

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take you are recommended to seek advice from a person authorised under the Financial Services and Markets Act 2000 who specialises in advising in connection with shares and other securities.

If you have sold or otherwise transferred all your shares in Petro Matad Limited (the **Company**) please forward this document, together with the accompanying form of proxy, to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold or transferred only part of your holding of shares in the Company, you should retain this document and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

This document should be read in conjunction with the Annual Report and Accounts in respect of the year ended 31 December 2010.

Petro Matad Limited

(Incorporated in the Isle of Man with company number 1483V)

Notice of Annual General Meeting to be held on 2 November 2011

Notice of the Annual General Meeting to be held on 2 November 2011 at 4 p.m. local time (8 a.m. GMT) at NIC Building, Amar Street 8, Sukhbaatar District, Ulaanbaatar, Mongolia is set out on pages 7 to 10. A form of proxy for use in relation to the Annual General Meeting is enclosed.

The action to be taken by Shareholders is set out on page 4. Whether or not you propose to attend the Annual General Meeting you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it by post or, by hand, to: Computershare Investor Services (Jersey) Limited, The Pavilions, Bridgewater Road, Bristol BS99 6ZY or by fax to +44 (0)870 703 6109, or by email to shirley.thomas@computershare.co.je, or via the CREST system, in each case as soon as possible but in any event so as to be received not less than 48 hours (not taking into account any part of a day which is not a working day) before the time appointed for the Annual General Meeting. Completion of a form of proxy will not preclude you from attending and voting at the Annual General Meeting in person. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent (ID number 3RA50) not later than 48 hours (not taking into account any part of a day which is not a working day) before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.



Petro Matad Limited
(Isle of Man Company 1483V)

Газрын Тосны Хүчийг Мөнх Тэнгэрийн Оронд
The Power of Oil for the Land of Eternal Sky

Directors:

Gordon Toll (Non-Executive Co-Chair)
Dr. Janchiv Oyungerel (Non-Executive Co-Chair)
Douglas McGay (Chief Executive Officer)
Clyde Evans (Chief Financial Officer)
Sarangua Davaadorj (Non-Executive Director)
Dr. John Robertson (Non-Executive Director)
Mary Ellen Collins (Non-Executive Director)
Davaanyam Enkhmaa (Non-Executive Director)

7 October 2011

Dear Shareholder

Annual General Meeting 2011

I am writing to inform you that an Annual General Meeting (the **AGM**) of Petro Matad Limited (the **Company**) will be held at 4 p.m. local time (8 a.m. GMT) on 2 November 2011 at NIC Building, Amar Street 8, Sukhbaatar District, Ulaanbaatar, Mongolia. The formal notice of the AGM and resolutions to be proposed are set out on pages 7 to 10.

RESOLUTIONS TO BE PROPOSED AT THE AGM

ORDINARY BUSINESS

Annual Report and Accounts (Resolution 1)

Shareholders will be asked to receive and adopt the annual report and audited accounts of the Company for the year ended 31 December 2010 (the **Annual Report and Accounts**).

Re-appointment of Directors (Resolutions 2 to 5)

In accordance with Article 83 of the Company's articles of association (**Articles**), any Director who has been appointed by the Directors, either to fill a vacancy or as an addition to the existing board of Directors, shall hold office until the annual general meeting of the Company next following such appointment and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors to retire by rotation at the meeting. Accordingly, Davaanyam Enkhmaa shall retire and be submitted for re-election.

In accordance with Article 89, one third of the Directors of the Company are required to submit themselves for re-election at each annual general meeting of the Company. Accordingly, Dr. Janchiv Oyungerel, Sarangua Davaadorj and Dr. John Robertson, being the Directors who have been longest in office since their appointment, shall retire and be submitted for re-election.

Brief biographical details of each of the Directors standing for re-election appear at Appendix 1. The Board has considered the position of the Directors and recommends their re-election.



Petro Matad Limited
(Isle of Man Company 1483V)

Газрын Тосны Хүчийг Мөнх Тэнгэрийн Оронд
The Power of Oil for the Land of Eternal Sky

Long Term Equity Incentive Plan (LTIP) Amendment (Resolution 6)

Due to (i) recent high volatility of the Company's share price and (ii) the fact that awards and options can only be granted outside a close period, it is perceived that the current Rules of the Long Term Equity Incentive Plan (LTIP) that provide that the exercise price per share of Options granted under the LTIP shall not be less than the market value of share on the relevant date of grant could be excessively disadvantageous to some employees.

