil	Tight rock; frac candidate
"		C2-1	1798-1801	Greenish brown oil ~42API	Tight rock, will require fracking
"			1795-1798		

It is envisaged that the testing programme will take a further three months and will be completed ahead of the onset of the worst of the Mongolian winter conditions. Where applicable fracture stimulation will be undertaken and its impact on the wells' productivity analysed. The Company is now actively sourcing fracture and stimulation services, with a view to contract negotiation and mobilisation. As of now, no timetable on a stimulation programme can be confirmed.

#### Seismic

During spring, the 3D seismic survey data covering Davsan Tolgoi was re-processed in order to highlight higher frequency responses. This was very successful and has provided greater clarity of stratigraphic features as well as enabling better fault definition. Re-mapping of this re-processed data has been progressively advanced by our in-house geophysical team, and the entire set will be completed shortly. Data from the drilling and testing programmes will be combined with this re-mapping and over the next few months a more complete understanding of the Davsan Tolgoi geological environment will be gained. As a part of this process, new volumetrics will be generated and the 2012 Davsan Tolgoi drilling programme recommended.

#### Block XX – Outside of Davsan Tolgoi

In addition to an intensive exploration programme on Davsan Tolgoi, during the period of this review the Company extended its exploration activities over the rest of Block XX.

This work consisted of re-processing and re-mapping previously acquired 2D seismic data in areas adjacent to Davsan Tolgoi, plus the acquisition and processing of 1,256kms of new 2D seismic, on which mapping is still in progress. The seismic was performed by using the vibroseis method and carried out by Chinese contractor BGP Inc.

Immediately to the west of Davsan Tolgoi, re-mapping of the older 2D has added definition to previously outlined leads and prospects, and identified several new early drill targets that are analogous to the trap styles in Block XIX's Tolson Uul field. Additional 2D seismic lines were shot in this vicinity as a part of the abovementioned 2011 programme and will be added to the data set and evaluated in the coming months.

The adjacent area to the east of Davsan Tolgoi has also been developed during this period. Re-mapping of previous 2D seismic surveys revealed paleovalleys and structural plays that were included in the March 2011 evaluation. This area will more than likely be reliant on the East Tolsoon Uul graben for charge and scout information for Petro China's Block XIX drilling indicates that this graben forms a viable underexplored kitchen source for the area east of Davsan Tolgoi. Sixteen new 2D seismic lines totalling 349km were acquired as part of the 2011 programme in this area. Early indications from final processing of the 2D confirm the presence of the Uvgan Gol paleovalley play throughout the area, as well as multiple horst and graben trends that conform to the Lower Tsagaantsav trap style of the Tolson Uul analogue. Most interestingly, the 2D displays a previously undocumented trend of contractional anticlines and thrust faults that provide new types of trapping structures for the region.

The major part of the 2011 2D seismic surveys on Block XX targeted the Erdenetsagaan, East Erdenetsagaan and Asgat basins in the southern, central portion of the block. Processed seismic results have indicated depths similar to the northern parts of Block XX, although somewhat shallower than the Tolson Uul Basin depths. However, higher seismic velocities in these southernmost grabens suggest deeper burial in the past. Early mapping of the 2D seismic has identified multiple trends of intrabasin horsts and grabens analogous to trapping structures of the Tolson Uul fields of Block XIX.

The southernmost 2D seismic lines on Block XX revealed a deep Cretaceous basin beneath the late Cenozoic volcanic rocks mapped on large scale Mongolian geological maps. This newly identified basin includes intrabasin horsts and grabens at the Lower Tsagaantsav level. The Company is about to commence a 4000 station gravity survey over the southernmost portion of Block XX to ascertain the extent of this basin system, and to guide future seismic surveys in the area.

Mapping and analysis of the 2D seismic surveys described above will continue through the winter months, with results available in time to plan the 2012 follow up exploration programmes.

