Mongolia

PETROMATAD

PETEX 2016 CONFERENCE, LONDON

Onshore Frontier Exploration

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Photo: Mongolian Parliament Building
Ulaanbaatar, Mongolia

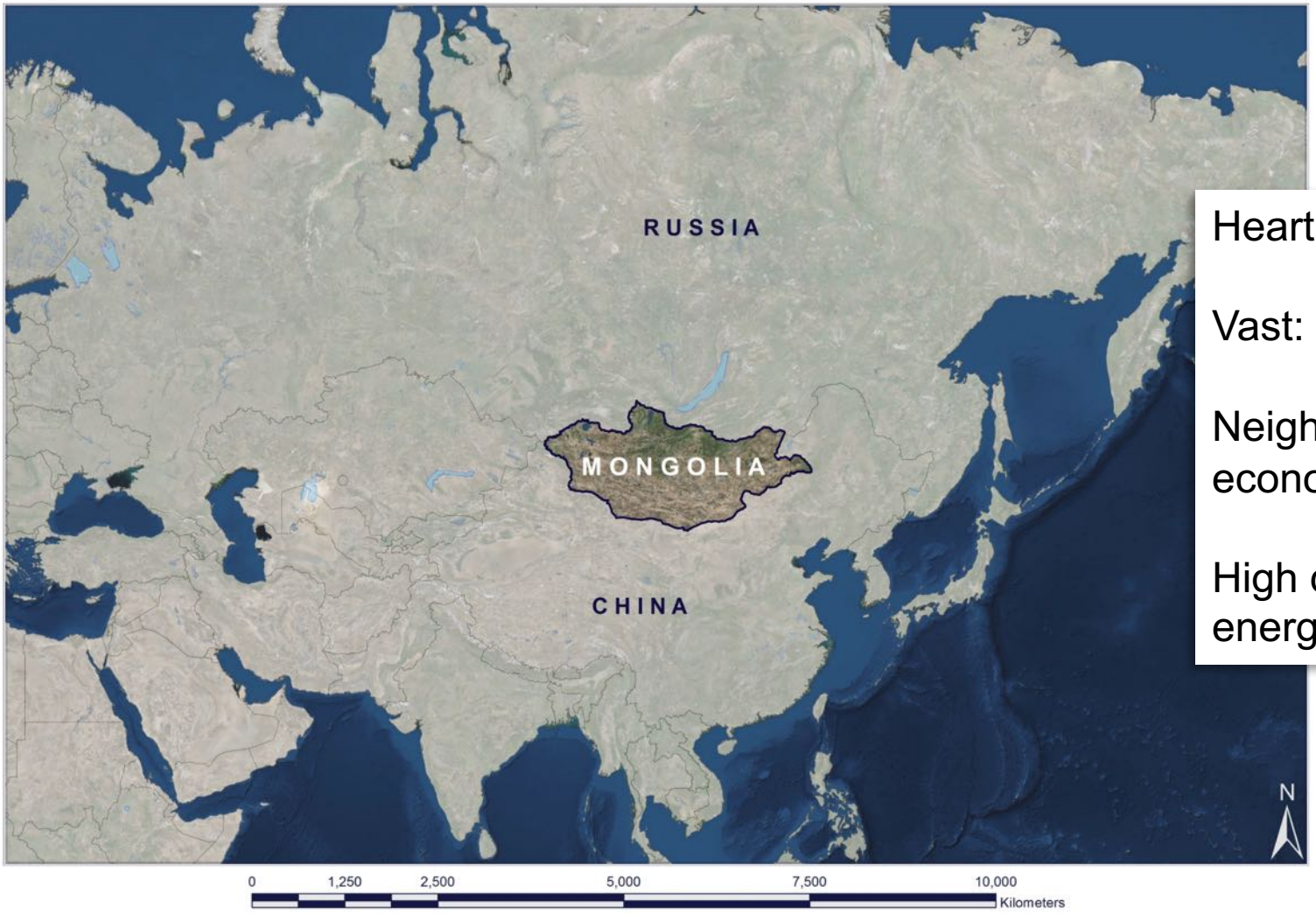
Contents:

- Introduction to Mongolia
- Regional Setting and Proven Oil Province
- Exploration Database and Petroleum Geology
- Play Models and Subsurface Examples
- Company History and Timeline
- Opportunity Highlights and Conclusion

Country Introduction:

- Mongolia became a democracy in 1990 following 70 years as a Soviet satellite
- Mongolia is a rich natural resource province, mineral industry driven economy.
- Mongolia currently imports 100% of it's refined petroleum from Russia.
- And exports 100% of it's produced crude to China.
    - This unsustainable system has instigated plans for a domestic refining sector.
- Investment climate is stable and favorable due to new investment and petroleum laws

Mongolia



Heart of Central Asia

Vast: 1.6 Million km^2

Neighbored by 2 world economic superpowers

High demand Chinese energy market

Petro Matad Acreage

3 PSC Blocks Held 100% >60,000km^2

Petroleum PSC Blocks

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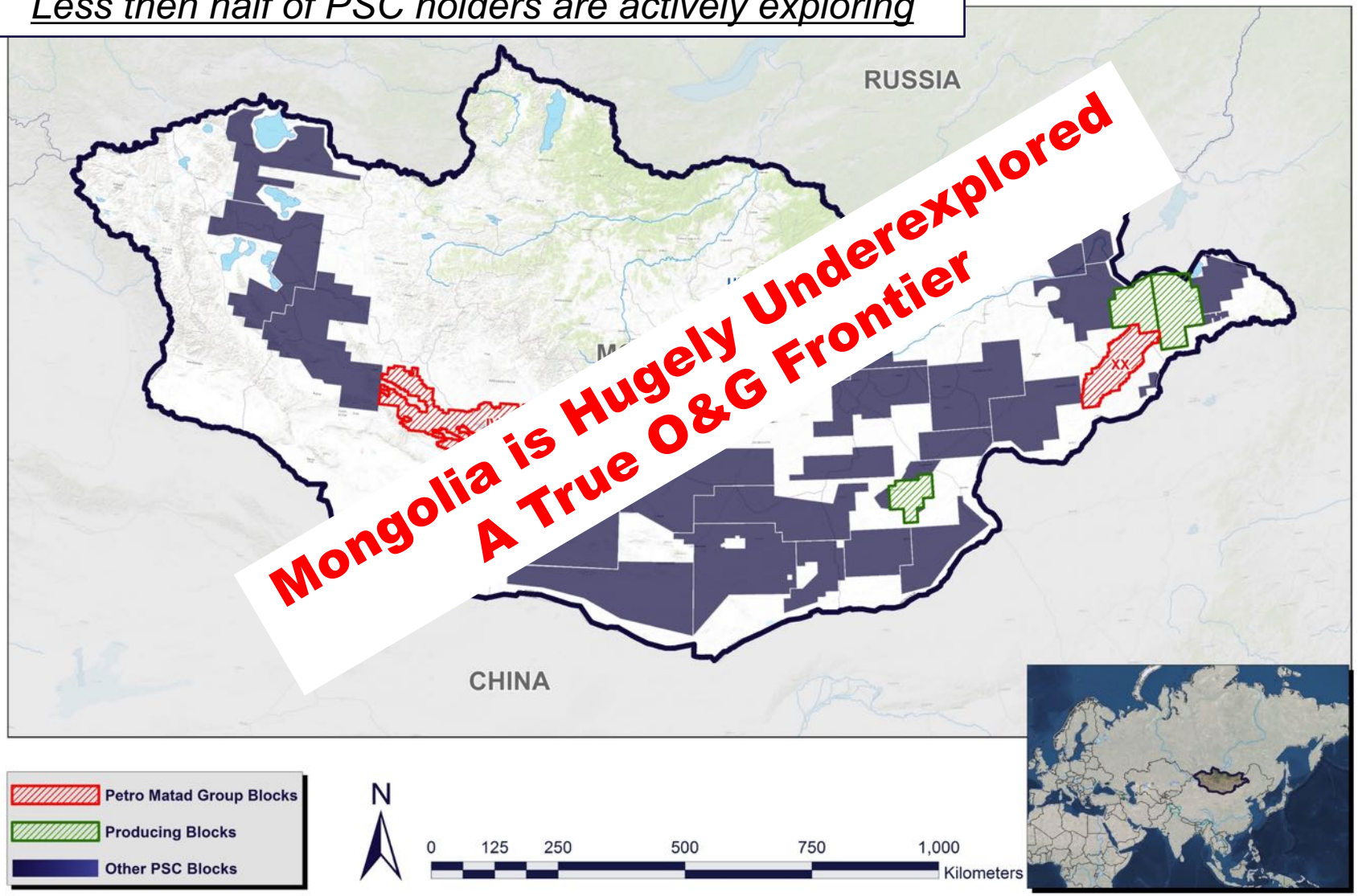
31 PSC Blocks 25 Awarded 21 Companies

Less then half of PSC holders are actively exploring



Analogues in Abundance

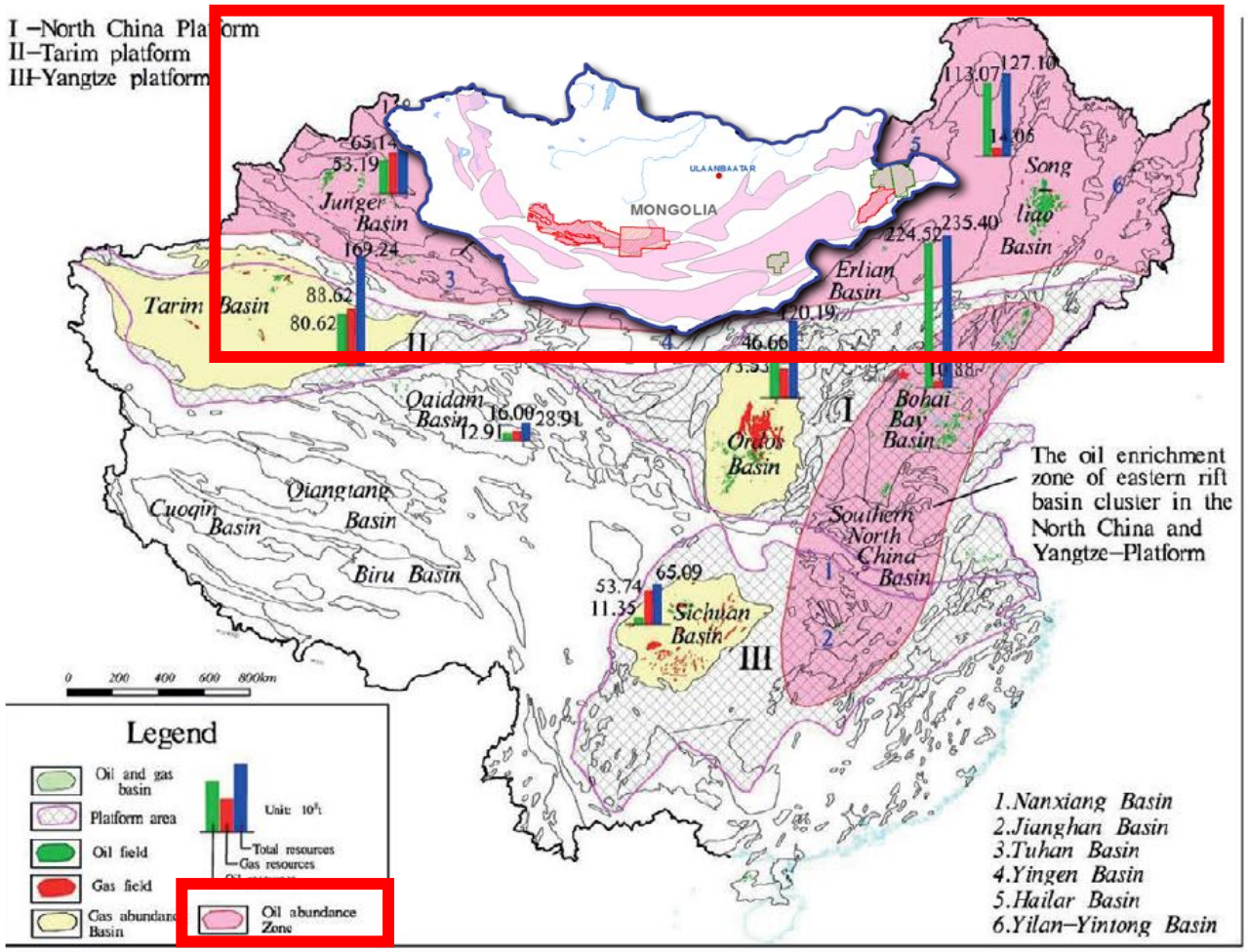
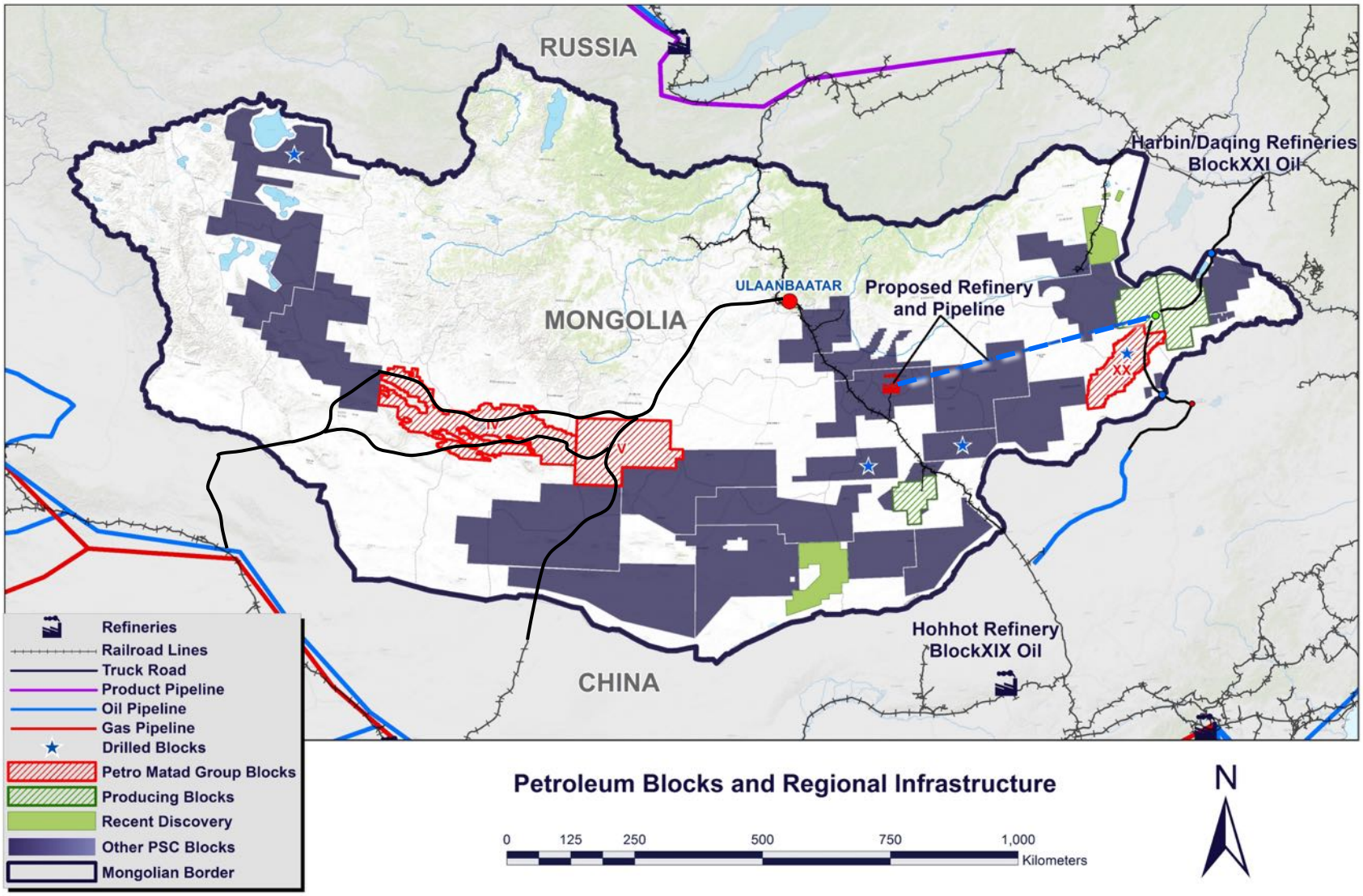


Figure 2: Oil and gas distribution of the main sedimentary basins in the onshore region of China.

