

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

Exploration and Drilling Update

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

Davsan Tolgoi-3 (“DT-3”) spudding

The DT-3 exploration well was spudded at 18:00 Mongolian time on 15 October 2010. The well is intended to be drilled vertically to an estimated target depth of approximately 1,200m.

During the afternoon of 17 October, the well reached the first casing point at 345m depth, where the first string casing will be set and cemented. Following that, the well will continue drilling the second and final string to target depth.

DT-3 is the third exploration well to be spudded as part of Petro Matad's three well drilling programme for 2010 on its Production Sharing Contract on Block XX. It is located approximately 8.6 km southwest of DT-1 and 7.7km southwest of DT-2.

The two previous wells tested a subsidiary closure along the crest of the Davsan Tolgoi anticline and showed a shared hydrocarbon column slightly over 100m in height. DT-3 has been sited at the apex of the Davsan Tolgoi anticline, where the top of the Tsagaantsav formation is approximately 150m higher than at DT-1, and thus will test the full height of the hydrocarbon column. DT-3 will also be well positioned to test for any hydrocarbon accumulations in an anticlinal closure in the Upper Zuunbayan formation as well as in fractured basement.

Analytical Results for Davsan Tolgoi-1 (“DT-1”)

The Company has received the laboratory reports for thermal maturity and fluid inclusion studies of well samples from DT-1. No further test results are pending.

Fluid inclusion analysis identified two zones of anomalous hydrocarbons. Firstly, a zone in Upper Zuunbayan sandstones from 810m to 850m that was not identified during the drilling operations. Secondly, a zone from 1,080m to 1,180m within Tsagaantsav sandstones and basement metamorphic rocks.

The Zuunbayan oil inclusions have dry gas, acetic acid and other volatile constituents indicating that they lie down-dip from an oil/water contact.

The fluid inclusion pattern in the Tsagaantsav and underlying basement is indicative of a stratified hydrocarbon column with dry gas characteristics from

1,080m to 1,105m and wet gas to oil constituents from 1,110m to 1,180m. The fluid inclusion study concluded that DT-1 penetrated oil in the Tsagaantsav, a conclusion that is consistent with observed oil shows, mud gas signature, and calculated hydrocarbon saturations.

The geochemical data from DT-1 further proves that the Davsan Tolgoi anticline is a regional focus for oil and gas migration, with the observed hydrocarbons coming from deeper and more thermally mature parts of the Tamsag Basin. Vitrinite reflectance values of 0.44 at 580m and 0.53 at 1,070m and a Tmax value of 428°C from 1,070m demonstrate that local source rocks along the crest of Davsan Tolgoi are thermally immature. The presence of hydrocarbons in DT-1, and particularly the dry through wet natural gas inclusion phases, requires migration from the deepest parts of the basin where mature source rocks lie within the gas generative window.

Commenting on the spudding of DT-3, CEO Douglas McGay noted “The contractor and our technical team are to be congratulated on the speedy mobilisation and the commencement of drilling of DT-3. They are now experiencing early winter conditions on site, with nighttime temperatures falling below zero. The speed of completion of the first string is an encouraging sign, but we are monitoring the conditions on site for engineering and health and safety issues that the rapidly approaching winter conditions may cause.

“The Company has been diligently pursuing both an extra drilling rig and also a workover rig to try to achieve as much as possible prior to the end of the calendar year. At the moment we are hopeful of further work being commissioned to suitable contractors, but are mindful of the difficulties that can occur in a yet-to-be developed oil services sector.”

Further commenting on the DT-1 analytical results, McGay said “These laboratory results provide quantitative proof of the previously observed well data. That is, that the hydrocarbons in Davsan Tolgoi have migrated over long distances from the source kitchens and have charged the Tsagaantsav Formation of Davsan Tolgoi. They have provided more surety in de-risking this aspect of the prospective resources. The previously undetected indication of hydrocarbons in the Zuunbayan Formation is also a welcome result.”

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.

Further information about the Company:

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

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

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 10,340km² 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.