#### *Block V*

During the period, Block V was subject to three main exploration activities: 2D seismic, stratigraphic core drilling, and field geology. More specifically:

- 495kms of 2D vibroseis seismic survey (carried out by Sinopec), mainly broad spaced over the Taatsiin Tsagaan Nuur Basin
- 451kms of closer spaced 2D seismic using explosives, performed by Mongolian contractor Khet LCC. This was over the Tugrug Basin, identified from the reconnaissance seismic programme carried out in 2010 as a very promising area
- A 1600m deep cored drill hole by Major Drilling, drilled mainly for stratigraphic correlation purposes on the flank of the Tugrug Basin
- Extensive field geology expeditions by our in-house geological team, supplemented by a US team of consultant academics with extensive knowledge of Mongolian petroleum geology

It is worthy of note that all of the seismic surveys carried out in 2011 had specifications that greatly increased the resolution above those of the 2010 initial, scout 2D programme covering both Blocks IV and V.

The larger, more widely spaced regional 2D seismic survey has been completed and processed and will be mapped and analysed over winter.

The Tugrug Basin 2D seismic survey was carried out by the explosives method because it was ascertained this would produce sharp, clear seismic images over this highly prospective basin, and match the previous survey method. The survey consisted of a grid of perpendicular lines spaced at approximately 4km. The survey has been processed and mapping will start in October. The objectives will be to prepare structure contour and isopach maps, calculate possible hydrocarbon generation volumes, identify structural closures, and define prospects and leads and their volumes. Early indications are that the Tugrug Basin is as much as 3000m deeper than previously thought from the single line of the 2010 survey.

Core recovered from the stratigraphic hole on the northern flank of the 250km<sup>2</sup> Tugrug Basin has been examined and reported upon by the Company's consultants and has been subject to analyses in United States laboratories. Logging and sampling identified two source rock sequences, the deeper of which is nearly 100m thick, averages over 3% total organic growth (TOC), and has matured and begun to expel oil. The analyses also included Fluid Inclusion Studies. These studies have just been received.

The fluid inclusion study of the core showed intermittent dry to wet gas responses with associated liquid range petroleum species. Additionally, there were indications of a possible gas charge proximal to the drill hole and petrographic follow up examination confirmed the presence of oil staining in the core. All of this data suggests the possibility of several distinct hydrocarbon migration events without accumulation at the wellbore location.

**The above results lead to the conclusion that the core hole has proven the Tugrug basin contains a productive hydrocarbon system**, with the top of the oil window estimated to be at a present-day depth of about 1400-1500m. All portions of the Tugrug basin which are at depths greater than about 1400-1500m can be assumed to have entered the oil window, and if early seismic indications of greater than 3000m depth are proven correct, may have even entered the gas window.

This is an historic development for Mongolian petroleum exploration. Petro Matad is the first to carry out extensive modern exploration in a region that has never been assessed for its hydrocarbon potential, and that pioneering effort has been rewarded with the first definitive indications of a live hydrocarbon system.

Major field geology expeditions were mounted over Block V during the period. Results are still being assessed, but the principal results include verification of continuous oil shale along the length of the basin trend and the identification of reservoir intervals above, below and interfingering with the oil shale source rock intervals.

The field expeditions included further documentation of the richness and maturity of eight oil shale occurrences that are included in, or proximal to Block V.

#### *Block IV*

Exploration activities carried out on Block IV during the period under review were:

- 896kms of 2D vibroseis seismic survey (carried out by Sinopec), mainly broad spaced over the Biger, Bayantsagaan, Delger, and Baatsagaan basins (still in progress)
- Field geology expeditions
- Detailed geological examination of the Khoid Ulaan Bulag oil shale occurrence

The 2D seismic survey is nearly completed, and the data will be processed, mapped and analysed over the winter.

The field geology expeditions extended the number and geographic extent of oil shale occurrences along the length of the basinal trend, documenting the source rock thickness, richness, and maturation level, and characterizing reservoir rocks above, below, and within the oil shale interval. In summary, the geological teams confirmed the existence of source rock, reservoir rock, and suitable traps in the western part of the Block, in areas where these elements of a hydrocarbon system had never before been documented. The expeditions successfully proved that these elements persist to the western boundary of the Block. The six previously identified oil shale occurrences that are on or near Block IV were also included in this year's field studies.