- 67% of the China's total Onshore Oil Reserves (~330 BBbbls)
- China's medium – large oil fields are dominantly found in Rift Basins
- Prolific Chinese Rift Basins are directly analogous in Time, Basin Fill and Geometry

Citation: Jiang Z, Yajun Li, Zhang Y, Xu K (2015) Analysis of the Distribution of Onshore Sedimentary Basins and Hydrocarbon Potential in China . J Fundam Renewable Energy Appl 5: 191. doi:10.4172/20904541.1000191

Petroleum Infrastructure

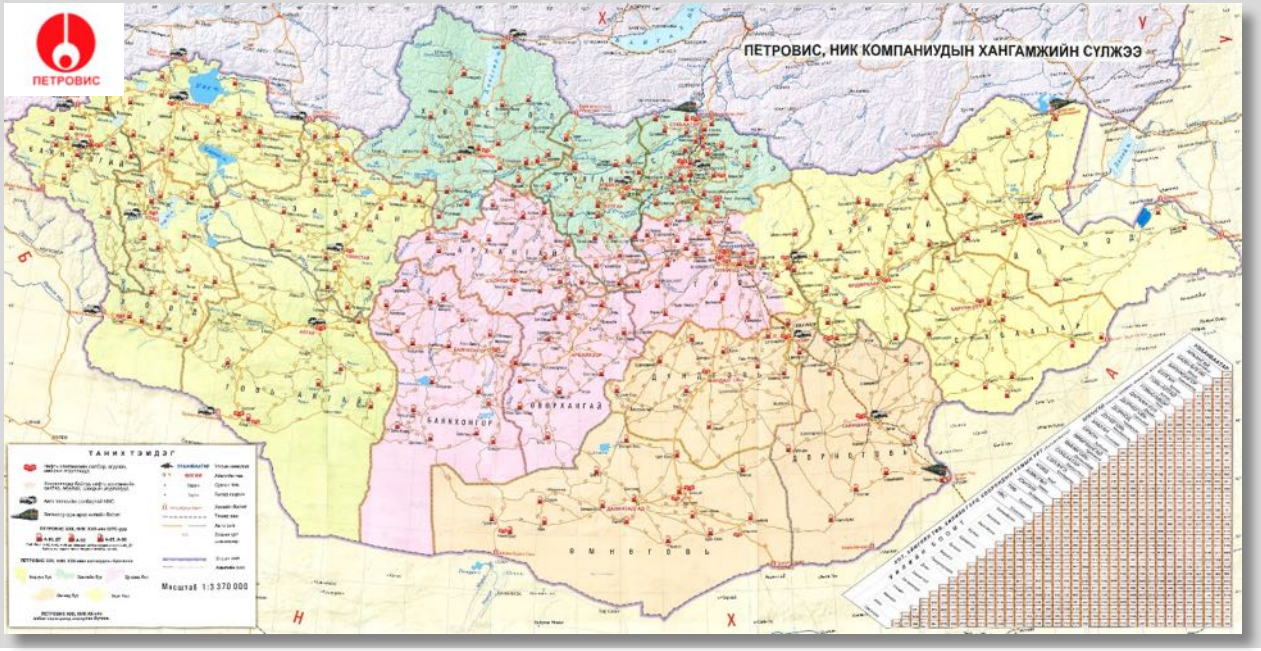


Mongolian Mid & Down Stream

Potential Partnership between Petrovis & Petro Matad in mid & downstream sector.

- 1. Domestic production of oil and gas is of strategic importance for Mongolia's energy independence.
- 2. Petrovis is Mongolia's largest downstream fuel supplier and founder and majority shareholder of Petro Matad.
- 3. Petrovis has the widest coverage of petrol stations nation wide, storage facilities and logistics infrastructure.
- 4. Petrovis is the potential off taker of Petro Matad's production and investor in construction of oil refinery in Mongolia.

- **Having Petrovis as a major shareholder provides Petro Matad a unique a strong position for for future mid- and down stream developments in Mongolia**.



Petrovis Petrol Stations in Mongolia

Acreage Comparison

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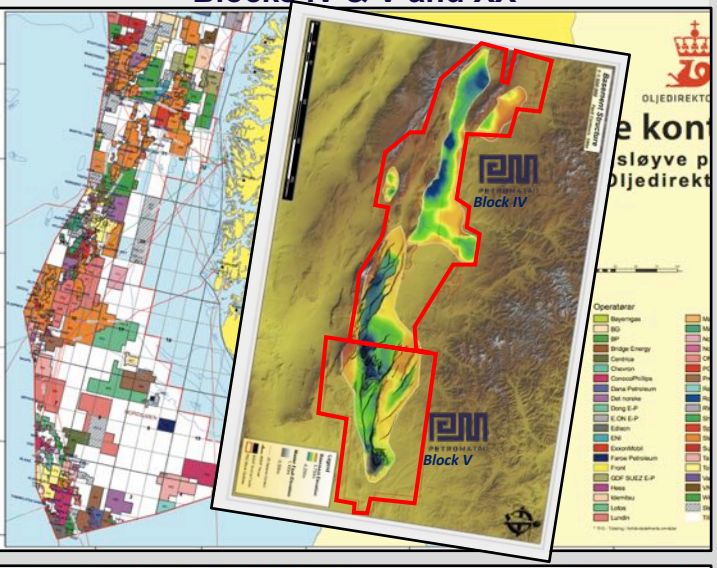
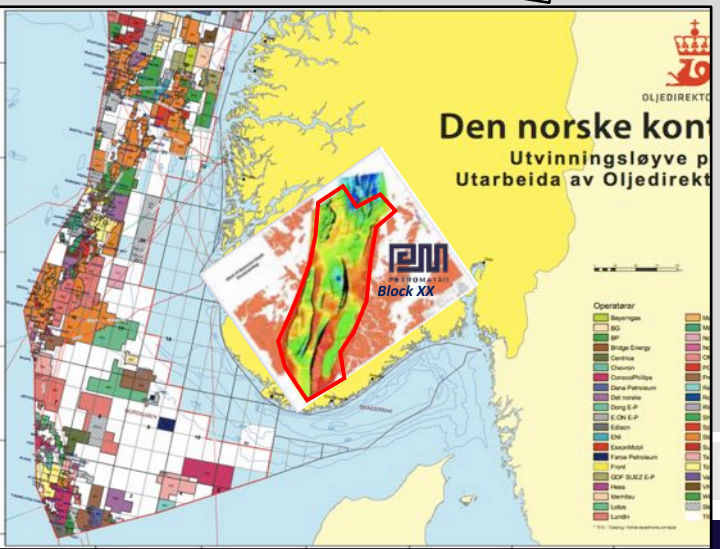
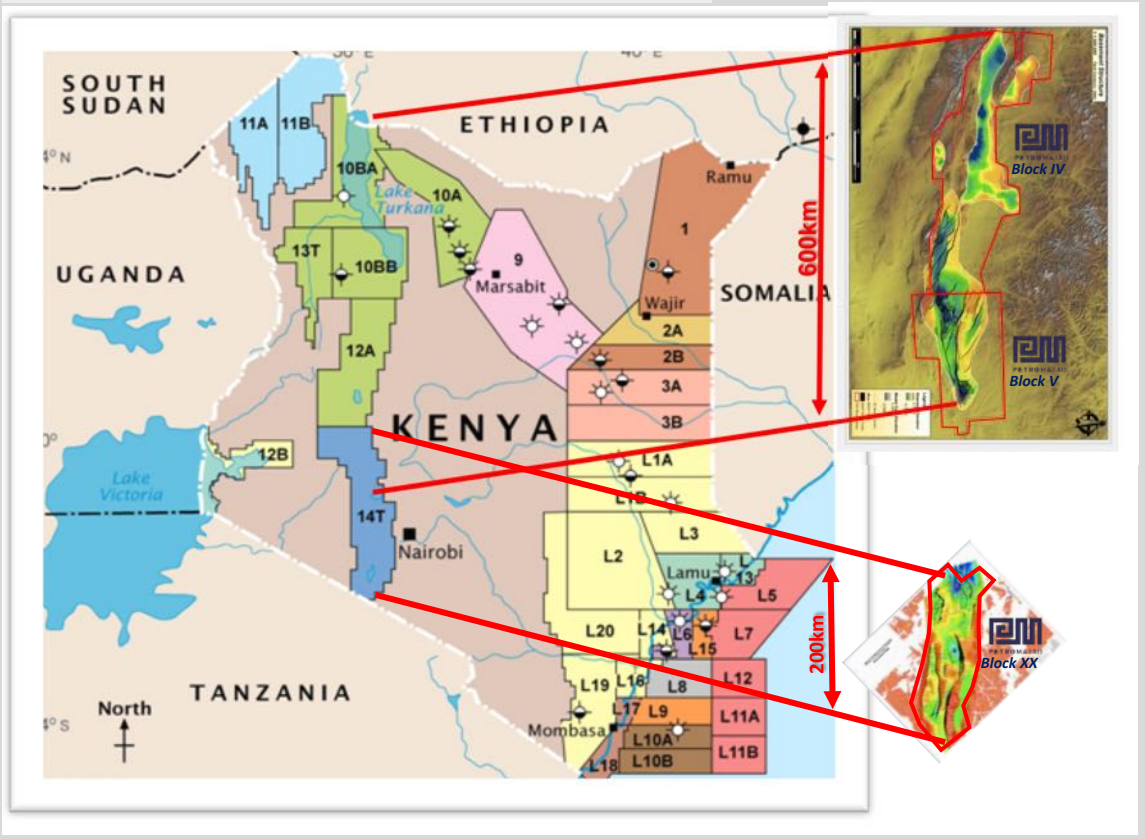
Norwegian North Sea
vs
Blocks IV & V and XX





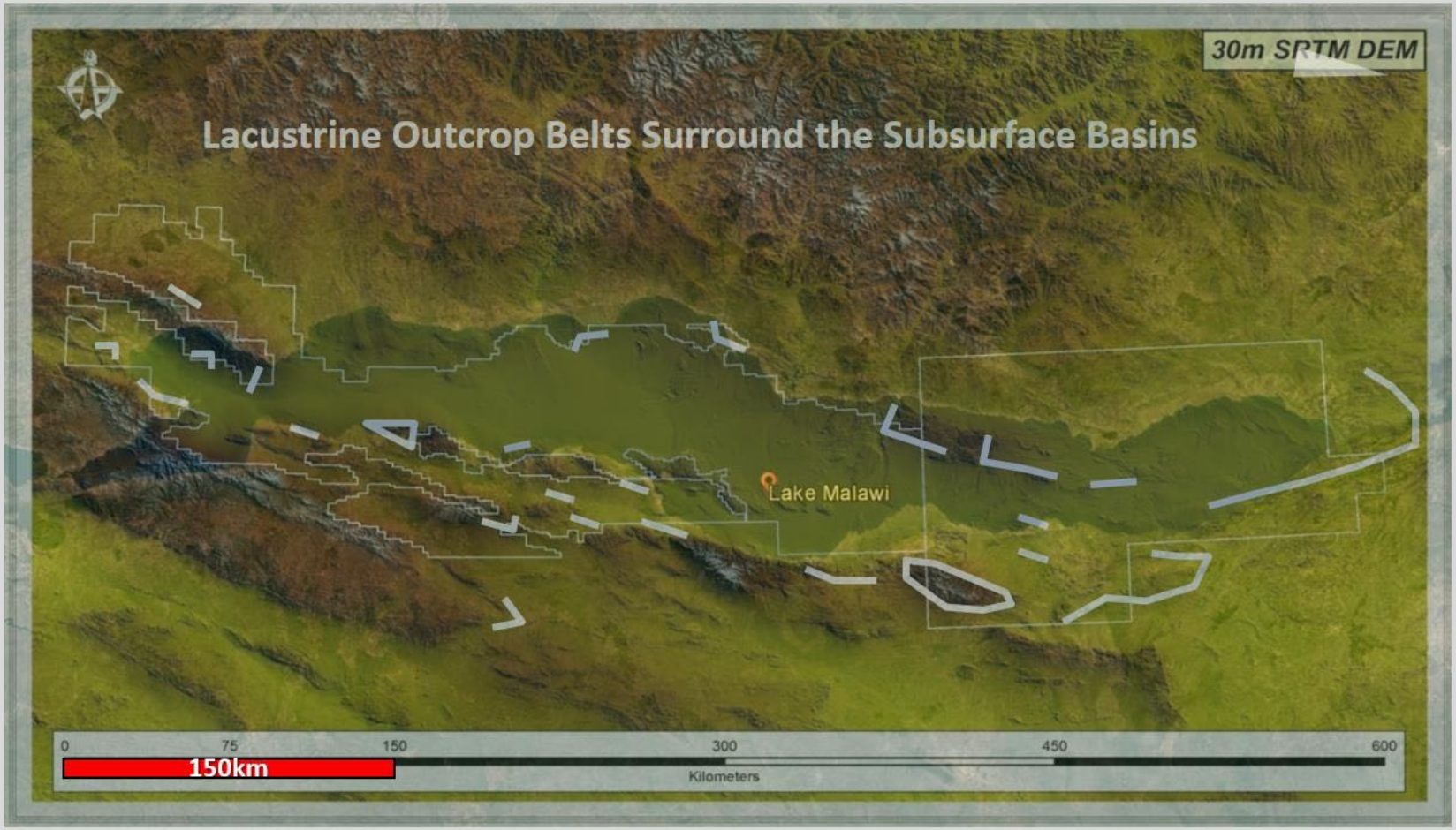
Kenyan EAR Blocks
vs
Blocks IV & V and XX



