

Petro Matad Limited
Preliminary results for year ended 31 December 2008

LONDON, 10 June 2009: Petro Matad Limited ('Petro Matad' or 'the Company'), the AIM quoted Mongolian oil explorer, announces its audited results for the year ended 31 December 2008.

Highlights:

- Company confident about the overall prospectivity for oil exploration in Block XX; total inventory increased to 15 prospects with the mean unrisks prospective resources totalling 638 million barrels and the mean risks prospective resources totalling 112 million barrels
- Davsan Tolgoi (formerly 8Ts) deemed "drill-ready"

Further information:

Petro Matad Limited

Douglas McGay - CEO

+976 11 331099

Hanson Westhouse Limited

Bill Staple / Richard Baty

+44 (0) 20 7601 6100

Bankside Consultants

Simon Rothschild / Oliver Winters / Louise Mason +44 (0) 20 7367 8888

COMBINED CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S STATEMENT

2008 was an eventful year for Petro Matad Limited. We started the year with a substantial fund raising, and followed with admission to AIM. Trading commenced on May 1st. An event such as this is a milestone in a company's development, but admission to AIM was a particularly proud achievement for Petro Matad, as it was the first time that a company with a substantial Mongolian shareholding was tradable on an international exchange.

Following admission to AIM, we continued with our exploration of Matad Block XX in the east of Mongolia for the remainder of the year. We are very pleased with the results of the 3D seismic work on Davsan Tolgoi, which provide further validation of our faith in the prospectivity of Matad Block XX, particularly when read in conjunction with the 2008 and previous years' 2D seismic survey results. Davsan Tolgoi is "drill-ready", and the prospectivity of other areas of Block XX has been advanced or enhanced.

In addition, the company has been pursuing other exploration opportunities in Mongolia, including applications for two new Production Sharing Contracts through a wholly owned subsidiary, Central Asian Petroleum Corporation Limited.

Due to these programmes, achievements and initiatives, we are confident that your company will evolve in a positive manner in the next financial year.

The year has been marked by economic turmoil, which affected the global economy and the sector in which the Company operates. Overall economic conditions remain challenging, the effects of which will continue to have a significant bearing on the company's future.

Matad Block XX

After being awarded Block XX in July 2006, and prior to 2008, Petro Matad reprocessed 565km of previous seismic data and commissioned 423 km of new 2D seismic surveys. The

company also commissioned a 3,000km² gravity and magnetic survey in 2007, which improved our understanding of the structural elements of the block.

Our 2008 exploration works included a 2D seismic survey programme, consisting of the acquisition of a further 155km of seismic data and the amalgamation, interpretation and mapping of the data with all of the 2D seismic data previously held by the company. The 2008 programme also consisted of a 145km² 3D seismic survey to mature, to drillable status, the Company's most advanced prospect, "Davsan Tolgoi", which was formerly known as "8Ts".

The results of the 2008 surveys can be summarised as follows:

- The Davsan Tolgoi Prospect was materially advanced as a drillable prospect. Two additional prospects were defined in the area of Davsan Tolgoi and the aggregate prospective resources of the Davsan Tolgoi area were increased. As a result of this new information, Isis has increased the probability of success on the main Davsan Tolgoi structure from 23% to an average of 37%. The key findings from the 3D seismic survey are discussed in detail below. The prospect has been renamed the Davsan Tolgoi prospect, which is the local Mongolian nomenclature for the general area of 8Ts.
- Strong Lead 6Ts did not mature into a prospect because, on analysis of the enlarged 2D data set, the previously interpreted continuous faults necessary for the trapping mechanism broke up into smaller discontinuous segments. 6Ts has now been remapped as a small fault bounded closure and re-designated Prospect 6Ts with a Mean Risked Prospective Resource of 0.27 million barrels.
- A new Lead 15Ts was discovered during this 2D programme, to the southwest of 6T. It requires additional seismic work to advance it to prospect status, and is relatively small, but promising.

