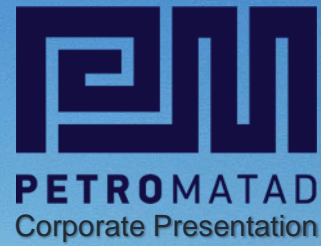


# Mongolia

Under-explored, Highly Prospective, Low Cost Onshore Oil





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# Board of Directors

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## **Chief Executive Officer: Mike Buck**

- 38 years of international E&P experience including 9 years as COO of Salamander Energy
- Proven track record of exploration success in S. America, N. Africa and Asia. Directly involved in the discovery of more than 1 billion barrels of recoverable reserves
- Managed major development projects in Libya, Pakistan and Iran



## **Chief Financial Officer: John Henriksen**

- 40 years of upstream E&P experience in Canada, UK, Southeast Asia, Central Asia
- 5 years in Mongolia with Petro Matad



## **Non-Executive Chair-person: Enkhmaa Davaanyam**

- 20 years of energy, mining and infrastructure project management
- CEO of Petrovis Group, Mongolia's largest fuel importation and distribution company



## **Non-Executive Director: Dr. Oyungerel Janchiv**

- 35 years in downstream experience in Mongolia
- Founder and Chair-person of Petrovis Group



## **Non-Executive Director: Tim Bushell**

- 35 years of international E&P experience including 10 years as CEO of Falklands Oil and Gas Ltd. Non-Executive Director of Rockhopper, Point Resources and Genel Energy
- Directly involved in the discovery of more than 700 million barrels of recoverable reserves in S Atlantic and Norway

# Corporate Overview

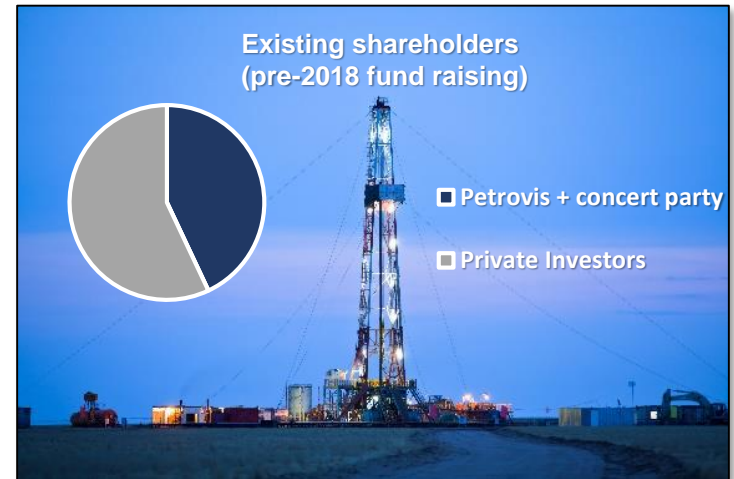
## Petro Matad Limited

- London, AIM Listed (MATD)
- Mongolia focused
- Large acreage position held 100%, >60,000 km<sup>2</sup>
  - Including proven productive and undrilled basins geologically similar to prolific basins in N China
- Recent \$16MM placing \*\* with institutional investors fully funds a transformational period of operational activity
  - 4 well drilling campaign with low risk, near field targets and high impact basin opener wells

## Petrovis

- Petro Matad's major shareholder (Petrovis Matad 28%)
- Mongolia's largest fuel importation and distribution company
- Founding stakeholder and supportive throughout the company's life
- Aspirations to participate in development of domestic Mongolian refining business
- Participated in the recent fund raising
- Petro Matad's directors/staff also participated in the fund raising

\*\* Subject to approval of shareholders at an Extraordinary General Meeting scheduled to be held on 8<sup>th</sup> February



## Market Statistics

As of (Jan 30<sup>th</sup>, 2018)

Listing	AIM (MATD)
Shares Outstanding	333,258,252 *
Pro-forma post placing	525,652,321
Share Price	7.75p
Market Cap.	£25.83MM
Pro-forma post placing	£40.74MM
Net Cash (YE 2017)	\$4.7MM

\* Fully diluted shares: 339,604,602 taking into account pending share based compensation/incentive and options