Areal Comparison of Petro Matad Acreage to
Norwegian North Sea & East African Rift Oil Province

Block Outlines to Scale

Modern Rift Basin Analog



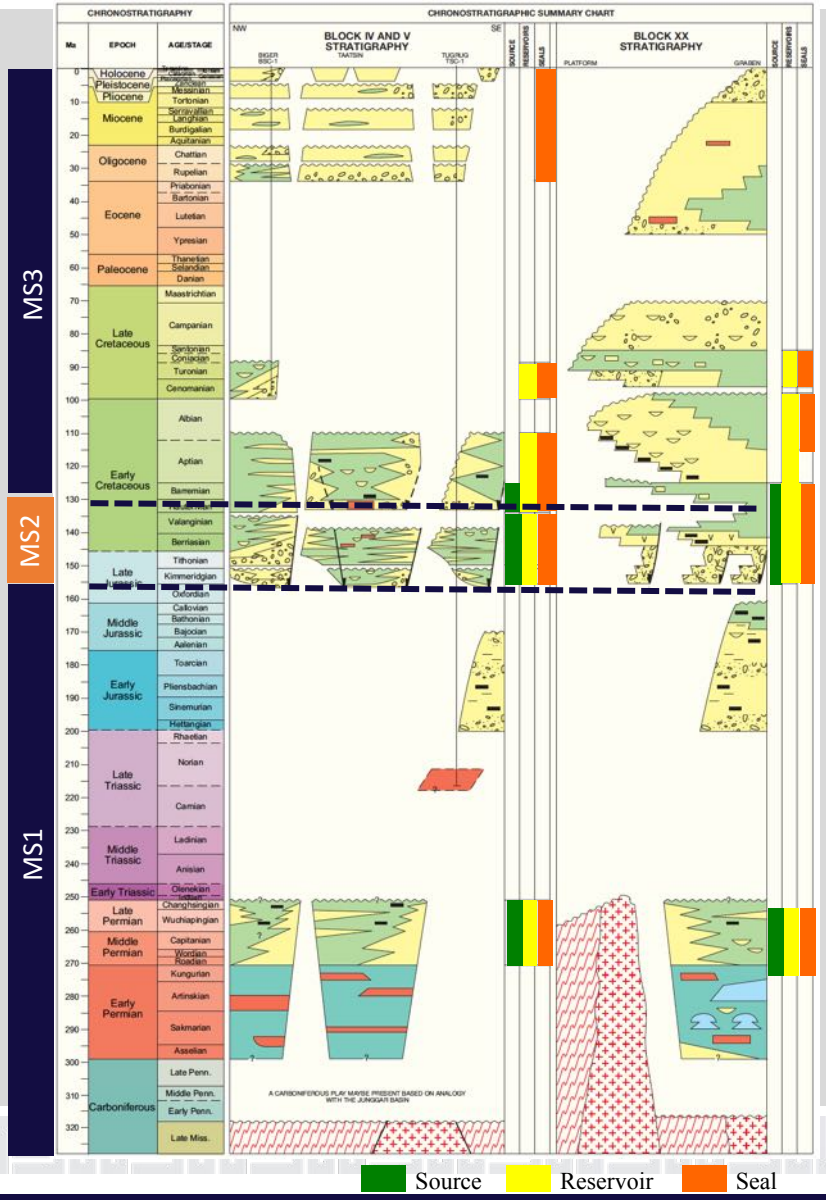
Petroleum Geology

- Three stratigraphic Megasequences (MS) are recognized throughout Mongolia.
  - MS-3: upper Cretaceous to recent (fluvial-alluvial)
  - MS-2: upper Jurassic-mid Cretaceous (fluvial-lacustrine)
  - MS-1: upper Carboniferous-Jurassic (fluvial-alluvial-lacustrine)

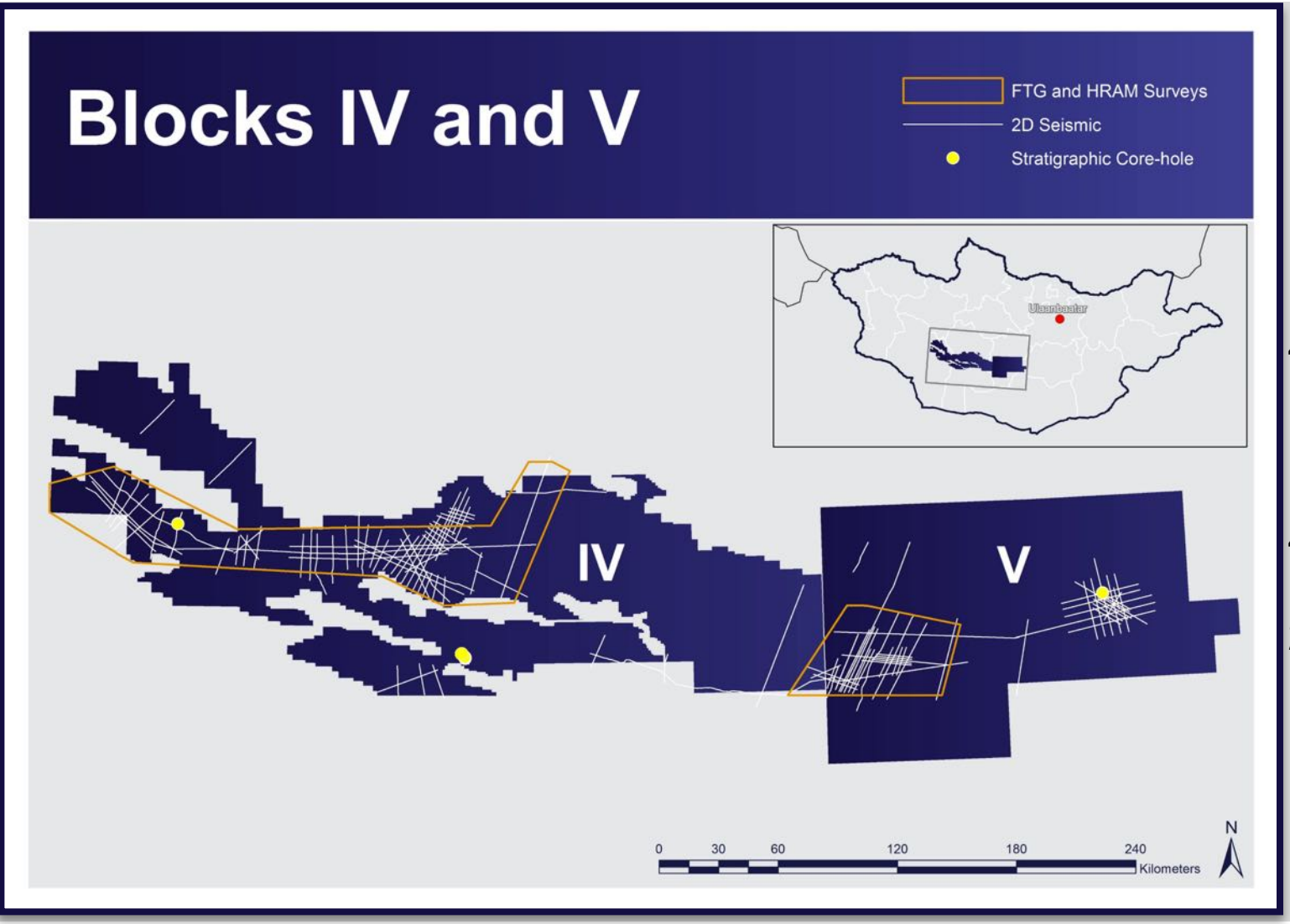
- **All production to date comes from MS-2**
  - World Class Lacustrine Source Rocks Confirmed
  - High Porosity Reservoir Rocks Confrimed
    - Oil Stain and Fluid Inclusions Proven and Typed
  - Seals: lacustrine shale, faults (proven), and unconformities
  - Prolific Analogues: Sanglaio and Erlian Basins of eastern China, Tamtsag/Hilar Basin of NE Mongolia/China, East Gobi Basin Mongolia.

- MS-1 secondary petroleum system potential
  - Unproven to date, but long suspected potential in Mongolia
  - Outcrops indicate mature source and effective reservoir potential
  - Significant preservation of this sequence imaged on seismic beneath MS-2 basin areas. Stacked petroleum system potential
  - Prolific Analogues: Western Chinese basins Jungar, Turpan and Santanghu.

SOURCE, RESERVOIR, TRAP AND SEAL IN PLACE



Database



Blockwide Gravity

4,000km 2D Grid

11,000km^2 FTG

4 Strat Cores

2,000+ Samples

Database

Blockwide Gravity

4,000km 2D Grid

130km^2 3D Cube

12 Expl. Wells

500+ Samples

Outcrop Geology (2010-2016)

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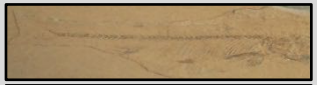
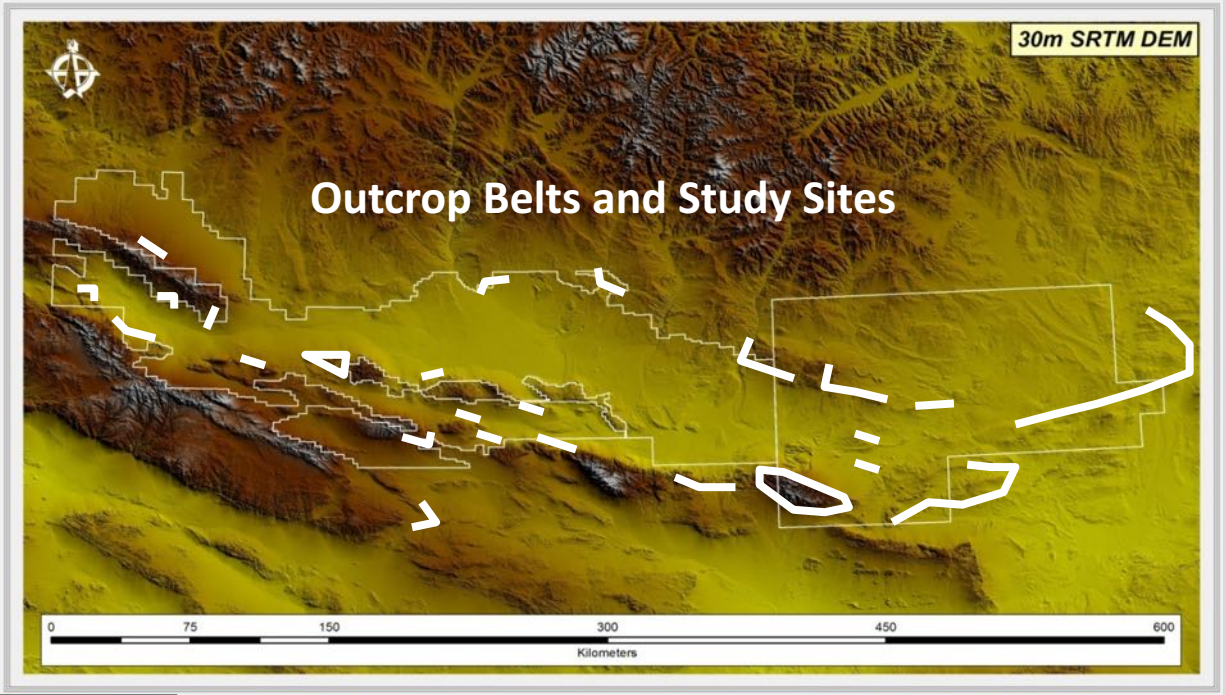
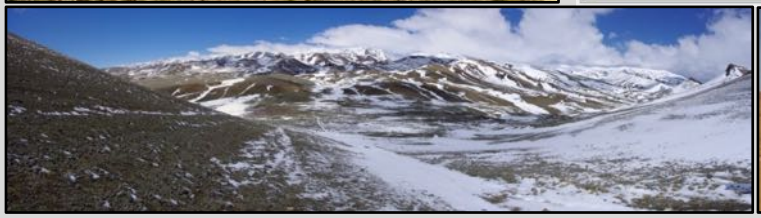
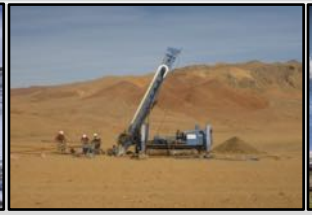
- >2,000 Samples
- 15kms of measured stratigraphic sections
- 20kms structural transects





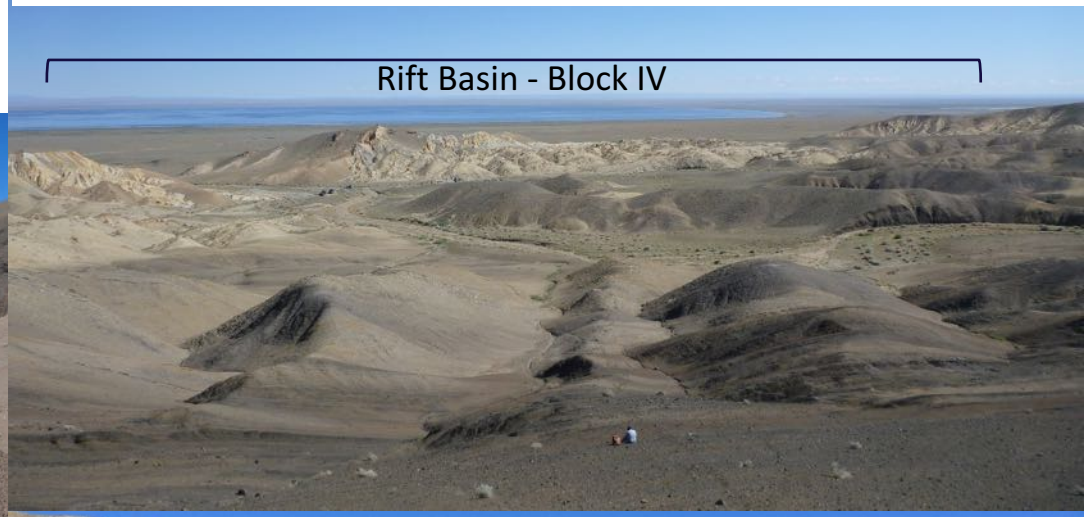




Source Rock

WORLD CLASS LACUSTRINE OIL SHALE:

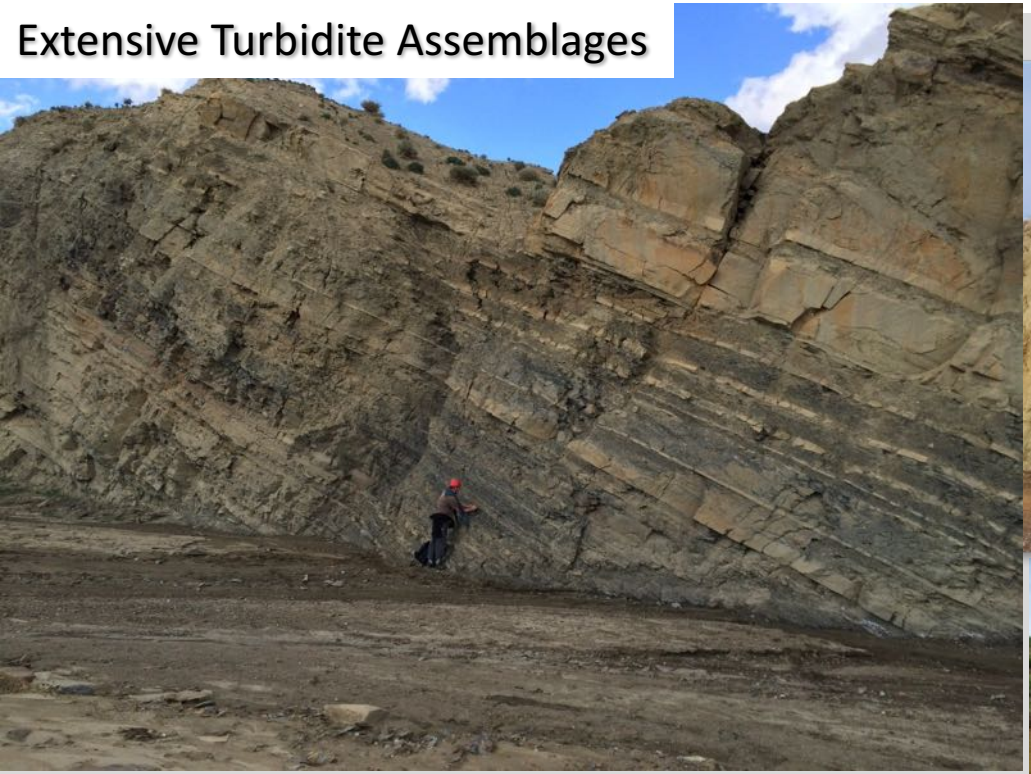
Cored Rich Shale
Block V



- *Up to 900m net shale*
- *3-27% TOC, ave 15.1% TOC*
- *Kerogen Type I & II, max HI = 800-900*
- *c.0.6 VRo% at outcrop*
- *Potential for oil shale development*

Reservoir Rock

Extensive Turbidite Assemblages



Thick Deltaic Packages

Interbedded Fluvial-Lacustrine Sands

High porosity fluvial-lacustrine sand systems

- ***Extensive in outcrop***
- ***Interbedded with source rocks***
- ***Laterally continuous***
- ***10-30% porosity***
- ***Clean granitic sediment source, $CaCO_3$ cement***

Hydrocarbon Indicators

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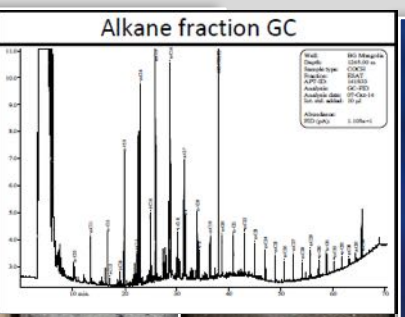
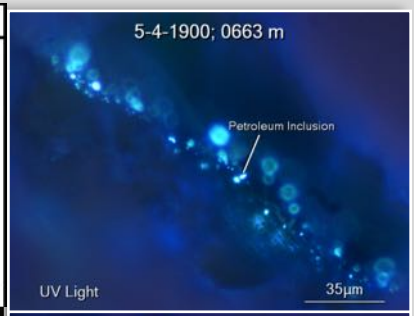
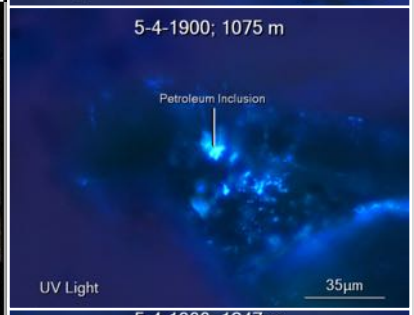
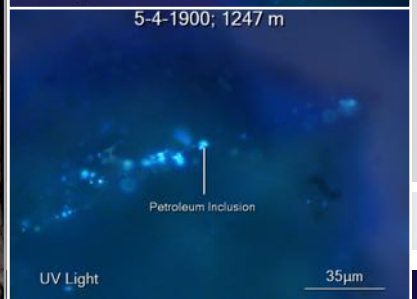
Block V

- Oil stain in TSC-1 Core hole
- Oily fluid inclusions also identified throughout the core



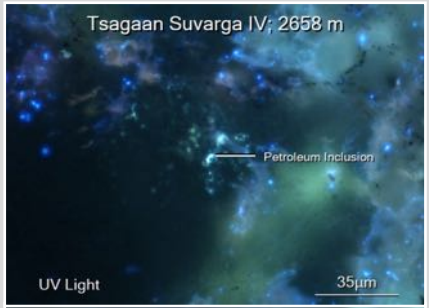


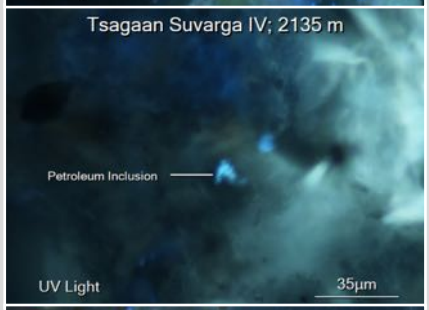


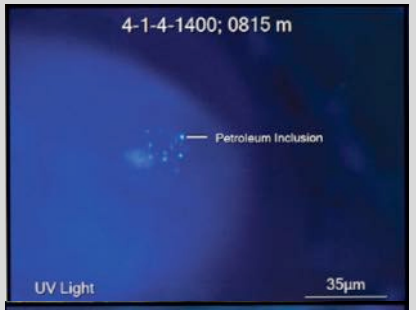


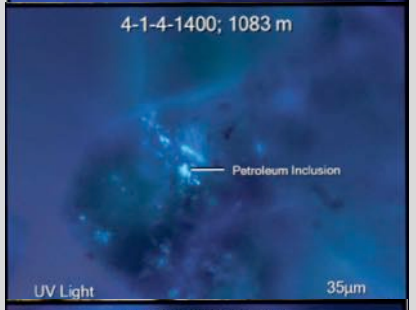
Block IV

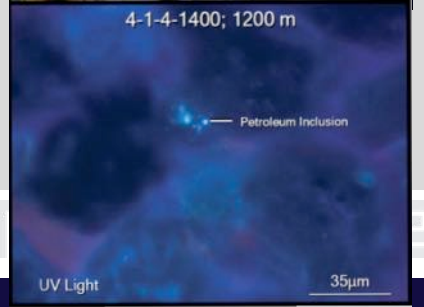
•Oily fluid Inclusions in BSC-1 Core hole as well as inverted basin outcrop section







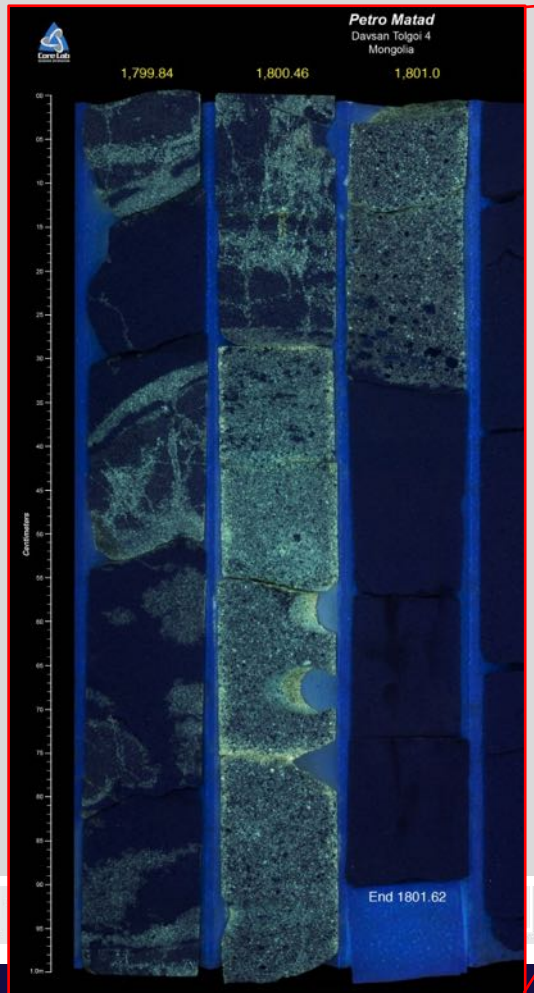


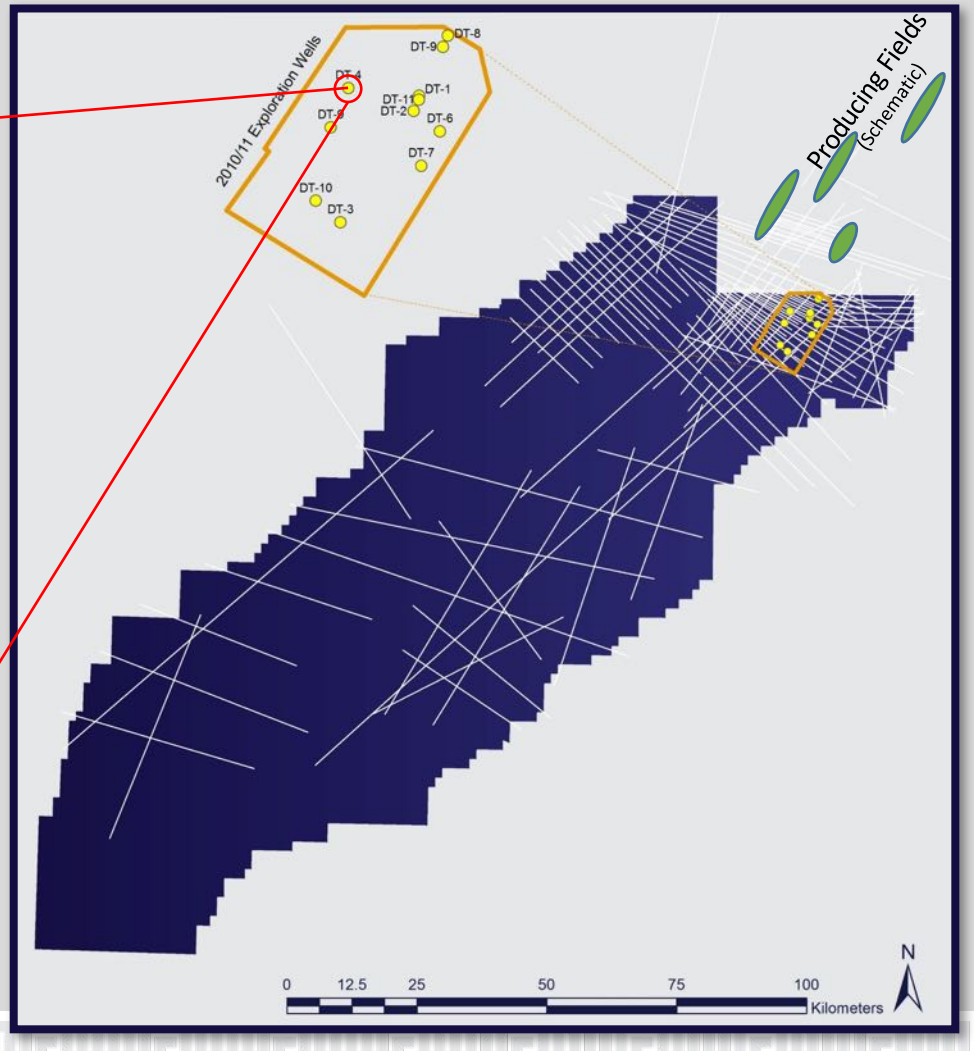


Hydrocarbon Indicators

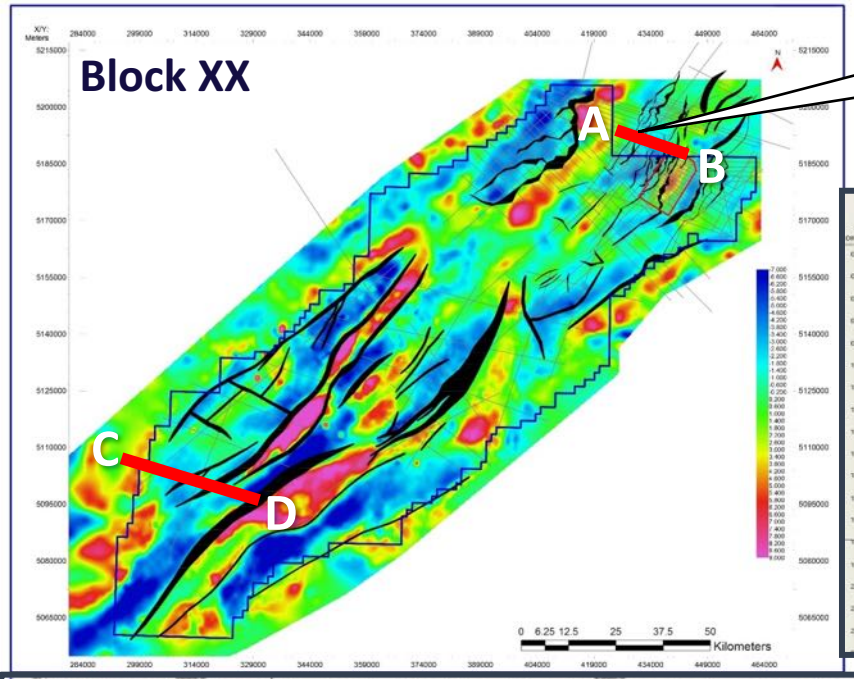
Block XX

- Live oil from DT-4 well, fluorescing under UV light
- Shows while drilling in 7/11 DT wells