Accordingly, we are asking our shareholders to approve certain amendments to the rules of LTIP so as to allow for the exercise price of Options to be set at a level below the market value of share on the date of the grant. It is recommended that the exercise price per share of Options shall be not less than the lower of (i) the market value of shares on the relevant date of grant, and (ii) the 90 days average of the closing mid-market price on AIM and clause 3.12. of the Rules be amended as follows with the deletion of 3.12.1 as it is no longer applicable:

The Exercise Price of an Option shall be determined by the Board in its absolute discretion not later than the Date of Grant and PROVIDED THAT

- a. *the Exercise Price per Share shall not be less than the lower of (i) the Market Value of a Share on the relevant Date of Grant, and (ii) the 90 days average of the closing mid-market price of the Shares on AIM, or in the case of an Option to subscribe for Shares, the nominal value of a Share if higher.*

Copies of the existing Rules and the new Rules will be available for inspection during normal business hours at the registered office of the Company until the date of the AGM or upon request. Copies will also be available at the AGM until its conclusion

SPECIAL BUSINESS

Amendments to the Articles – disapplication of pre-emption rights (Resolution 7)

We are asking shareholders to approve certain amendments to our Articles in relation to the renewal of the authority to disapply pre-emption rights. Resolution 7 will be proposed as a special resolution.

It is possible that in order to meet its probable future financing requirements, the Company may decide to seek to raise funds by way of one or more non pre-emptive issues of shares for cash.

Under Article 6 of the existing Articles, the Directors require authority from Shareholders to allot shares without first offering them to existing Shareholders in proportion to their existing holdings. Resolution 7 will, if passed replace the existing disapplication of pre-emption rights set out in Article 6.4 with substitute authority to the Directors to disapply the pre-emption rights for issues of Ordinary Shares:

- (a) paid up otherwise than in cash;
- (b) pursuant to awards granted under the Company's long term incentive plan or any other share option scheme adopted by the Company; and
- (c) in addition to (a) and (b) up to 100,000,000 Ordinary Shares.

Such authority, if given, will expire at the conclusion of the annual general meeting of the Company in 2012, without prejudice to the allotment of shares pursuant to any offer or agreement made or entered



Petro Matad Limited
(Isle of Man Company 1483V)

Газрын Тосны Хүчийг Мөнх Тэнгэрийн Оронд
The Power of Oil for the Land of Eternal Sky

into prior to such expiry. The replacement of the current Article 6.4 shall be without prejudice to the allotment of shares pursuant to offers or agreements made under the current authority.

Copies of the existing Articles and the new Articles will be available for inspection during normal business hours at the registered office of the Company until the date of the AGM or upon request. Copies will also be available at the AGM until its conclusion.

Authority to make market purchases (Resolution 8)

Article 14.1(b)(iii) provides that the shareholders may grant a general mandate to the Directors to exercise all of the powers of the Company to repurchase such number of shares in the open market as the shareholders may so authorise. On 4 August 2010, the Company passed a special resolution granting the Directors a general mandate to repurchase shares in the open market with an aggregate nominal value of not more than 15 per cent of the aggregate nominal value of the share capital of the Company in issue as at 9 July 2010. This general mandate will expire at the conclusion of the AGM.

Resolution 8, which will be proposed as a special resolution, will if approved, renew the existing share repurchase authority. It is proposed that the Directors be granted a general mandate to exercise all of the powers of the Company to repurchase shares in the open market with an aggregate nominal value of not more than 15 per cent of the aggregate nominal value of the share capital of the Company in issue at the date hereof. Pursuant to the Articles, this general mandate will continue in force until the earlier of (a) the conclusion of the Company's 2012 annual general meeting or (b) the revocation or variation of this general mandate by a subsequent special resolution.



Petro Matad Limited
(Isle of Man Company 1483V)

Газрын Тосны Хүчийг Мөнх Тэнгэрийн Оронд
The Power of Oil for the Land of Eternal Sky

ACTION TO BE TAKEN

You will find enclosed a form of proxy for use at the AGM.