# Transformative 2018 Work Programme

**Established platform and refreshed management team with a track-record of delivery**

- Over 160 years' experience in oil & gas industry on Board
- Proven track record of success with over 1.5bn barrels of recoverable reserves discovered
- New mandate from shareholders to exploit considerable acreage position and prospectivity

**Block XX (100% WI)**  
Low Risk appraisal opportunity close to infrastructure for rapid exploitation

- 15-28MMbo recoverable potential \*
- Low cost drilling (\$2-3MM per well) \*
- Drilling extensions of proven and producing oil trends
- Close to processing/export facilities accessing Chinese refineries
- 2 wells to be drilled in 2018

**Blocks IV/V (100% WI)**  
High impact, low cost multi-well exploration

- Proven source and reservoir >2Bbo recoverable potential \*
- Geologically analogous to proven, prolific basins in China
- 2 wells to be drilled in 2018
- Risk independent prospectivity - drilling order focused on near term impact
- Low cost drilling (\$4-7MM per well) \*

**Near Term Commerciality**

- Block XX – adjacent infrastructure allows immediate appraisal and completion of successful wells and truck based export
- Block IV & V – early production via trucking to Chinese market
- Cash flow generative in 2020/2021 in the success case \*

*\* Based on Company's estimates*

# Mongolia Overview

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- Central Asia's only democracy after 70 years as a Soviet satellite
- Annual GDP is \$12Bn and to date is heavily reliant on the mining sector
- Produces 21,000 barrels of oil/day (2017) from fields close to Chinese border including from Blocks XIX and XXI adjacent to Petro Matad's Block XX
- Exports 100% of produced crude to China at a price benchmarked to globally traded crude
- Pays a high price for refined products from Russia which has a monopoly on supply
- Energy independence a priority for the government
- Petro China, Sinopec, Petro Matad are the only internationally recognized E&P players operating in country
- Very little petroleum exploration activity despite having numerous prospective basins adjacent, and geologically similar, to prolific oil producing basins in China

## Attractive Fiscal Terms

Exploration Term	12 to 14 years
Exploitation Term	35 Years (25+5+5)
Royalty	5 to 8%
Corporate tax	0%
Contractor Profit Oil share	45 to 60%
Gross contractor take	c. 55%



# Asset Overview

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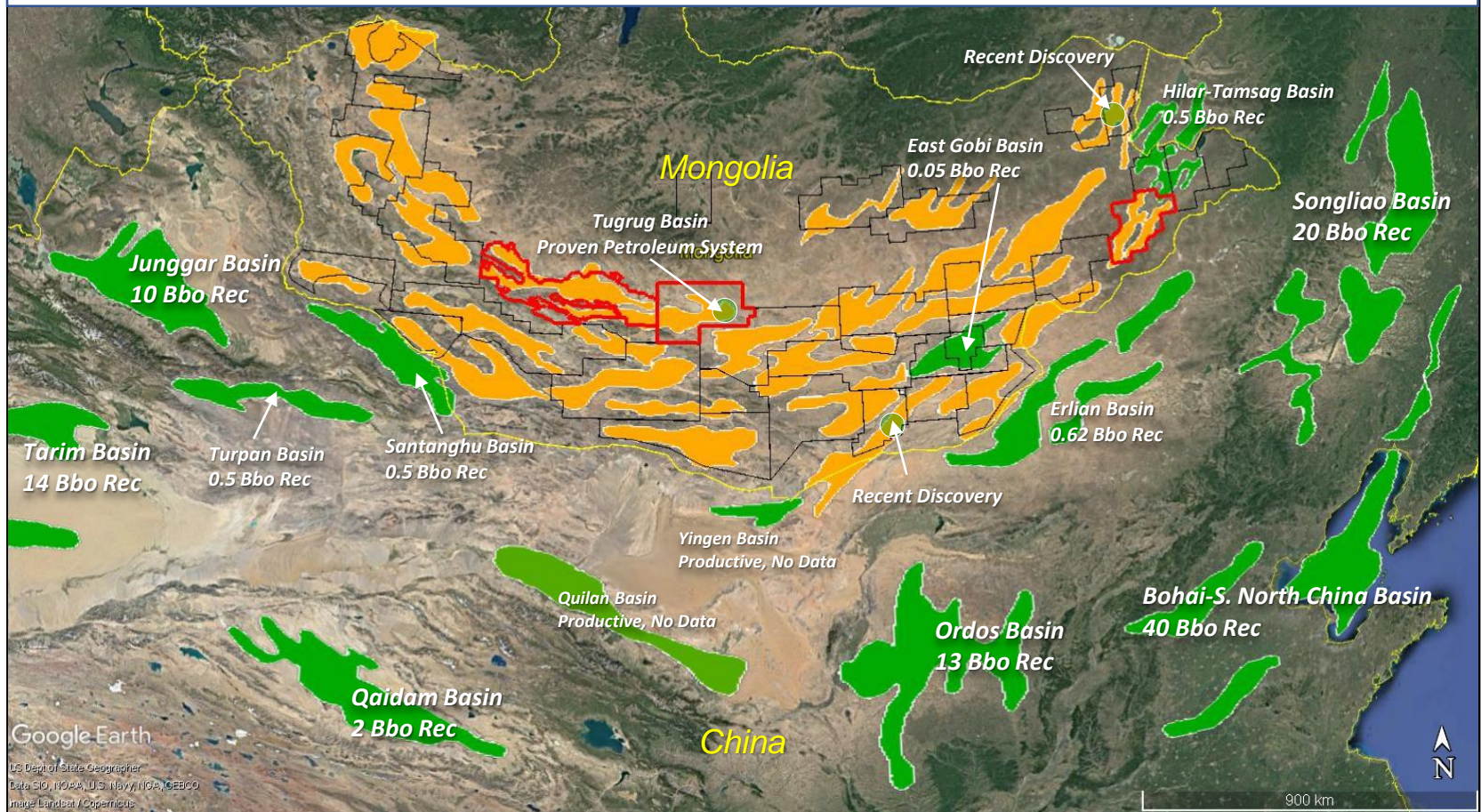