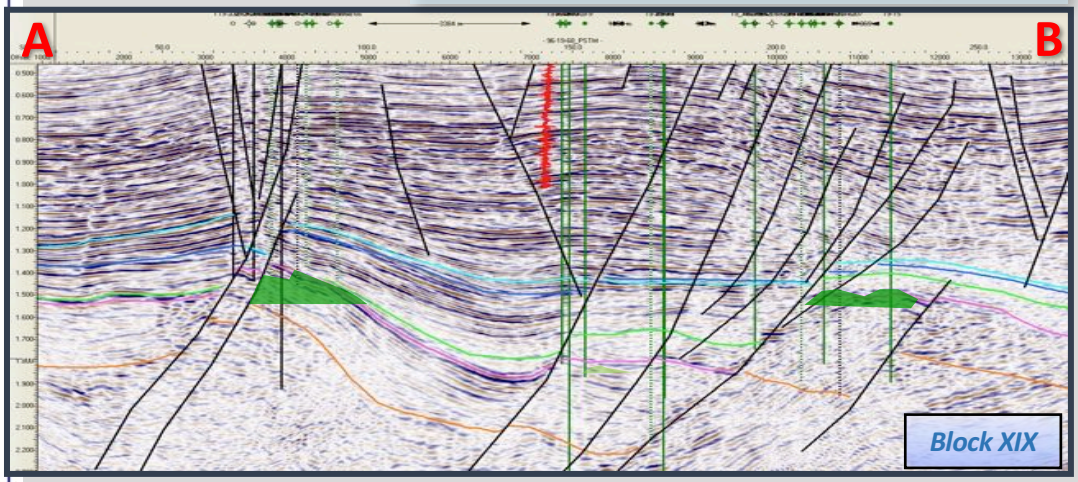
Proven Play Analogue

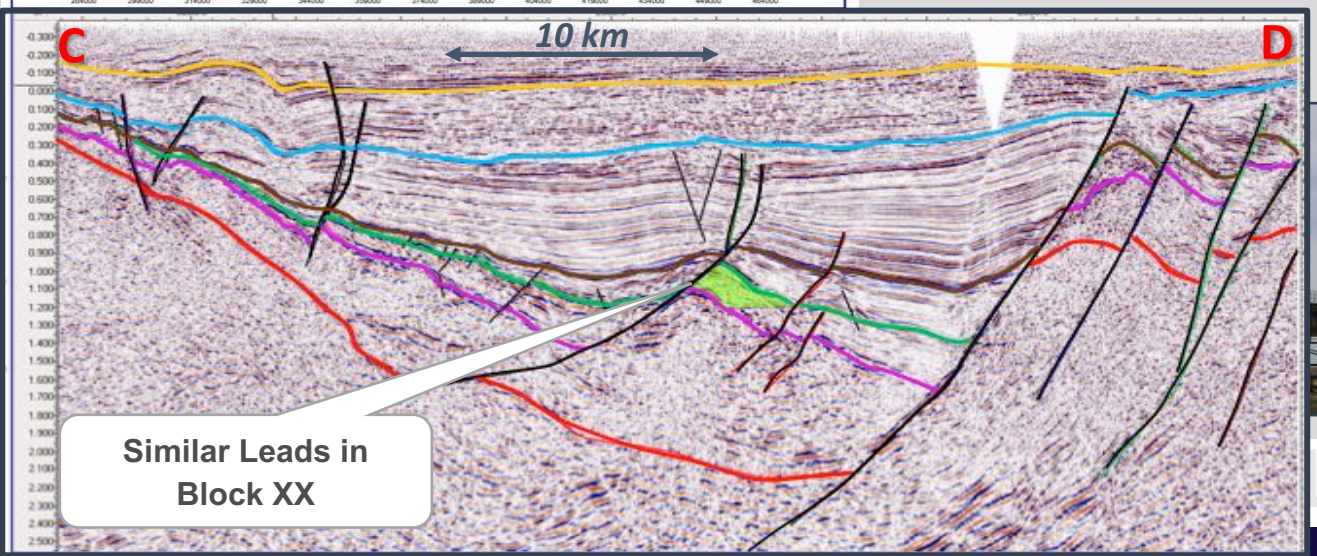


Producing Oil Fields

5 km

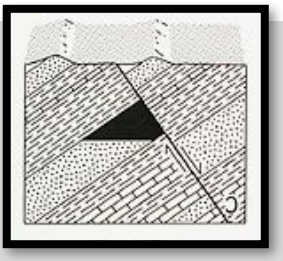
Toson Uul Sub-Basin – Petro-China operated





Similar Leads in Block XX

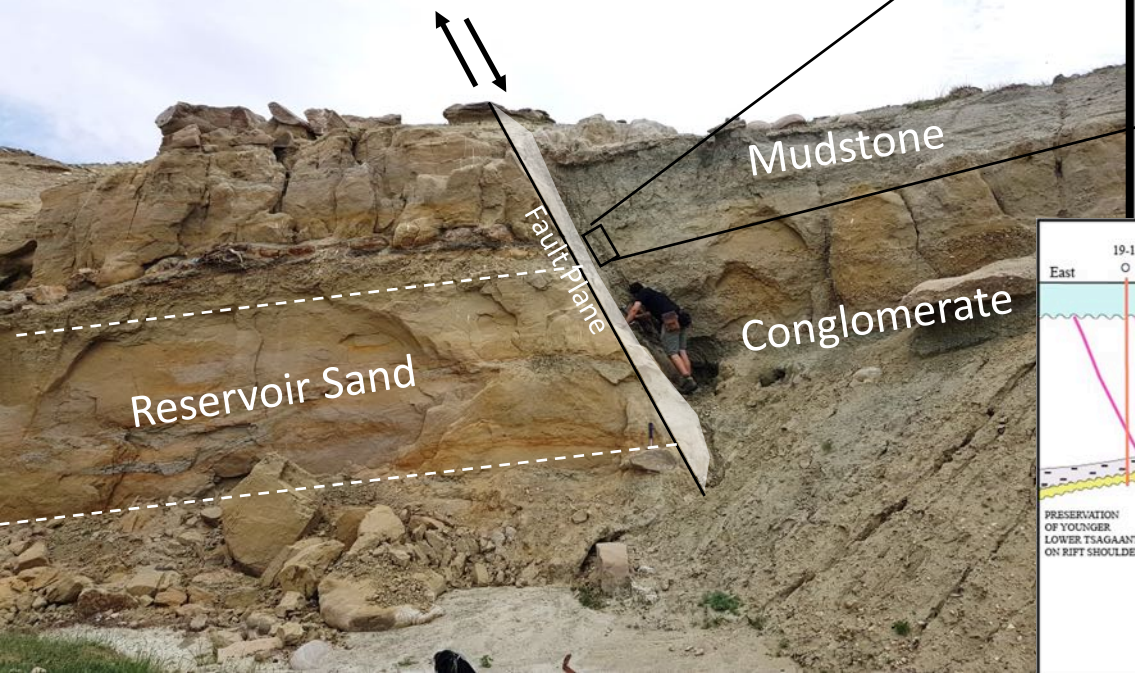
Proven Play



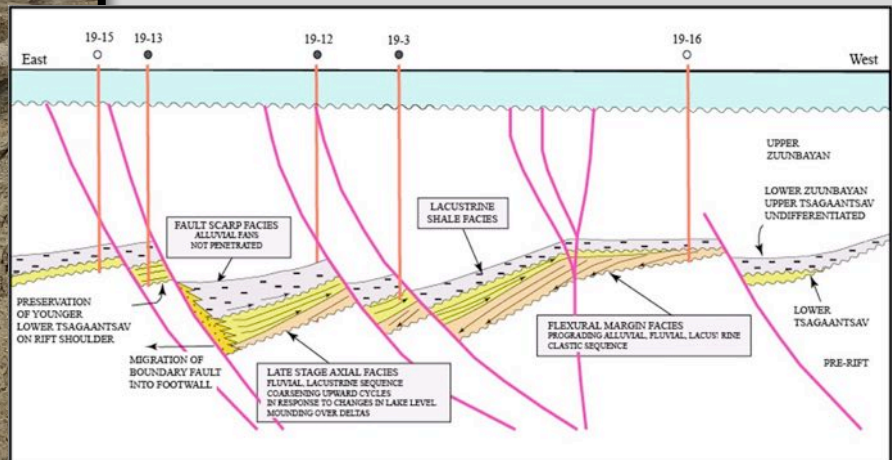
Proven production in Mongolia comes from fields set up by sealed <u>Normal fault traps</u>.

Normal fault traps have been mapped extensively on Block IV and V seismic data.