Mongolian sub-contractors and consultants carried out the majority of the 2006-2008 in-field programmes. The data obtained was a credit to those companies, in particular Khet LLC and Geosan LLC, and it enabled some sophisticated processing and analysis to be performed. The only work not to be undertaken by a national company was the 3D survey. Chinese contractor, BGP Inc. performed creditably in that project.

All processing and analytical work was carried out in Australia by various consultants and contractors. This was either supervised or performed by your company's prime consultant, Isis Petroleum Consultants Pty Limited ("Isis").

Finally, your company's own professional staff in Mongolia had invaluable input and supervision over various aspects of both the fieldwork and research.

As a result of the 2008 work, the total inventory increased to 15 prospects with the mean unrisks prospective resources totalling 638 million barrels and the mean risks prospective resources totalling 112 million barrels.

The Company remains confident about the overall prospectivity for oil exploration of Block XX. Davsan Tolgoi (discussed below) is the most advanced prospect, but the work described above has also, in general advanced our confidence in the other leads, strong leads and prospects outside of that prime target. In addition, the unexplored grabens to the south-west provide significant longer term exploration potential.

The Davsan Tolgoi Prospect

Isis reported that the 2008 3D data is of very good quality and has greatly improved fault definition. The overall structural configuration from the 3D data shows significant improvement over the structural definition shown by the 2D seismic data set. Our

understanding of the reservoir presence, trap integrity, migration pathways and sealing potential over the prospective area has been appreciably enhanced by the acquisition of the 3D dataset.

The 3D survey increased the previous STOIP and Mean Unrisked Prospective Resources of the Davsan Tolgoi Prospect by 71%, to 607 million barrels and 147 million barrels respectively. Its Mean Risked Prospective Resource increased by 192% to 55 million barrels.

Included in the mapping are three separate prospects. The Davsan Tolgoi Prospect is the largest feature with Mean Unrisked Prospective Resources of 122 million barrels. The Davsan Tolgoi Prospect has two high points; "A" and "B". In addition, the Davsan Tolgoi North and Davsan Tolgoi West prospects have been mapped as separate prospects.

Daqing Oilfields Activity

Since it took over Blocks XIX, XXI and XXII in 2005, Petro China subsidiary, Daqing Oilfields ("Daqing") has been very active and has drilled more than 340 wells. This has led to the discovery of a third oilfield, nominally named Tolson West.

In the last two years, Daqing's activity has markedly increased and in 2008 Daqing drilled 207 wells - exploration, appraisal and development - on the three blocks with in excess of 90% success (defined as "oil shows"). Production from the three blocks averaged approximately 2,750 b/d in 2008 and ended the year at around 3,300 b/d. Some of those wells are closer than five kilometres from Petro Matad's boundary with Daqing's Block XIX. This production is termed "test production" as the exploration phase of Daqing's PSCs is not yet completed, and reserves and full development plans have yet to be established.

Daqing has announced it will drill approximately 390 wells in 2009, of which approximately 280 wells are likely to be on the neighbouring Block XIX. Half of the wells on Block XIX will be development wells with the remainder exploration and appraisal wells.

The 2009 Drilling Programme

With a view to furthering the exploration of Block XX, in March 2009 the Board commissioned both technical and economic studies, as well as employing an internationally respected drilling consultancy to examine the costs and logistics of drilling. These studies all endorsed the earlier work on Davsan Tolgoi, and established sufficient economic and technical parameters to provide comfort for a Board decision to drill in 2009.

The Company currently envisages that it will drill up to three wells in the 2009 drill season. There are a number of options available to Petro Matad and the board is in the process of evaluating the optimal means by which the wells may be funded. Block XX is an inexpensive location for exploration drilling due to the shallow target depth of the wells, the nature of the regional topography and the ready availability of drilling equipment because of the proximity of large oil producing regions of China. The final drilling location of the wells has yet to be determined but in all likelihood all will be on the Davsan Tolgoi prospect.