Photo overlooking a portion of the Taats Basin, Block V. One of twelve prospective basins in Petro Matad's Western Acreage



# China: The Proven and Prolific Analogue

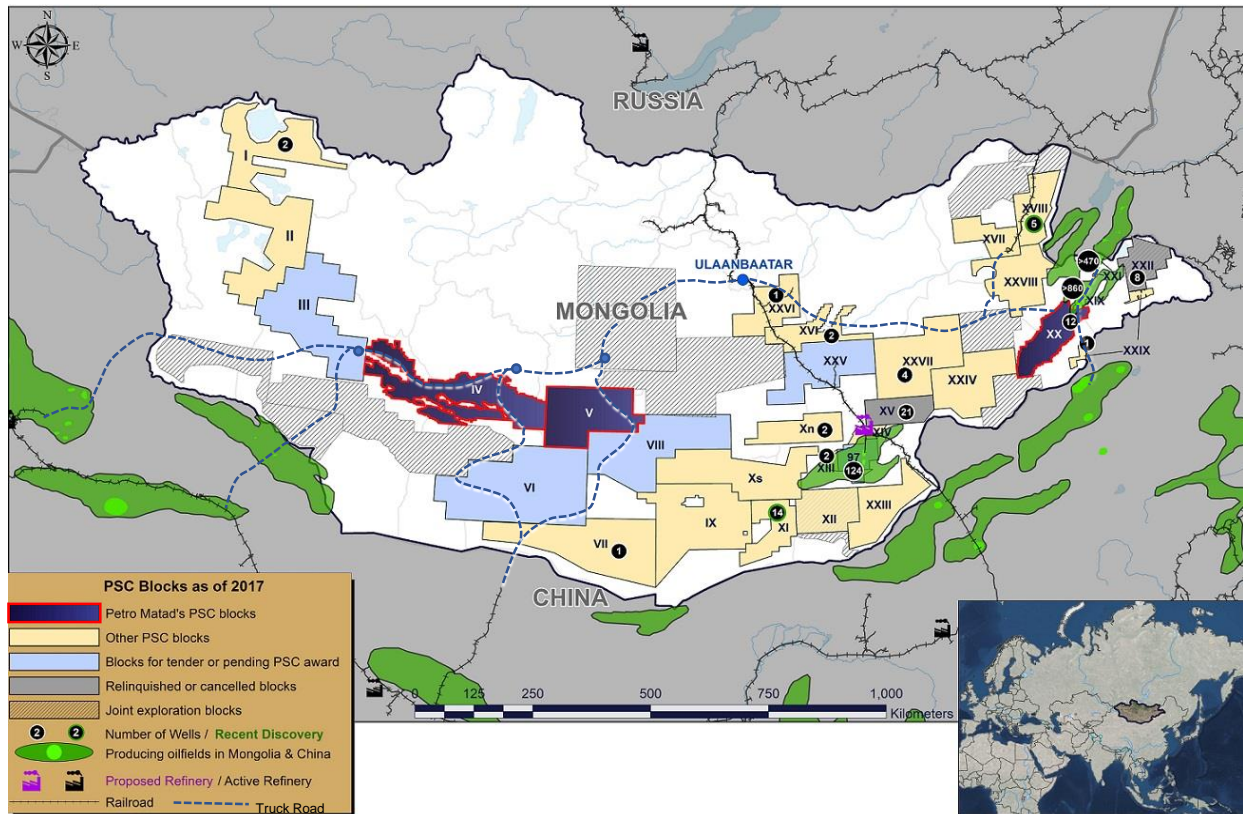
## Productive and Prospective Basins of East-Central Asia