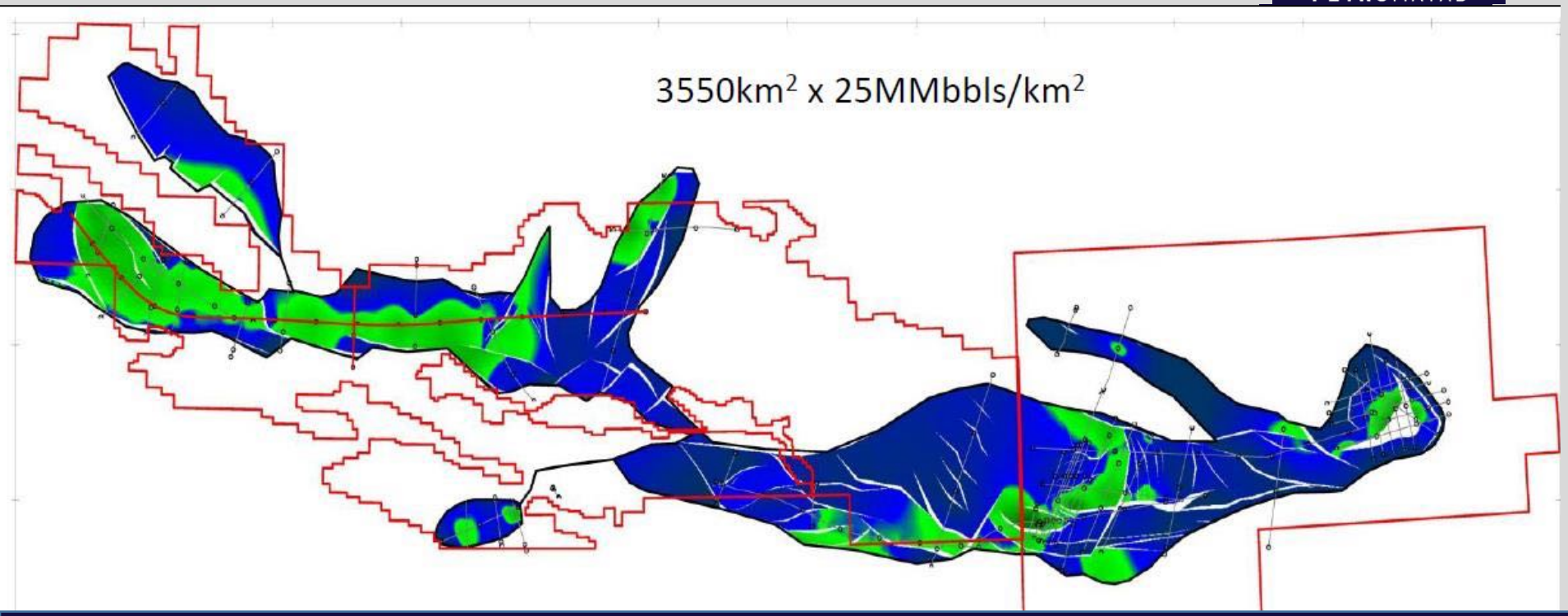
Outcrop Analogue
Block V



Proven fields - Block XIX



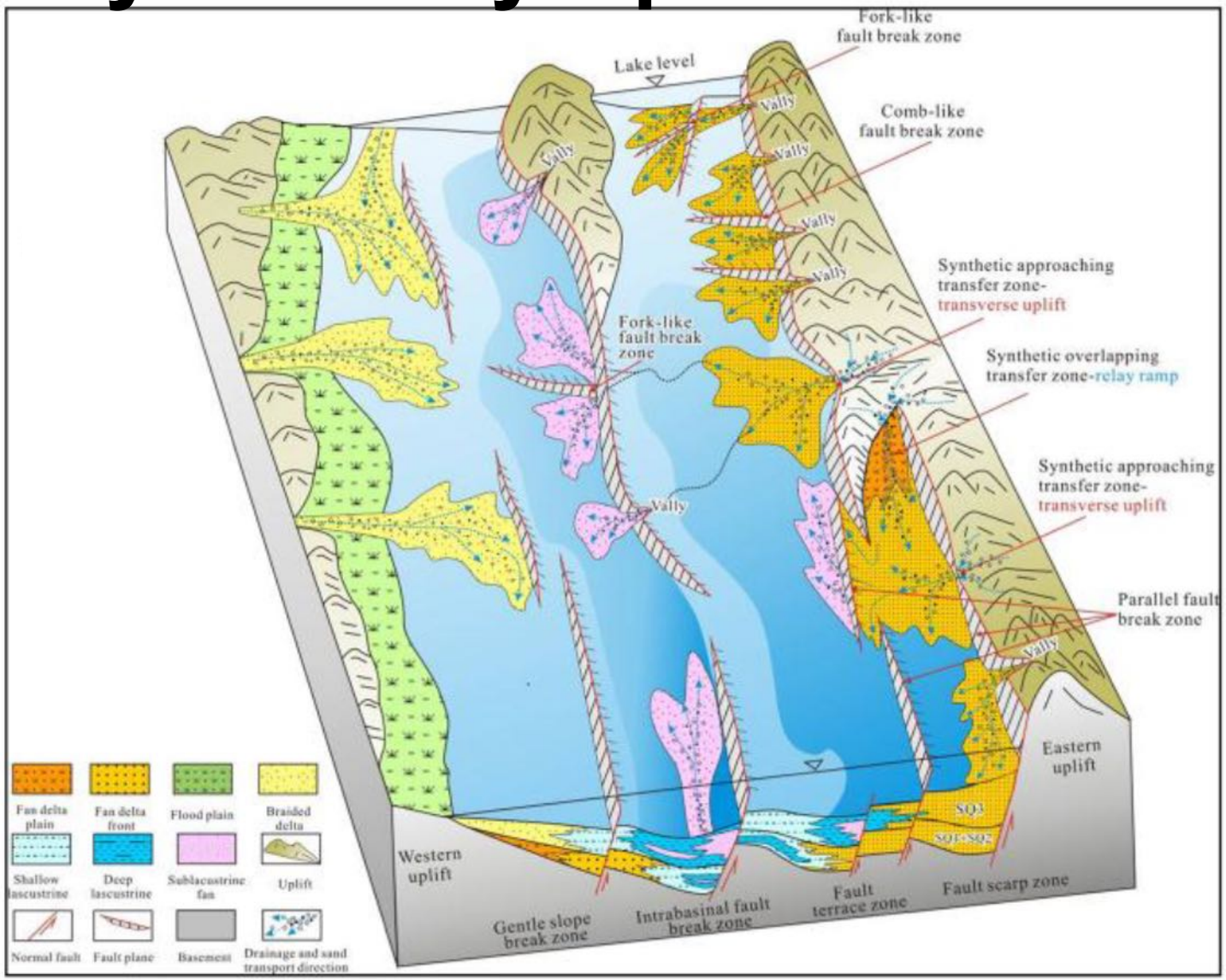
Modelled Mature Kitchens

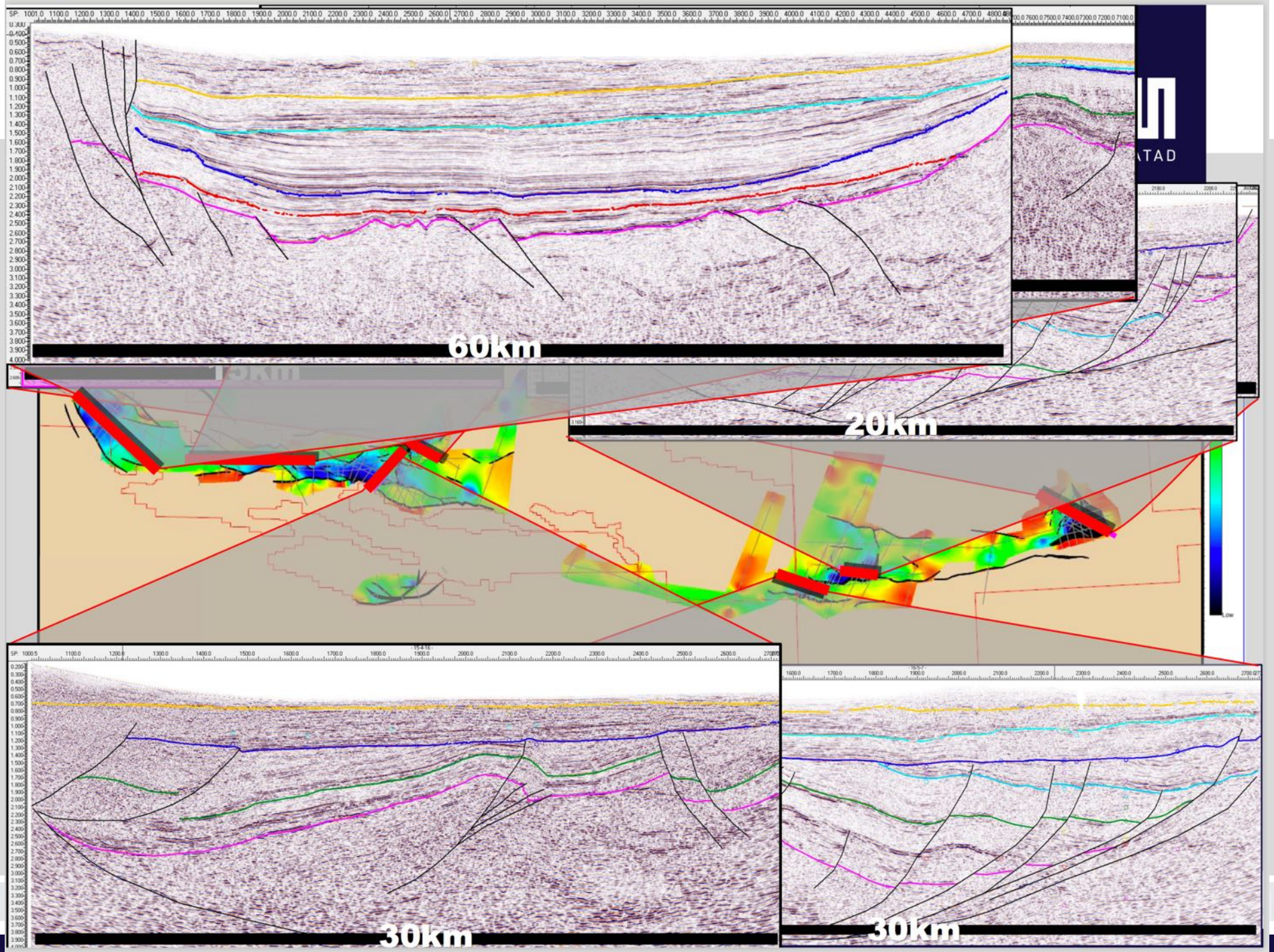


Predicting Potential Undiscovered Resources in Syn-Rift Play (Sequence MS2)

- Basin Modelling and Play Analysis work indicates expulsion of ca. **90 Billion Barrels** of hydrocarbons in high graded 6 basins (12 basins identified)
- Assuming 10 %-25 % of trapping efficiency yields of prospective resources of **9-23 Billion Barrels STOIIP**
- Further upside potential exists in the deeper Permian-Jurassic play (Sequence MS1).
- The remaining six other sub-basins and other areas with limited data coverage will be the focus of future new seismic acquisition to determine their prospectivity potential.

Stratigraphic Traps and Hybrid Play Upside




60km
20km
30km
30km

Tugrug Basin, Block V

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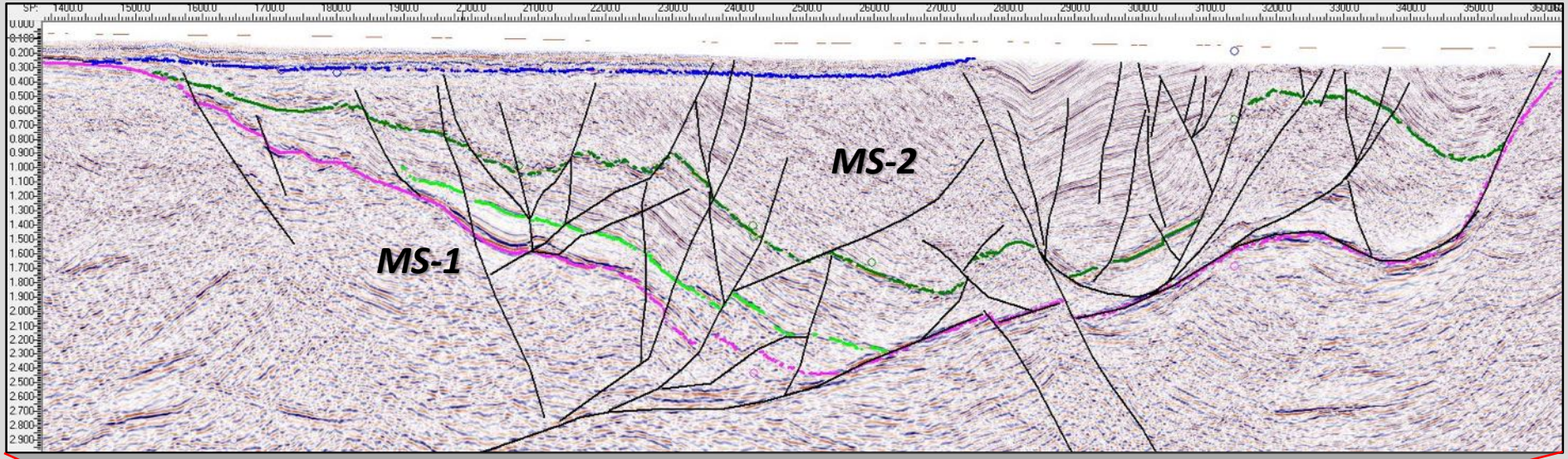
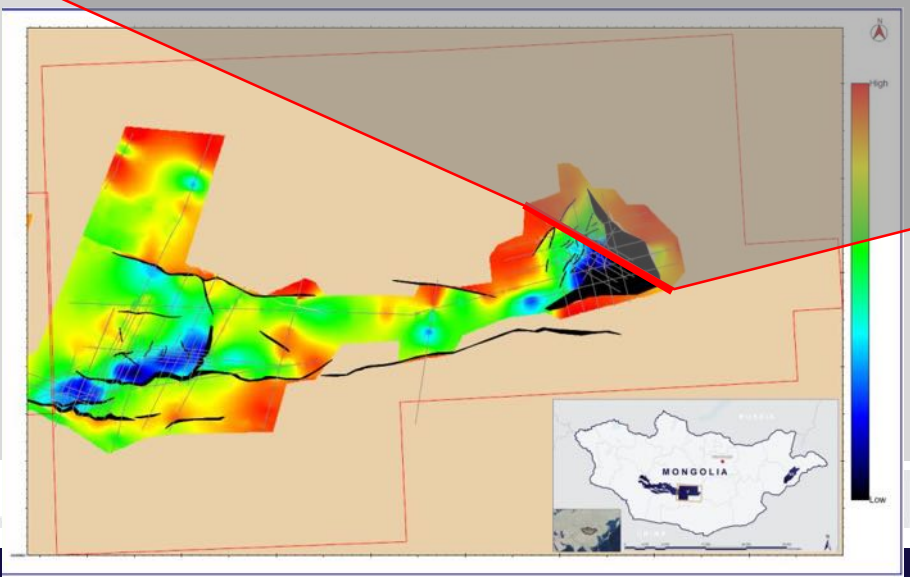
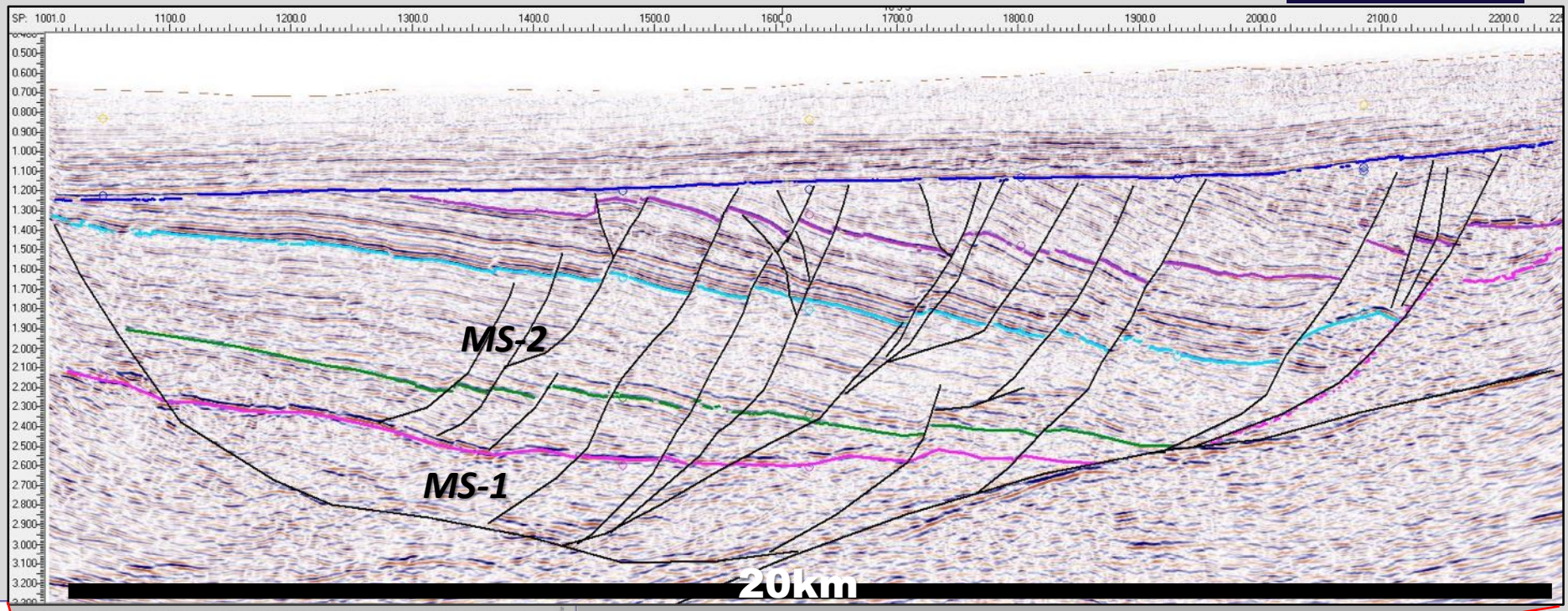
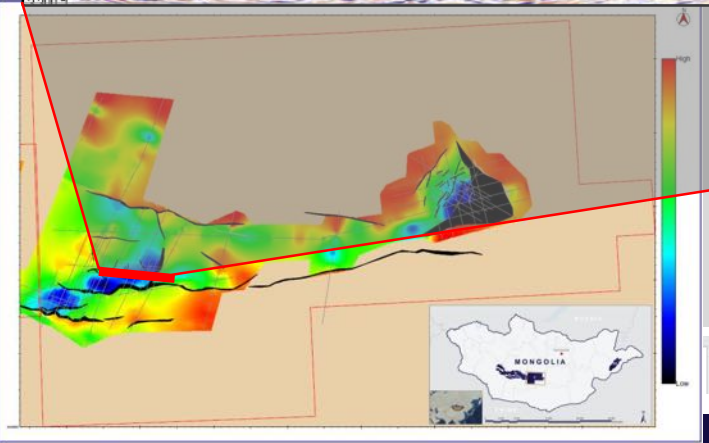