Given the remoteness of the most westerly basin in Blocks IV and V (Biger) and the lack of scientific information, Petro Matad is currently commissioning Major Drilling to undertake a second core hole for stratigraphic and other purposes over this basin. That will be subject to the same treatment and tests as the abovementioned Tugrug Basin drill hole, and should reveal valuable information about this never-before explored region of Mongolia, in addition to calibrating our seismic surveys.

One of the major achievements of the field exploration season to date has been the identification of a new and large oil shale occurrence, named Argalant. The exposure has an indicated section of approximately 700m of Cretaceous strata that include approximately 200m of organic shale and mudstone. Extensive samples have been gathered and are currently being analysed.

The Khoid Ulaan Bulag oil shale occurrence was subjected to a detailed geological mapping exercise and a high-definition 2D seismic line. It will shortly be subject to two shallow core drill holes to confirm depth and extract samples. Some of the earlier analyses of surface samples from this occurrence indicated such extraordinarily high TOC and Fischer Assay yields that if they are maintained over the extent of the occurrence and at depth, Khoid Ulaan Bulag would have the potential to be an economic oil shale deposit (processing and infrastructure dependent).

#### **Summary**

The rapid growth of Petro Matad in the period under review was largely covered in our recent Annual Report. Great advancements have been made in adequately resourcing our technical teams, as well as establishing new corporate governance and administration procedures. That growth has slowed in the past three months, and we are now in a period of consolidation, gaining the benefits from the teams and resources that have been assembled.

In Mongolia, Petro Matad has been consulting with the Government and also other stakeholders in the petroleum sector about possible changes to the Petroleum Law. That process is continuing, with no timetable or schedule for the progress of any amendments being indicated at this time.

As at the beginning of September, the Company's cash balance was approximately US\$25m. As can be seen in this report, the Company is in the middle of re-arranging and re-assessing its exploration programmes and consequently the ongoing budgets.

The development of Petro Matad's extensive inventory of projects has been a large task, but it is pleasing to note that, particularly during the period under review we are gaining significant traction on all aspects of our exploration programmes.

Directors, management and staff recognise the complexity of the tasks ahead of us, and the vagaries of exploration, even with the most professional and thorough management. Petro Matad is operating in an under-explored frontier, and while that in itself is tremendously exciting, it will take time to completely understand our environment and fully realise our potential.

The recent developments at Davsan Tolgoi have been an indication of the risks of frontier exploration. Despite the realisation that the Prospect is more complex than previously thought, we retain confidence in the future of Davsan Tolgoi and significant resources will continue to be deployed on its exploration and subsequent development. Promising progress on the Company's other exploration prospects illustrate the rewards of focussed and disciplined exploration in prospective frontiers. Naturally, the Company will also mobilise considerable resources on advancing those exploration projects. The advancement of Davsan Tolgoi and the exploration of our many other prospects is a dual mission that we are confident we have the enthusiasm, knowledge and resources to execute.

The months ahead promise to build upon the achievements noted in this report, with a constant flow of news and results from the many programmes we have highlighted herein.

## **Douglas J. McGay**

Chief Executive Officer

30 September 2011

*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 10,340km<sup>2</sup> in the far eastern part of the country. The two other Blocks, IV and V are located in central Mongolia. Block IV covers approximately 29,000km<sup>2</sup> and Block V covers approximately 21,150km<sup>2</sup>.