- References:
- The Cretaceous Play and the exploration potential of the East Gobi Basin, Mongolia. 2015, Qin Et al
  - Tellus Database, CGG Robertsons
  - Analysis of the distribution of onshore sedimentary basins and hydrocarbon potential in China. 2015, Jiang Z. Et Al
  - Company internal estimates



# Regional E&P: Activity and Infrastructure



## Mongolian production

- Main fields discovered in 1990s, now operated by Petro China

## Limited Exploration

- Outside of the producing areas very limited drilling
- Only 3 exploration wells in all of Western Mongolia
- Very limited involvement of international E&P community

## BG farm in to Blocks IV/V

- BG farmed in to Blocks IV/V in 2014 underlining the technical attraction and resource potential
- Technical validation of Petro Matad work but significantly dilutive commercial terms
- Shell pulled out after the BG take over as part of its rationalization programme

# Block XX: Low Risk E&A Adjacent to Production

## 5 Lease line prospects

- Covered by 2D and 3D seismic
- Continuations of producing trends/structures on Block XIX
- Internal estimates of 50-75% chance of success \*

## 15-28MMbo recoverable potential \*

- Low cost drilling \$2-3MM/well \*
- 3 prospects on structures with oil proven on Block XIX
- Close to facilities and export route with spare capacity

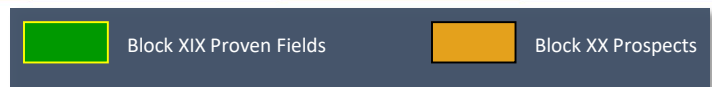
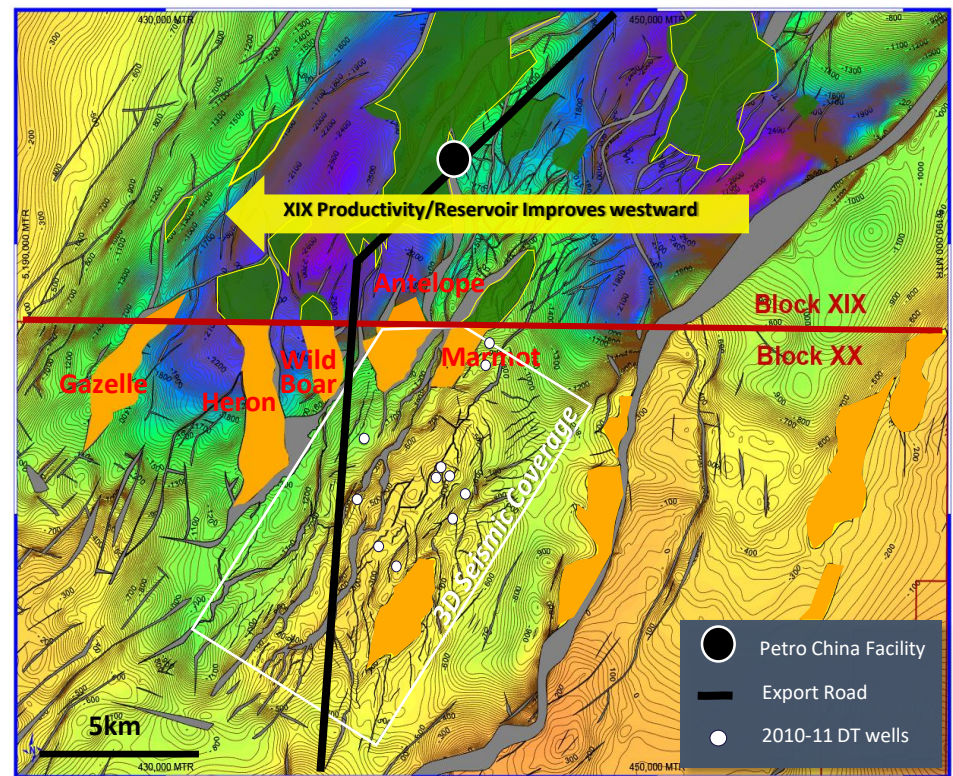
## Significant Running room on Block XX