The Company's Environmental Impact Statement and resultant practices are being upgraded from the original, approved Mongolian studies, to internationally recognised standards, using a combination of Mongolian and international consultancy firms. At the same time, Health and Safety standards are progressively being introduced and Social Impact programmes commenced.

Administrative and Corporate

Our Mongolian operating entities are developing an international standard of operation and are amongst the leading examples of modern business in Mongolia. We are particularly proud of our Mongolian subsidiaries and their Mongolian leadership. Our Mongolian staff have shown a willingness to grow and adapt to meet the challenges their management has set.

Our fellow Board Directors, both executive and non-executive have all had invaluable input into your company's development. In mid-year, Mr Gregory Meldrum gave notice of his resignation as director of the company. The Board reiterates its thanks to Mr Meldrum for his contribution to the company, particularly in its formative years, and wishes him well.

The Board and management have been well served by the company's professional advisers and consultants in the Isle of Man, London, Mongolia and Australia who have all contributed in a positive manner to your company's growth.

The successes of 2008, the positive outlook for Block XX specifically and the company in general, are due to the hard work of the Board, management, staff and consultants.

Our single largest shareholder, the leading Mongolian company Petrovis LLC, has been particularly supportive and active. However, we also recognise the valuable support of all shareholders, large or small, corporate or individual. Thus, we would like to thank you all for your continued support of Petro Matad Limited.

Gordon L Toll
Chairman

Douglas J McGay
Chief Executive Officer

10 June 2009

Note to Editors:

Petro Matad is the parent company of a group focussed on oil exploration, as well as future development and production in Mongolia. The Group's principal asset is the 100 per cent. ownership of a PSC over Block XX, a petroleum block of 14,250km² in the far eastern part of Mongolia.

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

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008**

	CONSOLIDATED		PARENT	
	31 Dec 2008 USD\$000	31 Dec 2007 USD\$000	31 Dec 2008 USD\$000	31 Dec 2007 USD\$000
Continuing operations				
Revenue				
Finance revenue	190	12	-	-
	190	12	-	-
Expenses				
Exploration and evaluation expenditure	(2,828)	(270)	-	-
Finance costs	(240)	(720)	-	-
Audit	(57)	(61)	(39)	-
Accountancy	(189)	(238)	(58)	-
Consultancy expense	(1,174)	(1,252)	(599)	-
Depreciation	(16)	(7)	(1)	-
Directors fees	(196)	(102)	(81)	-
Employee benefits	(930)	(594)	(363)	-
Other	(837)	(622)	(174)	-
Share of loss of an associate	-	(577)	-	-
Loss before income tax	(6,277)	(4,431)	(1,315)	-
Income tax expense	-	-	-	-
Loss after tax from continuing operations	(6,277)	(4,431)	(1,315)	-
Loss attributable to members of the company	(6,277)	(4,431)	(1,315)	-
Loss per share (cents per share) - basic and diluted loss per share	(7.6)	(16.7)		

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008**

	CONSOLIDATED		PARENT	
	31 Dec 2008 USD\$000	31 Dec 2007 USD\$000	31 Dec 2008 USD\$000	31 Dec 2007 USD\$000
ASSETS				
Current assets				
Cash and cash equivalents	3,248	170	15	-
Trade and other receivables	1	7	10,005	-
Other current assets	20	25	-	-
Total current assets	3,269	202	10,020	-
Non-current assets				
Exploration and evaluation	15,275	15,275	-	-

Property, plant and equipment	98	49	13	-
Investment in subsidiaries	-	-	19,163	11,903
Total non-current assets	15,373	15,324	19,176	11,903
TOTAL ASSETS	18,642	15,526	29,196	11,903

LIABILITIES

Current liabilities

Trade and other payables	245	1,266	981	-
Total current liabilities	245	1,266	981	-