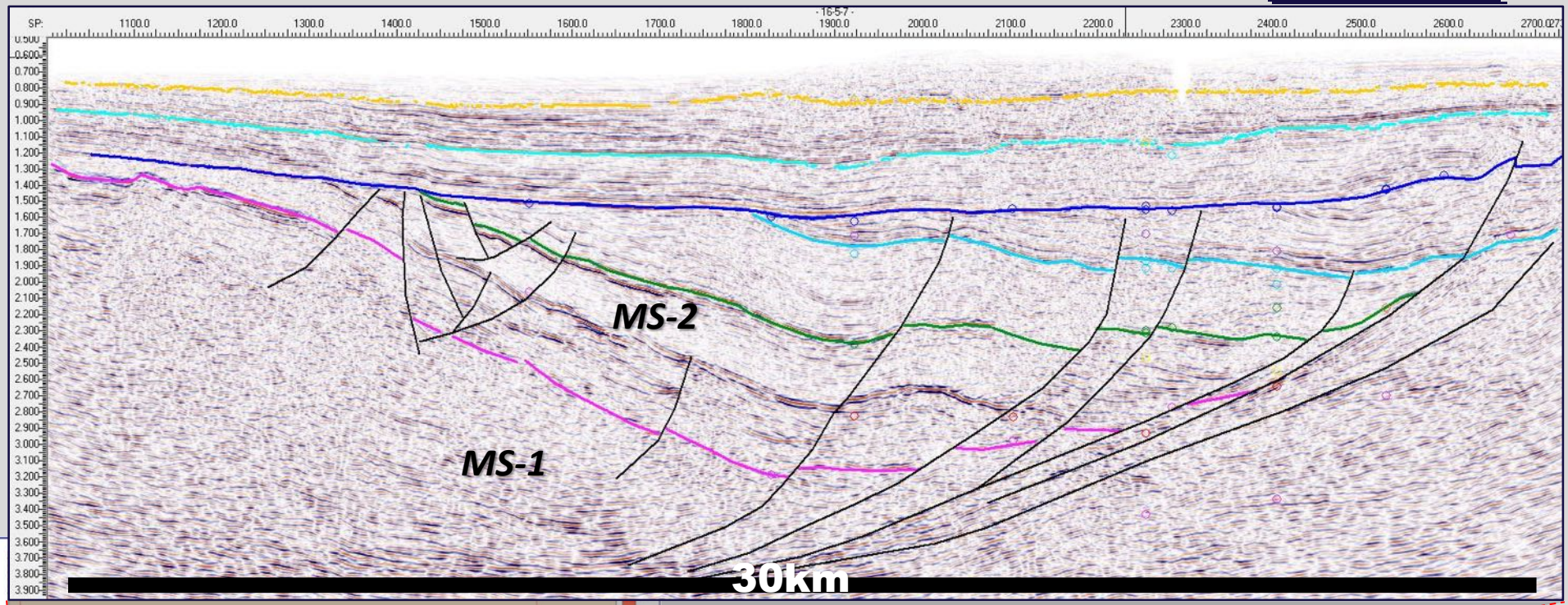
Central Taats Basin, Block V

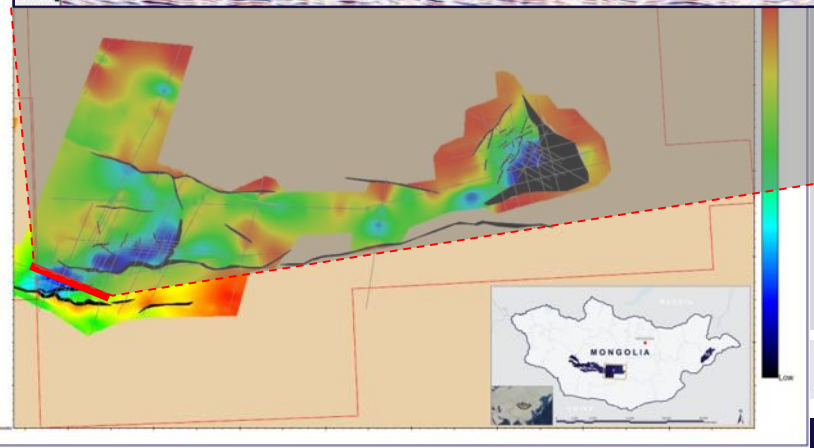




SW Taats Basin, Block V

PETROMATAD





Baatsagaan Basin, Block IV

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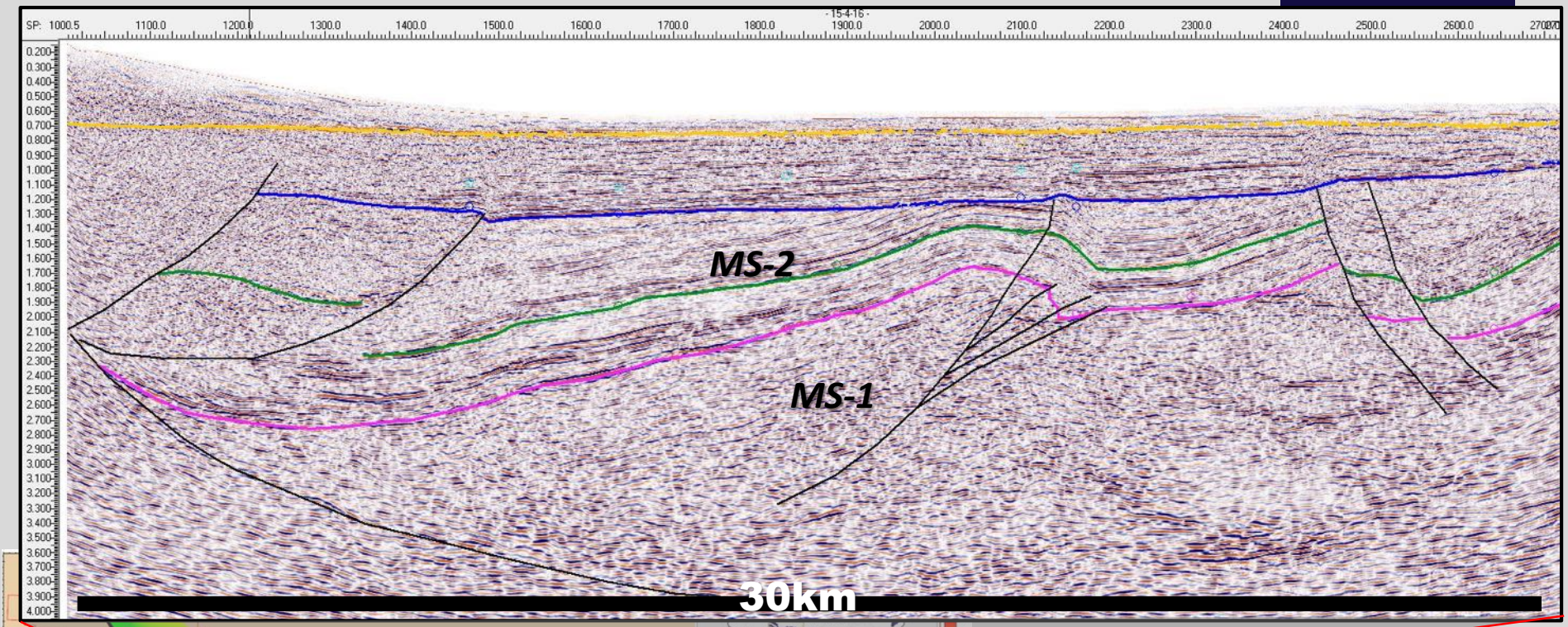

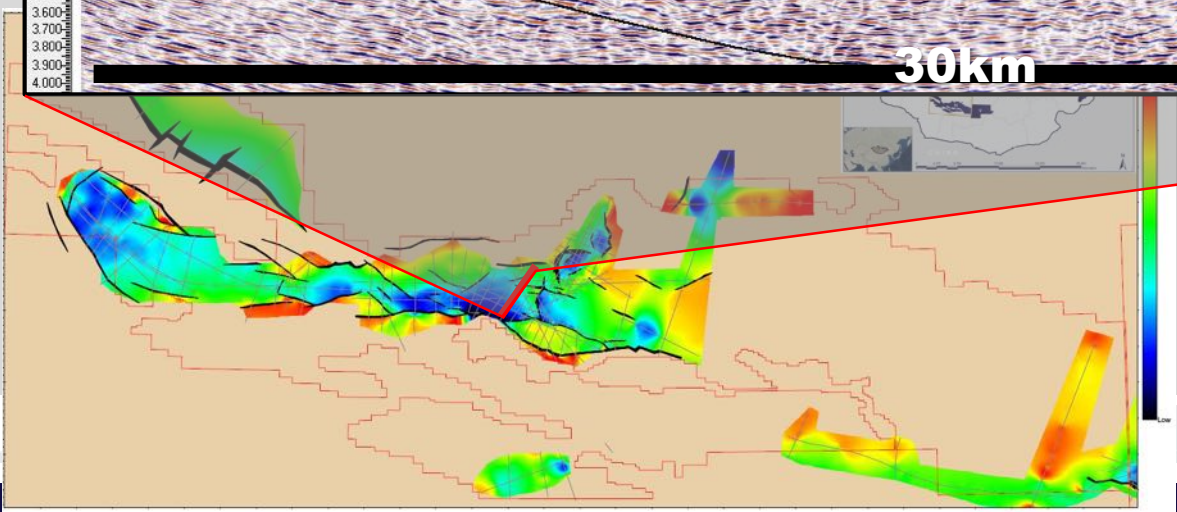

Baidrag Basin, Block IV

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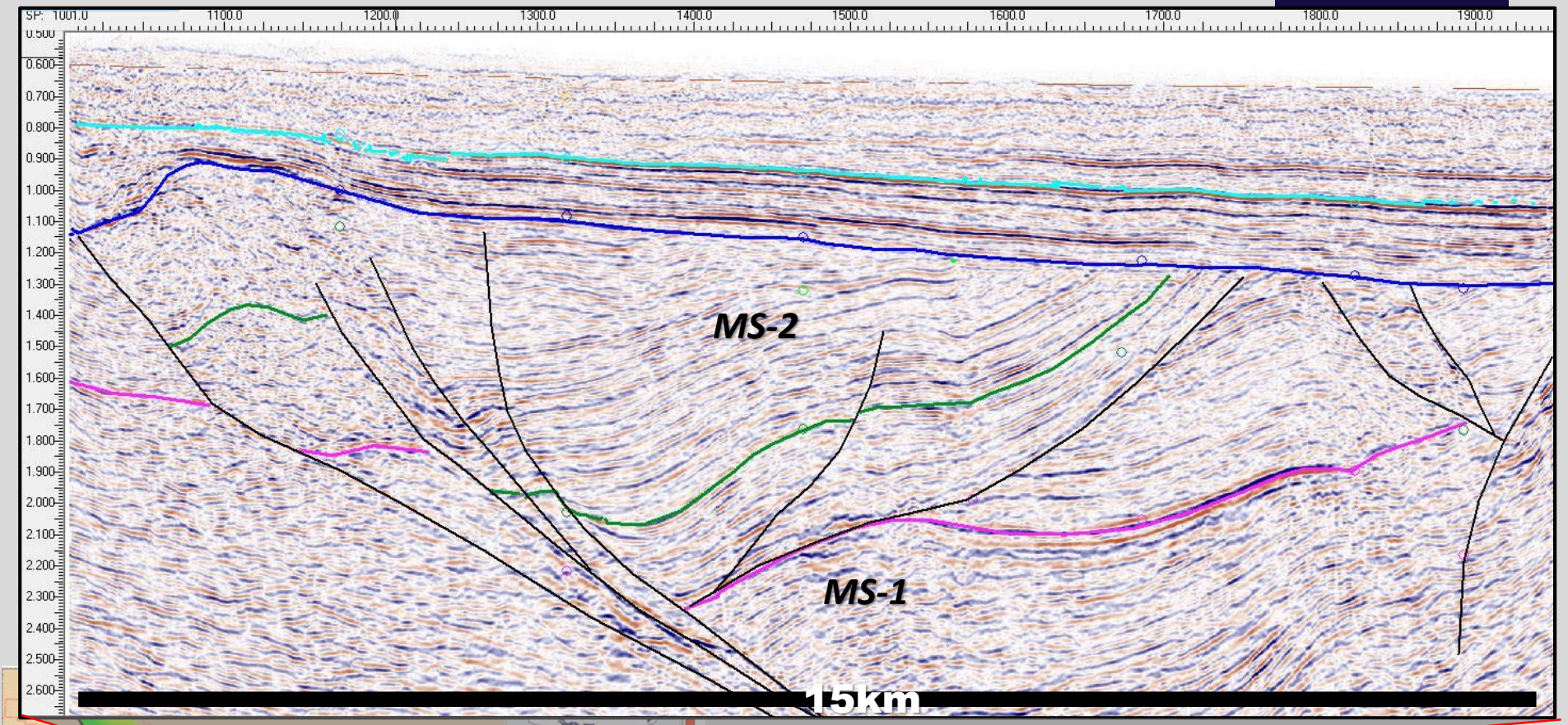

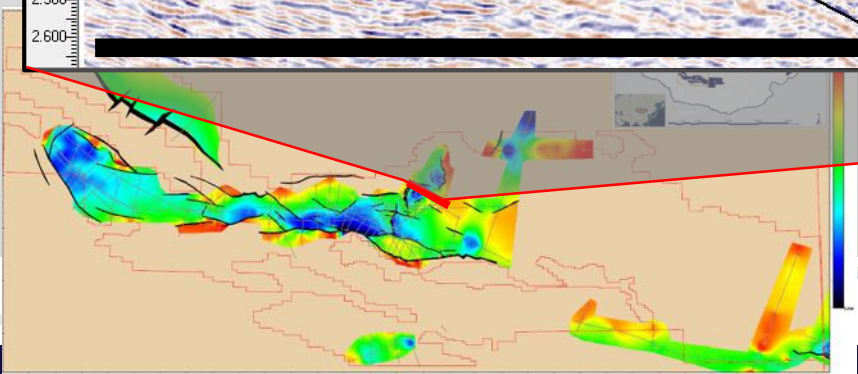

Shal Basin, Block IV

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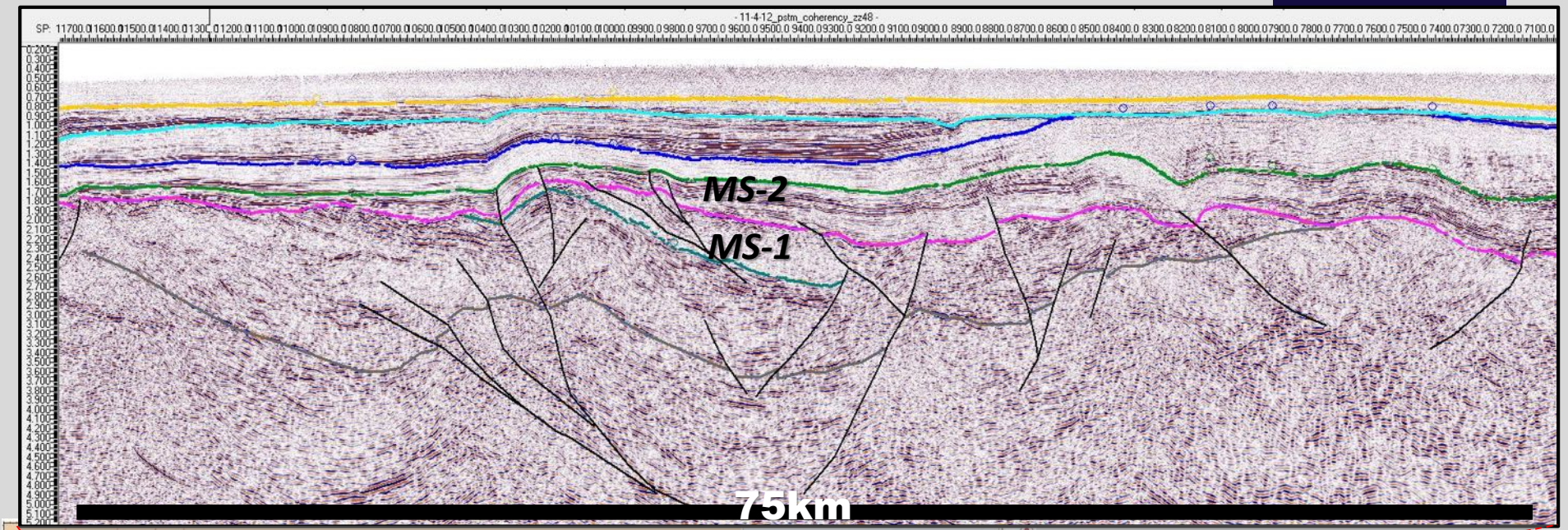