- Additional structures mapped in N Block XX
- Extensive exploration potential to the South

## Previous drilling on Block XX

- 11 wells drilled on Block XX targeted a play not proven in neighbouring Block XIX
- Focused on a large, bald high too far from source
- Source confirmed, some oil recovered (32° API)
- Reservoir proven on trend with western prospects

\* Based on Company's estimates



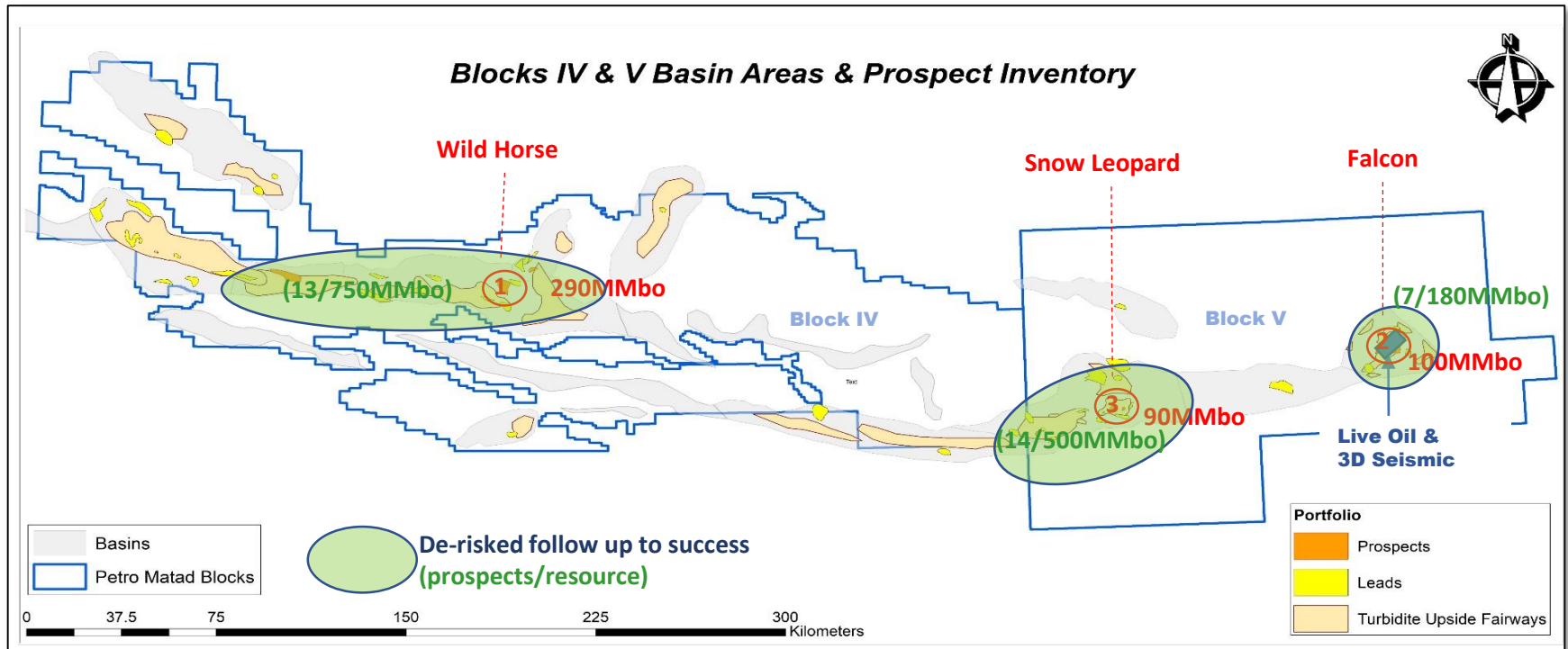


# Block XX: Route to Market

- Neighbouring Blocks XIX and XXI production exported on trucks via dedicated trucking road
- Export costs are in the \$5 to \$8/bbl range
- Export in China continues by road, rail or pipeline depending on final destination
- Crude sold to Chinese refiners
- Price is benchmarked to Daqing crude (Brent minus c.10 to 15%)
- XIX/XXI production has declined 12% from a peak of c.23,000 bopd so there is spare capacity in the system