Non-Current liabilities

Interest bearing loans and borrowings	-	6,022	-	-
Total non-current liabilities	-	6,022	-	-
TOTAL LIABILITIES	245	7,288	981	-
NET ASSETS	18,397	8,238	28,215	11,903

EQUITY

Equity attributable to equity holders of the parent

Issued capital	28,928	11,903	29,121	11,903
Reserves	1,240	1,829	409	-
Accumulated losses	(11,771)	(5,494)	(1,315)	-
TOTAL EQUITY	18,397	8,238	28,215	11,903

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008**

	CONSOLIDATED		PARENT	
	31 Dec 2008 USD\$000	31 Dec 2007 USD\$000	31 Dec 2008 USD\$000	31 Dec 2007 USD\$000
Cash flows from operating activities				
Payments to suppliers and employees	(6,817)	(1,582)	(803)	-
Interest received	190	12	-	-
Income tax paid	-	-	-	-
Net cash flows from/(used in) operating activities	(6,627)	(1,570)	(803)	-
Cash flows from investing activities				
Purchase of plant and equipment	(81)	(35)	(14)	-
Proceeds from the disposal of plant and equipment	21	-	-	-
Purchase of other financial assets	-	(20)	-	-
Acquisition of subsidiary (net of cash acquired)	-	(2,999)	-	-
Net cash flows from/(used in) investing activities	(60)	(3,054)	(14)	-
Cash flows from financing activities				
Proceeds from issue of shares	10,000	-	10,000	-
Capital raising costs	(235)	-	(42)	-
Loans to related parties	-	-	(10,005)	-
Proceeds from loans from related parties	-	-	879	-
Payments made to related party	-	(1,123)	-	-
Net cash flows from/(used in) financing activities	9,765	(1,123)	832	-
Net increase/(decrease) in cash and cash equivalents	3,078	(5,747)	15	-
Cash and cash equivalents at beginning of period	170	5,917	-	-
Cash and cash equivalents at end of period	3,248	170	15	-

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008**

CONSOLIDATED					
			Option Premium on	Retained Earnings /	Total
Issued Capital	Merger Reserve	Options Reserve	Convertibl	(Accumul	

	<i>USD\$000</i>	<i>USD\$000</i>	<i>USD\$000</i>	<i>e Notes</i> <i>USD\$000</i>	<i>ated</i> <i>Losses)</i> <i>USD\$000</i>	<i>USD\$000</i>
	<i>0</i>	<i>USD\$000</i>	<i>USD\$000</i>	<i>USD\$000</i>	<i>0</i>	<i>0</i>
At 1 January 2007	233	831	-	1,234	(1,063)	1,235
Loss for the period	-	-	-	-	(4,431)	(4,431)
Total income / expense for the period	-	-	-	-	(4,431)	(4,431)
Unwinding of convertible note	-	-	-	(236)	-	(236)
Issue of share capital	11,670	-	-	-	-	11,670
At 31 December 2007	11,903	831	-	998	(5,494)	8,238
At 1 January 2008	11,903	831	-	998	(5,494)	8,238
Loss for the period	-	-	-	-	(6,277)	(6,277)
Total income / expense for the period	-	-	-	-	(6,277)	(6,277)
Issue of shares on conversion of convertible note	7,260	-	-	(998)	-	6,262
Issue of share capital	15,000	-	-	-	-	15,000
Issue of options to employees and directors	-	-	409	-	-	409
Cost of capital raising	(5,235)	-	-	-	-	(5,235)
At 31 December 2008	28,928	831	409	-	(11,771)	18,397