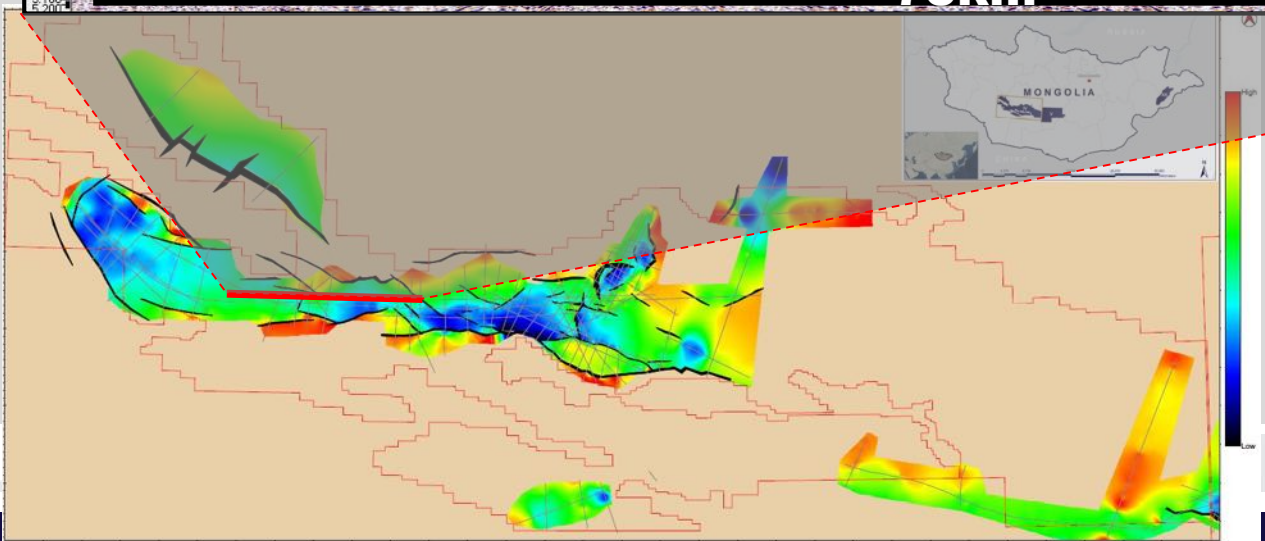

Biger Basin, Block IV

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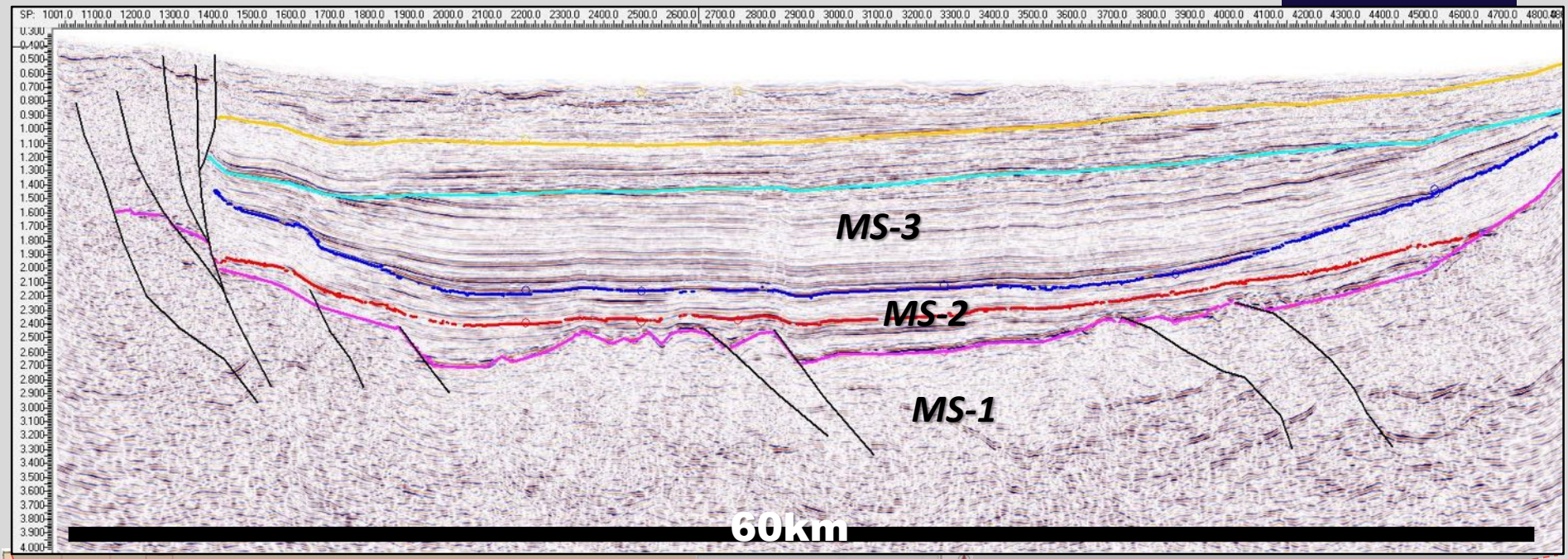
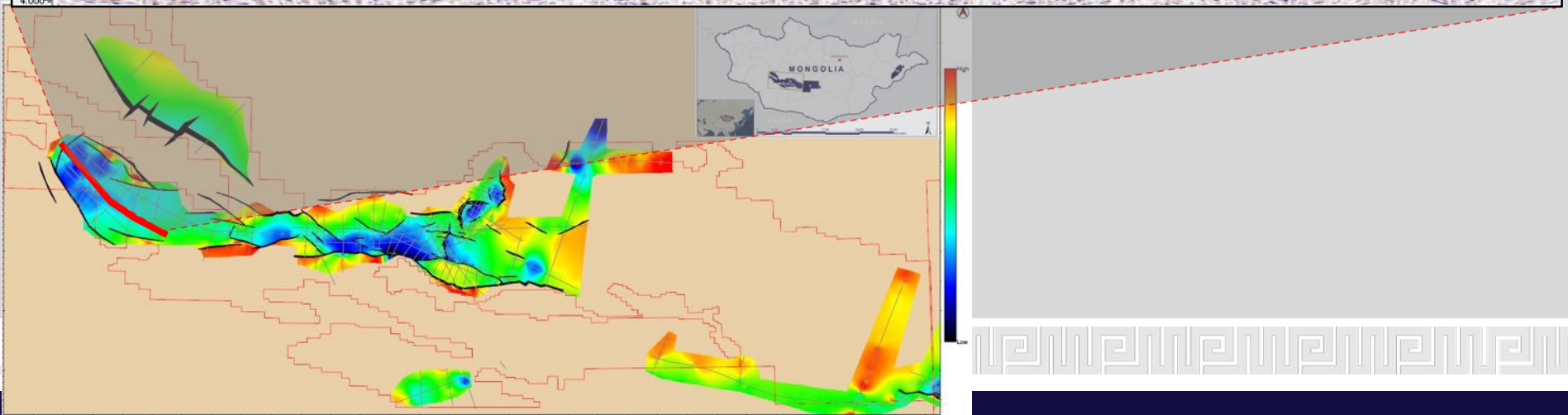
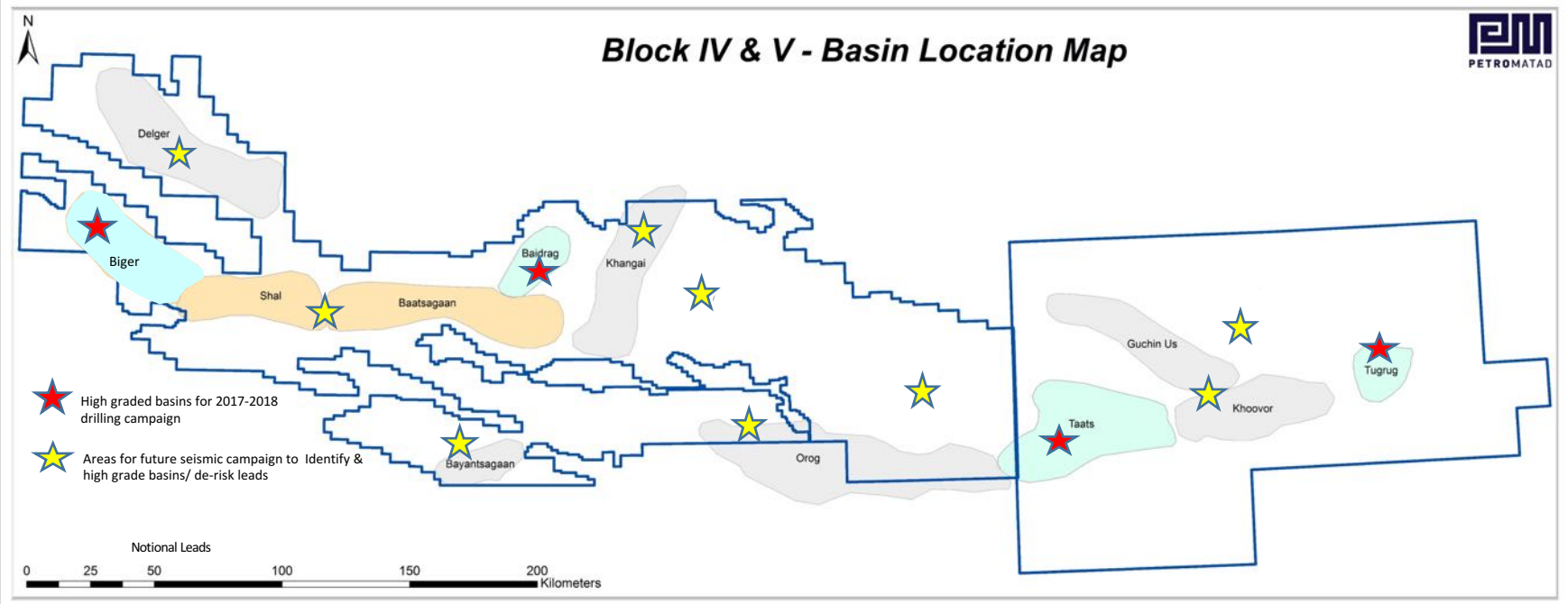




Growing Diversified Exploration Portfolio with Drillable Prospects



- 4 basins (with more extensive data coverage) have targets advanced through our prospect development and peer review process and will be tested in 2017 & 2018 exploration drilling campaign.
- First 2 wildcat wells scheduled to be drilled in 2017.
- Prequalification of drilling contractors and rig inspections underway.
- Exploration portfolio with significant number of leads & prospects with room for upside potential.
- Additional seismic will be acquired to identify and high-grade basins with sparse data coverage in remaining part of acreage and de-risk existing leads to drillable prospects..

History and Timeline

Basin and Source/Reservoir Rock Presence → Basin Characterization → Phase 1 Play Concepts and Regional Mapping → Phase 1 Lead Identification → Asset Synthesis & Basin Prioritization

2010
- Regional Gravity Basin Recon
- Proof of Sed. Basin Seismic Transects
- Recon/Proof of Concept Outcrop Geology

2011
- Basin Scale Seismic (2,000km)
- Infill Gravity
- Stratigraphic Coring
- Outcrop Geology; Extensive Sampling

2012
- Basin Characterization
- Seismic Play Concept interpretations
- Outcrop Geology Continued Research

2013
- Focused Lead/Prospect Definition 2D (Shal & Tugrug basins)
- Database Synthesis/Asset Definition
- DatabaseFarmout Promotion

2014
- Farmout Process
- Basin Prioritization
- Forward Work Program Planning
- Investor Field Trips and Conferences

JV Exploration

PM Carries on @ 100% w/ Funding to Continue

Phase 2 Concepts and Prospect Scale Surveys → Priority Basin Prospect Definition → ***Regional Play Opener Wildcat Drilling*** → Basin Opener Exploration Wells Stepout Exploration 2D Surveys → Exploration and Appraisal Drilling & 3D Phase 3 Frontier Data Expansion

2015
- FTG (Taats, Biger, Shal, Baatsagaan basins)
- Block IV Lead Identification 2D (1,100km)
- Special Focus Outcrop Studies

2016
- Prospect Scale 2D Seismic Baidrag and Taats basins
- Peer Review
- Special Focus Outcrop Studies

2017
- Firm Exploration Drilling Program

2018
- Additional Drillable Prospects and Stepouts to 2017 success
- Expand Prospect Scale 2D Over Next Priority Basins

2019
- Appraisal Drilling
- Appraisal 3D Surveys
- Exploration Stepout Wells
- Further Priority Basin 2D Seismic

Opportunity Highlights

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- ✓FRONTIER Exploration, UNDRILLED Basin Opener Upside, VAST acreage position
- ✓World Class Source Rocks PROVEN
- ✓Reservoir and Hydrocarbons PROVEN
- ✓New Seismic and FTG datasets
- ✓Drill-ready prospect inventory; two firm wells in 2017
- ✓More wells and seismic planned for 2018/19
- ✓Energy Starved Chinese and Domestic Markets
- ✓PROVEN Operator Looking to FARM DOWN

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