- Block XX future production would be developed most efficiently through a processing and export agreement with Petro China



# Blocks IV & V: High Impact Exploration

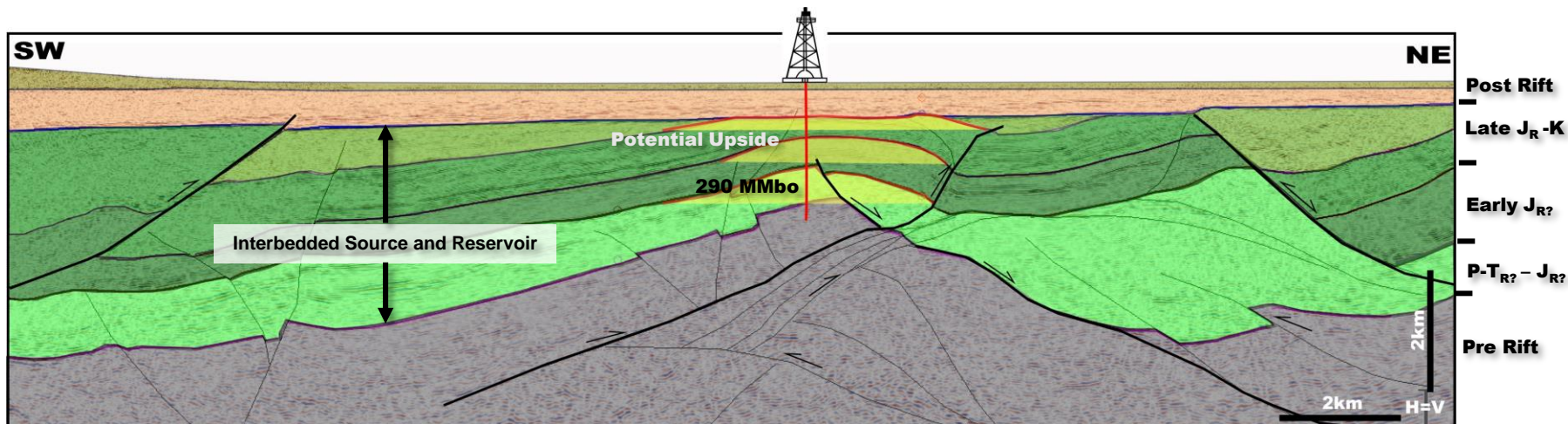


- 12 prospective basins
- Source and reservoir outcrops on basin flanks
- 4 core holes (3500m of core) with oil shows
- Blockwide gravity and magnetics, 11,000km FTG, 4000km 2D seismic, 200km<sup>2</sup> 3D
- Multi-billion barrel in place potential \*
- 55 Prospects and Leads. Recoverable potential > 2Bbo \*
- First 2 firm targets identified, third target contingent on results/funding
- Risk independent - drilling back to back from 2Q 2018
- 390MMbo (mid case) combined recoverable potential for first two targets \*
- Extensive portfolio of follow up targets, de-risked by success