Please complete, sign and return the enclosed form of proxy as soon as possible in accordance with the instructions printed thereon, whether or not you intend to be present at the AGM. Forms of proxy should be returned either by post or, by hand, to: Computershare Investor Services (Jersey) Limited, The Pavilions, Bridgewater Road, Bristol BS99 6ZY, or by fax to +44 (0)870 703 6109, or by email to shirley.thomas@computershare.co.je or via the CREST system, in each case so as to be received by the Company's registrars as soon as possible and in any event no later than 48 hours (not taking into account any part of a day which is not a working day) before the time appointed for holding the AGM. Completion and return of the form of proxy will not preclude you from attending the AGM and voting in person should you subsequently find that you are able to be present.

To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent (ID number 3RA50) not later than 48 hours (not taking into account any part of a day which is not a working day) before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

RECOMMENDATION

Your Directors consider that the proposals described in this letter are in the best interests of the Company and its Shareholders as a whole and unanimously recommend Shareholders to vote in favour of all the resolutions to be proposed at the AGM, as they intend to do (other than in respect of their own appointment as directors) in respect of their own beneficial holdings amounting in aggregate to 20,344,878 Ordinary Shares, representing approximately 11.03 per cent. of the Company's issued share capital.

Yours sincerely

Gordon L Toll
Non-Executive Co-Chair



Petro Matad Limited
(Isle of Man Company 1483V)

Газрын Тосны Хүчийг Мөнх Тэнгэрийн Оронд
The Power of Oil for the Land of Eternal Sky

Appendix 1

Director's biographies

Davaanyam Enkhmaa, Non-Executive Director

Ms. Enkhmaa is based in Mongolia and is an investment banker. She is currently Head of Country Coverage for Mongolia for Macquarie Capital Advisers. Ms. Enkhmaa has been with the Macquarie Group of companies for the last nine years with a focus in energy, resources and infrastructure sectors. Prior to her current role advising Macquarie Capital Advisers, Ms. Enkhmaa was a Managing Director responsible for risk management in the energy sector for Macquarie Group in the United States.

Dr. Janchiv Oyungerel, Non-Executive Co-Chair

Dr. Oyungerel graduated from the Institute of Petrochemical and Gas Industry, Moscow in 1979. She began her career as an economist at the Ulaanbaatar Oil Terminal and in 1982 became the Chief Economist at the Petroleum Supply Department at the Mongolian Ministry of Transportation where she was employed until 1991. In 1991, she was appointed the General Director of the Petroleum Import Concern of Mongolia and in 1994 became the General Director and Chair of the Board of Directors of the government owned company, Neft Import Company (NIC). In 1996, she founded Petrovis LLC and was the General Director until January 2008 and has been Chair ever since. She has completed an Oil Economics and Marketing Program at the Arthur D. Little Institute in Cambridge, USA. In January 2007, she completed a doctorate in economics in Moscow, Russia. Since 2001, she has been the Chair of the Board of Directors of Prime General (Insurance) Daatgal LLC, and from 2005 the Chair of the Board of Directors of Unigas LLC.

Sarangua Davaadorj, Non-Executive Director

After graduating from the Moscow State University Law Faculty with Bachelors and Masters Degrees in International Law, Ms. Sarangua began her career in Mongolia as in-house counsel at a large national geological and geophysical exploration company, where she assisted in the establishment of the first natural resource database in the country and drafting contracts with international oil exploration companies on behalf of the Government. In 1992, she joined the State Bureau of Mines of Mongolia where she coordinated the restructuring of the mining industry and participated in the drafting of the first Mining Law of Mongolia. In 1993, she obtained a Masters of Law from Harvard Law School. In 1993, she became General Counsel and a Head of the Department of International Cooperation at the Ministry of Geology and Mineral Resources, Ulaanbaatar. In 1994, she co-founded Arlex Consulting Services Ltd, one of the first law firms in Mongolia. In 1998, she became an Associate Director at the International Law Institute in Washington, DC and a consultant to the World Bank Legal Department for East Asia and the Pacific. From 2001 to 2003, she was Marketing Manager for Emerging Markets at LTB Limited, a firm providing financial and corporate advisory services. Currently, she is a Managing Director for PITPROP Limited, a London based consulting firm working on structuring financing for oil, gas and mining projects in Russia, Kazakhstan, Mongolia and Central Asia.



