

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

Operational Update

Petro Matad (AIM: MATD) is pleased to provide an update on its drilling activities on the Davsan Tolgoi Prospect on Block XX in Eastern Mongolia.

Drilling operations on the DT-2 well were completed on 4 October 2010 at a depth of 1,336m below surface. The drill rig is now being moved to the next well, DT-3. Wireline logging has been completed, and the well cased and cemented in preparation for later testing.

Preliminary geological and petrophysical analyses indicated the presence of significant hydrocarbons in three stratigraphic intervals in the lower 275m of the well: the primary objective Tsagaantsav formation; the overlying Upper Zuunbayan formation; and the underlying Sharilyn formation.

Upper Zuunbayan sandstones exhibited mud gas shows, calculated gas saturation, and high porosity (15-20%) in a zone between 1,025m and 1,041m.

The Tsagaantsav primary objective showed sustained elevated mud gas beginning at the top of the Lower Zuunbayan seal at 1,056m depth, with fluorescence and streaming cut in samples from 1,087m to 1,123m in the Tsagaantsav Formation. Preliminary log analysis indicates that sandstone porosity exceeds 20% in the uppermost Tsagaantsav, with decreasing sandstone quality to 1,125m, and a shale-dominated section to the base of the formation at 1,231m. Log hydrocarbon saturations and elevated pentanes in mud gas persist to 1,177m depth which is the interpreted base of the hydrocarbon column.

A third hydrocarbon zone from 1,293m through 1,298m exhibited streaming cut and fluorescence in the volcanoclastic Sharilyn Formation near the bottom of the well.

The DT-1 and DT-2 wells lie on the crest and flank, respectively, of the same subsidiary closure along the crest of the Davsan Tolgoi anticline. The hydrocarbon distribution through both wells indicates that they share a common hydrocarbon column in the Tsagaantsav Formation with a base near 1,177m depth in DT-2, at an elevation that is 33m below the deepest Tsagaantsav section in DT-1. The Tsagaantsav reservoir is better developed in DT-1 than DT-2, and this reservoir variation is being integrated into the interpretation of the 3D seismic data.

Thermal alteration of organic material and Rock Eval analysis from DT-1 samples, along with the presence of hydrocarbons in three stratigraphic intervals,

and the presence of gas in the Zuunbayan and upper Tsagaantsav formations, indicate that Davsan Tolgoi anticline possesses a robust migration history from the deepest oil and gas generating areas of the Tamsag Basin north of the Prospect.

The Company plans to site the third well of the 2010 programme (DT-3) on the apex of the Davsan Tolgoi anticline at a reservoir elevation that is 150m above the local DT-1 crest. Amongst other objectives, this will test the full height of the hydrocarbon column. The DT-3 site is 7.7km to the SSW of DT-2 and has a TD of 1,205m.

Commenting on the results of DT-2, CEO Douglas McGay said: "Despite some logistical and mechanical problems encountered before and during drilling, we are pleased to have finalised the drilling and wireline testing of DT-2.

"It is significant that DT-2 encountered hydrocarbons over the stated intervals, which provides further proof that the Davsan Tolgoi anticline has been charged with oil and gas which has migrated out of the deeper hydrocarbon-generating kitchens.

"While the interval of oil shows within the Tsagaantsav formation is not as appreciable as encountered in DT-1, the total hydrocarbon column and the extra zones outside of that formation are very encouraging and add to our understanding of the Prospect."

Competent person

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.

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Note to Editors:

About Petro Matad Limited

Petro Matad is the parent company of a group focused 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 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.