\* Based on Company's estimates



# First Well: Wild Horse Prospect - Baatsagaan Basin Block IV

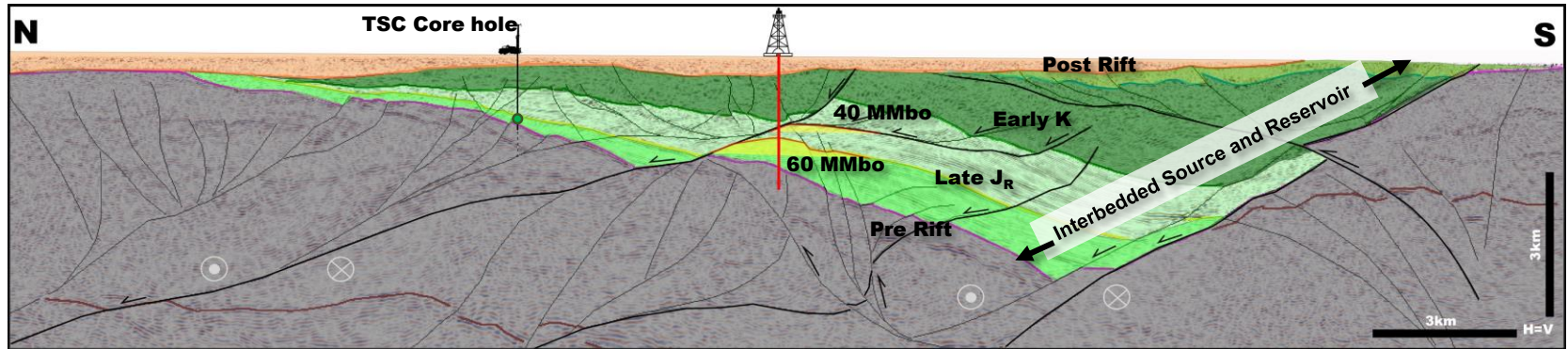


## Updip of largest identified source kitchen area with migration focus into the structure

- Prominent structure with large 290MMbo (mid case) recoverable potential \*
- Four way dip, fault bounded and subcrop trapping components
- Significant section within closure with stacked pay potential
- “Soft” amplitude anomalies in the subcrop trap may be indicative of hydrocarbon trapping
- TD 1850m. Well cost c.\$4MM \*
- Success de-risks 13 prospects/leads with resource potential of 750MMbo \*
- A must-drill prospect and ideally located for a basin opener well \*