Petro Matad Limited
(Isle of Man Company 1483V)

Газрын Тосны Хүчийг Мөнх Тэнгэрийн Оронд
The Power of Oil for the Land of Eternal Sky

Dr. John Campbell Robertson, Non-Executive Director

Following his undergraduate studies at the University of St. Andrews, Dr. Robertson completed a doctorate in engineering at the University of Dundee. Dr. Robertson began his career in 1970 with J. Henry Schroder Wagg, the London merchant bank and, in 1972, he joined the corporate finance department of Cannon Street Investments. In 1975, he joined the Ultramar group of companies where he held a number of senior positions in London, Montreal, Toronto and New York. In 1992, he returned to London and joined Durlacher, a UK stockbroker where he advised corporate finance clients. From February 1995 until his retirement in June 2005, he was a director of Nabarro Wells & Co., the London based independent corporate finance advisory firm where he brought a number of significant oil and gas and mining companies to AIM. He is a non-executive director of a number of AIM and Australian Stock Exchange quoted companies.



Petro Matad Limited
(Isle of Man Company 1483V)

Газрын Тосны Хүчийг Мөнх Тэнгэрийн Оронд
The Power of Oil for the Land of Eternal Sky

Petro Matad Limited

(the Company)

(Incorporated in the Isle of Man with company number 1483V)

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company (the **Meeting**) will be held at 4 p.m. local time (8 a.m. GMT) on 2 November 2011 at NIC Building, Amar Street 8, Sukhbaatar District, Ulaanbaatar, Mongolia for the transaction of the following business:

ORDINARY BUSINESS

To consider and, if thought fit, pass the following resolutions:

- 1 To receive and adopt the report of the directors and accounts of the Company for the year ended 31 December 2010 together with the report of the auditors.
- 2 To re-elect Davaanyam Enkhmaa who retires pursuant to Article 83 of the Company's articles of association and who, being eligible, offers herself for re-election, as a Director.
- 3 To re-elect Dr. Janchiv Oyungerel who retires pursuant to Article 89 of the Company's articles of association and who, being eligible, offers herself for re-election, as a Director.
- 4 To re-elect Davaadorj Sarangua who retires by rotation pursuant to Article 89 of the Company's articles of association and who, being eligible, offers himself for re-election, as a Director.
- 5 To re-elect Dr. John Robertson who retires by rotation pursuant to Article 89 of the Company's articles of association and who, being eligible, offers himself for re-election, as a Director.
- 6 THAT the Rules of the Long Term Equity Incentive Plan (LTIP) adopted by the Board on 24 April 2008 and amended by the Board on 12 November 2010 be amended by deleting clause 3.12.1 and replacing clause 3.12 with the following:

The Exercise Price of an Option shall be determined by the Board in its absolute discretion not later than the Date of Grant and PROVIDED THAT

- a. *the Exercise Price per Share shall not be less than the lower of (i) the Market Value of a Share on the relevant Date of Grant, and (ii) the 90 days average of the closing mid-market price of the Shares on AIM, or in the case of an Option to subscribe for Shares, the nominal value of a Share if higher.*



Petro Matad Limited
(Isle of Man Company 1483V)

Газрын Тосны Хүчийг Мөнх Тэнгэрийн Оронд
The Power of Oil for the Land of Eternal Sky

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions as special resolutions:

7 THAT the Company's articles of association be amended by the substitution for the current article 6.4 of the following:

"6.4 The Directors shall have (notwithstanding the restrictions set forth in Article 6.1) the power and authority (without the need for further sanction) to allot and issue Ordinary Shares on a non pre-emptive basis:

- (a) if they are, or are to be, paid up wholly or partly otherwise than in cash;
- (b) pursuant to awards granted under the Company's long term incentive plan or any other share option scheme adopted by the Company; and
- (c) otherwise than as provided in paragraphs (a) and (b) up to 100,000,000 Ordinary Shares,

provided that such authority, unless renewed, shall expire at the end of the 2012 annual general meeting of the Company, but shall extend to the making, before such expiry, of an offer or agreement which would or might require shares to be allotted after such expiry and the Directors may allot shares in pursuance of such offer or agreement as if the authority conferred hereby had not expired and the replacement of the previous Article 6.4 by this Article shall be without prejudice to the allotment of shares pursuant to offers or agreements made under any prior authority."