COMPANY

	<i>Issued</i> <i>Capital</i> <i>USD\$000</i>	<i>Merger</i> <i>Reserve</i> <i>USD\$000</i>	<i>Option</i> <i>Reserve</i> <i>USD\$000</i>	<i>Retained</i> <i>Earnings</i> <i>/</i> <i>(Accumul</i> <i>ated</i> <i>Losses)</i> <i>USD\$000</i>	<i>Total</i> <i>USD\$000</i>
<i>Notes</i>	<i>0</i>	<i>USD\$000</i>	<i>0</i>	<i>0</i>	<i>0</i>
At 1 January 2007	-	-	-	-	-
Issue of share capital	21 11,903	-	-	-	11,903
At 31 December 2007	11,903	-	-	-	11,903
At 1 January 2008	11,903	-	-	-	11,903
Loss for the period	-	-	-	(1,315)	(1,315)
Total income / expense for the period	-	-	-	(1,315)	(1,315)
Issue of shares on conversion of convertible note	15 7,260	-	-	-	7,260
Issue of share capital	15 15,000	-	-	-	15,000
Issue of options to employees and directors	16 -	-	409	-	409
Cost of capital raising	15 (5,042)	-	-	-	(5,042)
At 31 December 2008	29,121	-	409	(1,315)	28,215

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial information set out in this announcement does not constitute the Company's statutory accounts for the years ended 31 December 2008 or 2007. The statutory accounts for the year ended 31 December 2008 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The 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").

On 12 November 2007, 23,340,000 ordinary shares were issued pursuant to the completion of agreements with the shareholders of Central Asian Petroleum Corporation Limited ("Capcorp") providing for the acquisition of the whole of the share capital of that company held by them, in consideration for the issue of such ordinary shares.

This transaction has been accounted for as a combination of entities under common control and as such is outside the scope of AASB 3 'Business Combinations'. Australian Accounting Standards currently do not provide guidance in relation to common control transactions therefore in accordance with AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors' other international pronouncements have been applied to account for the business combination. The transaction has been accounted for using merger accounting under UK Accounting Standard FRS 6 'Acquisitions and Mergers' where two or more companies are combined to form one group on terms such that the equity shareholders in each company become the equity shareholders in the combined entity. The accounts therefore represent a continuation of the financial statements of Capcorp, the legal subsidiary acquired.

The financial report covers the financial period 1 January 2008 to 31 December 2008. The comparison figures are from 1 January 2007 to 31 December 2007.

This financial report has been prepared on a historical cost basis, except where stated.

3. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit / (loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit / (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 year (adjusted for the effects of dilutive options and dilutive convertible non-cumulative redeemable preference shares).

	<i>CONSOLIDATED</i>	
	<i>31 Dec 2008</i>	<i>31 Dec 2007</i>
	<i>cents per share</i>	<i>cents per share</i>
Basic earnings per share		
Total basic earnings per share (note a)	<u>(7.6)</u>	<u>(16.7)</u>

Diluted earnings per share

Total diluted earnings per share (note b)

(7.6)(16.7)**(a) Basic earnings per share**

\$000's

\$000's

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

Net loss attributable to ordinary shareholders

(6,277)(4,431)

Weighted average number of ordinary shares for the purposes of basic earnings per share

82,31126,537**(b) Diluted earnings per share**

The earnings 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

(6,277)(4,431)

Weighted average number of ordinary shares for the purposes of basic earnings per share

82,31126,537

The convertible notes, warrants, options and performance awards could potentially dilute basic earnings per share in the future, however they have been excluded from the calculation of diluted earnings per share because they are anti-dilutive for either of the periods presented.

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

4. TIMETABLE AND DISTRIBUTION OF ACCOUNTS

The Company's Annual Report and Accounts, together with a notice of Annual General Meeting will be dispatched to shareholders shortly.

Additional copies of the Annual Report and Accounts may be requested directly from the Company and an electronic copy will be available on the Company's website www.petromatad.com.

The Annual General Meeting will be held at 4 pm local time (9 am BST) on 14 July 2009 at the Company's Mongolian office building; NIC Building, Amar Street 8, Ulaan Baatar 210646, Mongolia.