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  
FOR THE HALF-YEAR ENDED 30 JUNE 2011**

	Consolidated	
	30 Jun 2011	30 Jun 2010
	\$'000	\$'000
<b>Continuing Operations</b>		
<b>Revenue</b>		
Interest Income	844	21
Other Income	-	5
	844	26
<b>Expenditure</b>		
Consultancy fees	56	59
Depreciation and amortisation	60	21
Employee benefits expenses	5,332	916
Exploration expenditure	9,614	1,309
Other expenses	967	569
	(16,029)	(2,874)
<b>Loss from continuing operations before income tax</b>		
Income tax expense	-	-
	(15,185)	(2,848)
<b>Loss from continuing operations after income tax</b>		
<b>Net Loss</b>	(15,185)	(2,848)
<b>Other comprehensive loss</b>		
Exchange rate differences on translating foreign operations	(34)	46
<b>Other comprehensive income, net of income tax</b>	(34)	46
<b>Total comprehensive loss</b>	(15,219)	(2,802)
Loss attributable to owners of the parent	(15,219)	(2,848)
Total comprehensive loss attributable to owners of the parent	(15,219)	(2,802)
<b>Loss per share (cents per share)</b>		
- Basic and diluted loss per share	8.27	2.08

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2011**

	Consolidated		
	30 Jun 2011	31 Dec 2010	30 Jun 2010
	\$'000	\$'000	\$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	41,340	51,690	8,608
Trade and other receivables	335	88	63
Prepayments and other assets	631	354	82
<b>Total Current Assets</b>	42,306	52,132	8,753
<b>Non-Current Assets</b>			
Exploration and evaluation	15,275	15,275	15,275
Property, plant and equipment	912	450	249
<b>Total Non-Current assets</b>	16,187	15,725	15,524
<b>TOTAL ASSETS</b>	58,493	67,857	24,277

**LIABILITIES****Current liabilities**

Trade and other payables	4,165	1,404	1,033
Provision for annual leave	14	17	7
<b>Total Current Liabilities</b>	<b>4,179</b>	<b>1,421</b>	<b>1,040</b>
<b>TOTAL LIABILITIES</b>	<b>4,179</b>	<b>1,421</b>	<b>1,040</b>
<b>NET ASSETS</b>	<b>54,314</b>	<b>66,436</b>	<b>23,237</b>

**EQUITY**

Issued capital	95,627	95,466	40,892
Reserves	6,802	3,900	2,044
Accumulated losses	(48,115)	(32,930)	(19,699)
<b>TOTAL EQUITY</b>	<b>54,314</b>	<b>66,436</b>	<b>23,237</b>

**CONDENSED CASH FLOW STATEMENT  
FOR THE HALF YEAR ENDED 30 JUNE 2011**

	Consolidated	
	30 Jun 2011	30 Jun 2010
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(10,874)	(2,385)
Interest received	844	2
<b>Net cash flows from/(used in) operating activities</b>	<b>(10,030)</b>	<b>(2,383)</b>
<b>Cash flows from operating activities</b>		
Purchase of property, plant and equipment	(522)	(70)
Proceeds from the disposal of plant and equipment	-	-
<b>Net cash flows from/(used in) investing activities</b>	<b>(522)</b>	<b>(70)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	161	6,003
Capital raising costs	-	(157)
<b>Net cash flows from/(used in) financing activities</b>	<b>161</b>	<b>5,846</b>
Net increase/(decrease) in cash and cash equivalents	(10,391)	3,393
Net foreign exchange differences	41	-
Cash and cash equivalents at beginning of period	51,690	5,215
<b>Cash and cash equivalents at end of period</b>	<b>41,340</b>	<b>8,608</b>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 30 JUNE 2011**

Consolidated			
<i>Attributable to equity holders of the parent</i>			
Issued Capital \$'000	Accumulated Losses \$'000	Other Reserves \$'000	Total \$'000