8 THAT the directors be granted, pursuant to Article 14.1(b)(iii) of the Company's articles of association, a general mandate to exercise all of the powers of the Company to repurchase ordinary shares in the Company in the open market with an aggregate nominal value of not more than 15 per cent of the aggregate nominal value of the share capital of the Company in issue as at the date of this Notice.

By order of the Board,

Dated 7 October 2011

Douglas J McGay
Director



Petro Matad Limited
(Isle of Man Company 1483V)

Газрын Тосны Хүчийг Мөнх Тэнгэрийн Оронд
The Power of Oil for the Land of Eternal Sky

Registered Office: Victory House, Prospect Hill, Douglas, Isle of Man IM1 1EQ

Notes:

- 1 A member entitled to attend and vote at the Meeting may appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
- 2 A Form of Proxy is provided with this notice. Completion and return of such a proxy will not prevent a member from attending the Meeting and voting in person should they wish to do so.
- 3 To be effective, the Form of Proxy and any power of attorney or other authority under which it is signed (or a notarially certified copy of such authority) must be returned either by post, or, by hand, to: Computershare Investor Services (Jersey) Limited, The Pavilions, Bridgewater Road, Bristol BS99 6ZY, or by fax to +44 (0)870 703 6109, or by email to shirley.thomas@computershare.co.je, or via the CREST system, in each case so as to be received by the Company's registrar not less than 48 hours (not taking into account any part of a day which is not a working day) before the time appointed for the Meeting or any adjournment thereof. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent (ID number 3RA50) not later than 48 hours (not taking into account any part of a day which is not a working day) before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- 4 Every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative (not being himself a member entitled to vote), shall on a show of hands have one vote and on a poll every member present in person or by proxy or (being a corporation) by a duly authorised representative shall have one vote for each share of which he is the holder. A resolution is passed either (i) on a show of hands by a majority of not less than 50 per cent of such members as are present and voting; or (ii) on a poll of members of the Company holding not less than 50 per cent of the voting rights attributable to the shares held by the member or members present and voting at the relevant meeting. A "special resolution" is passed either (i) on a show of hands by a majority of not less than 75 per cent of such members as are present and voting at the relevant meeting; or (ii) on a poll of members of the Company holding not less than 75 per cent of the voting rights attributable to the shares held by the member or members present and voting at the relevant meeting.
- 5 Pursuant to Regulation 22(1) of the Uncertificated Securities Regulations 2006 of the Isle of Man (SD No. 743/06), the Company has specified that only those members registered on the register of members of the Company at close of business on 31 October 2011 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the register of members after close of business on 31 October 2011 shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- 6 Where a corporation is to be represented at the Meeting by a personal representative, such corporation must deposit a certified copy of the resolution of its directors or other governing body authorising the appointment of the representative at the Company's registered office address not later than 48 hours before the time appointed for the Meeting.
- 7 If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services Authority. As a result, any member holding 3 per cent. or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Services Authority.



Petro Matad Limited
(Isle of Man Company 1483V)

Газрын Тосны Хүчийг Мөнх Тэнгэрийн Оронд
The Power of Oil for the Land of Eternal Sky

- 8 As at 6 October 2011, being the last practicable date prior to the printing of this Notice, the Company's issued share capital consisted of 184,476,874 Ordinary Shares carrying one vote each. Therefore, the total number of voting rights in the Company as at 7 October 2011 are 184,476,874.
- 9 Copies of the service agreements and letters of appointment between the Company and its Directors and copies of the proposed new Articles of Association of the Company and the Rules of the Long Term Equity Incentive Plan, with copies of the existing Memorandum and Articles of Association and the Rules of the Long Term Equity Incentive Plan marked to show the changes being proposed in Resolution 6, 7 and 8 will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and Bank Holidays excluded) until the date of the meeting and also on the date and at the place of the meeting from 3.30 p.m.