<b>As at 1 January 2010</b>	<b>35,115</b>	<b>(16,851)</b>	<b>1,766</b>	<b>20,030</b>
Loss for the period	-	(2,848)	-	(2,848)
Other comprehensive income	-	-	46	46
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(2,848)</b>	<b>46</b>	<b>(2,802)</b>
<b>Transactions with owners in their capacity as owners</b>				
Issue of share capital	6,003	-	-	6,003
Cost of capital raising	(226)	-	-	(226)
Share based payments	-	-	232	232
<b>As at 30 June 2010</b>	<b>40,892</b>	<b>(19,699)</b>	<b>2,044</b>	<b>23,237</b>
<b>As at 1 January 2011</b>	<b>95,466</b>	<b>(32,930)</b>	<b>3,900</b>	<b>66,436</b>
Loss for the period	-	(15,185)	-	(15,185)
Other comprehensive income	-	-	(34)	(34)
<b>Total comprehensive income for the period</b>	<b>95,466</b>	<b>(48,115)</b>	<b>3,866</b>	<b>51,217</b>
<b>Transactions with owners in their capacity as owners</b>				
Issue of share capital	161	-	-	161
Cost of capital raising	-	-	-	-
Share based payments	-	-	2,936	2,936
<b>As at 30 June 2011</b>	<b>95,627</b>	<b>(48,115)</b>	<b>6,802</b>	<b>54,314</b>

## 1. CORPORATE INFORMATION

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 five wholly owned subsidiaries, Capcorp Mongolia LLC and Petro Matad LLC (both incorporated in Mongolia), Central Asian Petroleum Corporation Limited and Petromatad Invest Limited (both incorporated in the Cayman Islands), and Petro Matad Services Limited (incorporated in the Isle of Man). Together collectively referred to as the "Group".

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all of the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of Petro Matad Limited as at 31 December 2010. The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 31 December 2010.

It is also recommended that the half-year financial report be considered together with any public announcements made by Petro Matad Limited and its controlled entities during the half-year ended 30 June 2011.

### (a) Basis of Preparation

The half-year consolidated financial report is a general purpose financial report, which has been prepared in accordance with the requirements of Australian equivalents to International Financial Reporting Standards ("IFRS") and AASB 134. The half-year financial report has been prepared on a historical cost basis, except where stated.

The financial report is presented in US dollars and all values are rounded to the nearest thousand dollars (\$'000).

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

### (b) Basis of consolidation

The half-year consolidated financial statements comprise the financial statements of Petro Matad Limited and its controlled subsidiaries ('the Group').

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

### 3. CONTRIBUTED EQUITY

	<b>CONSOLIDATED</b>	
	<b>30 Jun 2011</b>	<b>31 Dec 2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Ordinary shares (i)		
184,190,287 shares paid up (31 Dec 2010: 183,061,577)		
		95,627
		95,466
		<u>95,627</u>
		<u>95,466</u>

#### (i) Ordinary shares

Full paid ordinary shares carry one vote per share and carry the right to dividends.

<i>Movement in ordinary shares on issue</i>	<b>Number of Shares</b>	<b>Issue Price\$</b>	<b>\$'000</b>
At 1 January 2011	183,061,577		95,466
Vesting of service and bonus share awards on 25 March 2011	191,479	\$0.010	2
Issue of shares to directors and employees on 12 April 2011 on exercise of options	628,750	\$0.180	113
Issue of shares to director on 12 April 2011 on exercise of options	50,000	\$0.750	38
Vesting of service share awards on 21 April 2011	142,447	\$0.010	1
Issue of shares to employees on 21 April 2011 on exercise of options	25,000	\$0.180	5
Vesting of service and bonus share awards on 10 June 2011	83,534	\$0.010	1
Issue of shares to employees on 10 June 2011 on exercise of options	7,500	\$0.180	1
Capital raising costs			-
<b>At 30 June 2011</b>	<b>184,190,287</b>		<b>95,627</b>

### 4. RESERVES

A detailed breakdown of the reserves of the Group is as follows:

<b>Consolidated</b>	<b>Merger reserve \$'000</b>	<b>Equity benefits reserve \$'000</b>	<b>Foreign currency translation \$'000</b>	<b>Total \$'000</b>
As at 1 June 2010	831	1,243	(30)	2,044
Currency translation differences	-	-	(114)	(114)
Share based payments	-	1,970	-	1,970
<b>As at 31 December 2010</b>	<b>831</b>	<b>3,213</b>	<b>(144)</b>	<b>3,900</b>
Currency translation differences	-	-	(34)	(34)
Share based payments	-	2,936	-	2,936
<b>As at 30 June 2011</b>	<b>831</b>	<b>6,149</b>	<b>(178)</b>	<b>6,802</b>

## 5. LOSS PER SHARE

Basic loss per share amounts are calculated by dividing net loss for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted loss per share amounts are calculated by dividing the net loss attributable to ordinary shareholders (after deducting interest on the convertible redeemable preference shares) by the weighted average number of ordinary shares outstanding during the period (adjusted for the effects of dilutive options and dilutive convertible redeemable preference shares).

	CONSOLIDATED	
	30 Jun 2011	30 Jun 2010
<b>Basic loss per share</b>		
Total basic loss per share (US\$ cents per share) (note a)	<u>(8.27)</u>	<u>(2.08)</u>
<b>Diluted loss per share</b>		
Total diluted loss per share (US\$ cents per share) (note b)	<u>(8.27)</u>	<u>(2.08)</u>
<b>(a) Basic loss per share</b>		
The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:		
Net loss attributable to ordinary shareholders (US\$'000)	<u>15,185</u>	<u>2,848</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	<u>183,541</u>	<u>136,975</u>
<b>(b) Diluted loss per share</b>		
The loss and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:		
Net loss attributable to ordinary shareholders (US\$'000)	<u>15,185</u>	<u>2,848</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	<u>183,541</u>	<u>136,975</u>

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

## 6. EVENTS AFTER THE REPORTING DATE

On 5 July 2011, pursuant to the Group's Long Term Equity Incentive Plan ("Plan"), 150,000 Options on ordinary shares, with an exercise price of GBP£1.17 per share, and 150,000 Performance Share Awards on ordinary shares, with an exercise price of \$0.01 per share were issued to newly appointed Director, Ms Davaanyam Enkhmaa. The vesting terms of the Options provide that 33% shall vest on the first anniversary of the date of grant, 33% on the second anniversary & 34% on the third anniversary, while the vesting terms of the Awards provide that 25% shall vest on the first discovery of oil on a commercial basis, 25% on the first production of oil on a commercial scale and 50% on the Group achieving the sale of 1 million barrels of oil.

On 5 July 2011, pursuant to the Group's Plan, 473,000 Options on ordinary shares, with an exercise price of GBP£1.17 per share were issued to employees. The vesting terms relating to 413,000 of the Options, provide that 33% shall vest on the first anniversary of the date of grant, 33% on the second anniversary and 34% on the third anniversary, while the vesting terms relating to 60,000 of the Options provide that 33% shall vest on the first anniversary of the date of employment commencement, 33% on the second anniversary and 34% on the third anniversary.

On 5 July 2011, pursuant to the Group's Plan, 581,268 Performance Share Awards on ordinary shares, with an exercise price of \$0.01 per share were issued to employees. The vesting terms relating to 433,000 of the Awards provide that 25% shall vest on the first discovery of oil on a commercial basis, 25% on the first production of oil on a commercial scale and 50% on the Group achieving the sale of 1 million barrels of oil; a further 47,181 vested on the issuing date and 25,000 on 24 July 2011, 6,964 will vest on various dates from 2 September 2011 to 4 October 2011, and 31,623 and 37,500 will vest in three equal annual instalments of 10,541 and 12,500 respectively from 2 May 2012 and 4 July 2012 respectively.

On 5 August 2011, pursuant to the Group's Plan, employees and a retiring director were issued with a total of 97,497 shares on exercise of Performance Share Awards at an exercise price of \$0.01 per share, and 189,090 shares were also issued to employees on exercise of Options, with 5,000 issued at an exercise price of GBP£0.11 per share and 184,090 issued at an exercise price of GBP£0.4616 per share.

No other matters or circumstances have arisen after the balance sheet date that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future periods.