\* Based on Company's estimates

# Second Well: Falcon Prospect - Tugrug Basin Block V



## Play is proven by oil staining in sands of nearby core hole

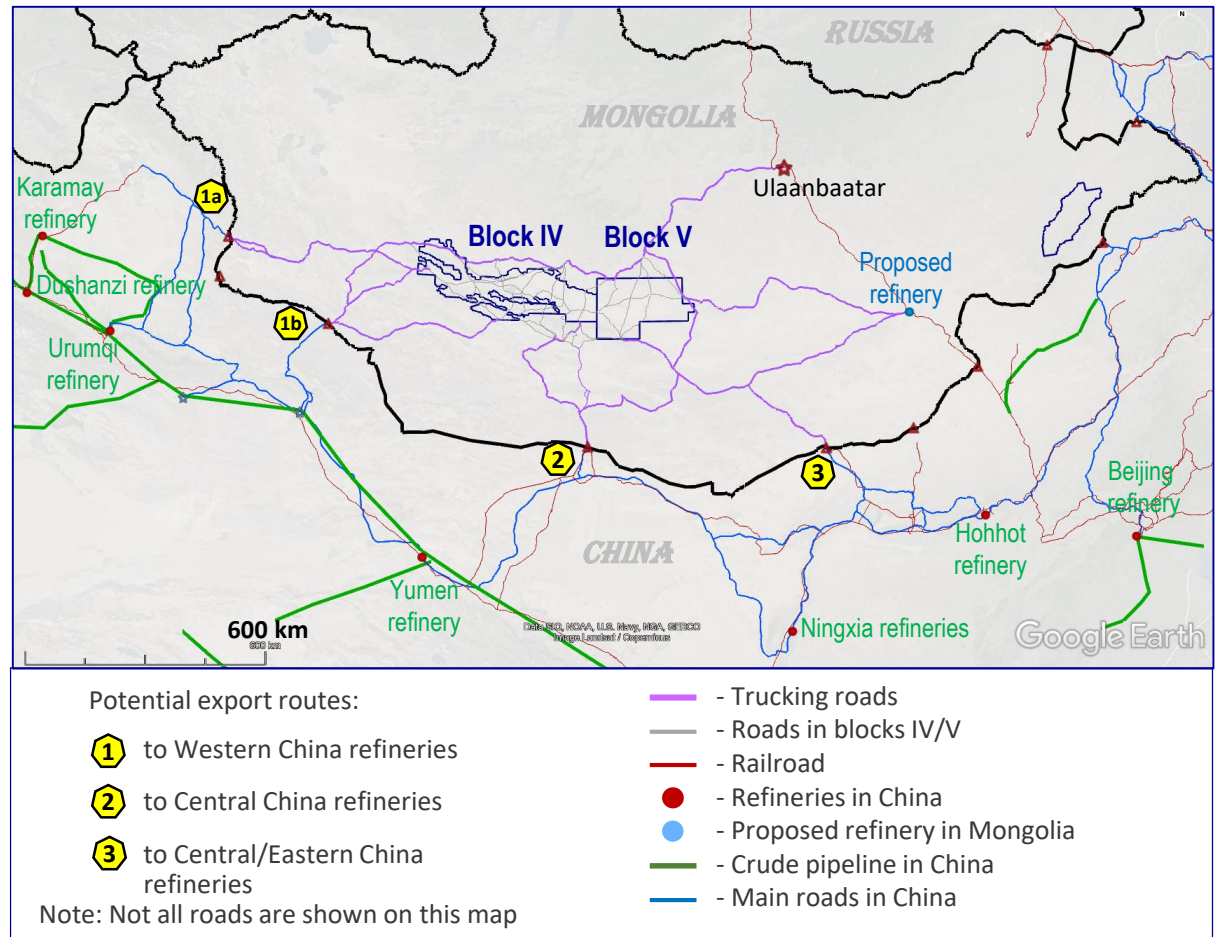
- Source, reservoir and seal proven in place
- Source rock and live oil recovered from TSC core hole
- Surface detection of microseeps shows excellent correlation with subsurface structure
- Migration focused into the Falcon cluster of prospects
- 100MMbo recoverable potential in the Falcon fault block and adjacent compartments (mid case) \*
- 3D seismic underway to constrain fault mapping, determine best well location and define turbidite play potential
- TD 3300m. Well cost c.\$7MM \*
- Success de-risks 7 prospects/leads with resource potential of 180MMbo \*

\* Based on Company's estimates



# Block IV/V: Route to Market

- Early production from Blocks IV/V is assumed exported by truck to refineries/buyers in China
- Three routes are available, suited to the western, north-central and eastern refineries
- Trucking costs are assumed to be in the \$5 to \$8/bbl range
- Depending upon reserves size, Block IV/V production could meet the needs of the proposed domestic refinery (30,000 bopd)
- As crude sold from Blocks IV/V will include the Mongolian government's share, it is expected that similar terms to Block XIX sales will apply with oil price benchmarked to globally traded crude and any discount dependent upon crude assay/quality



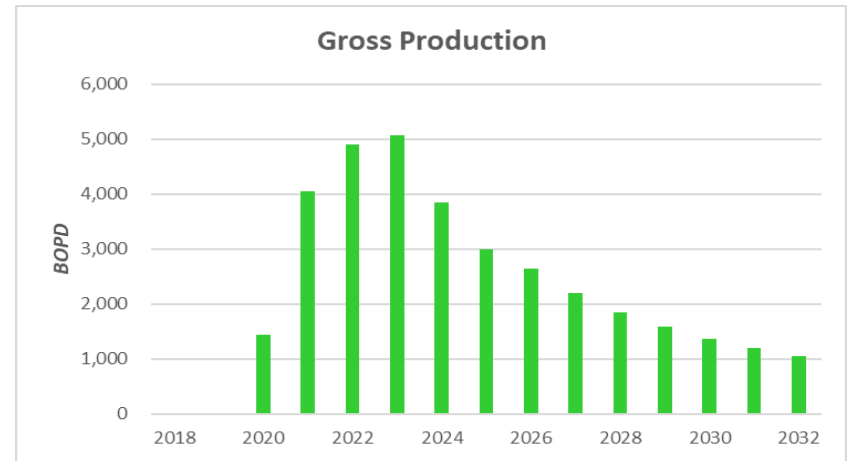
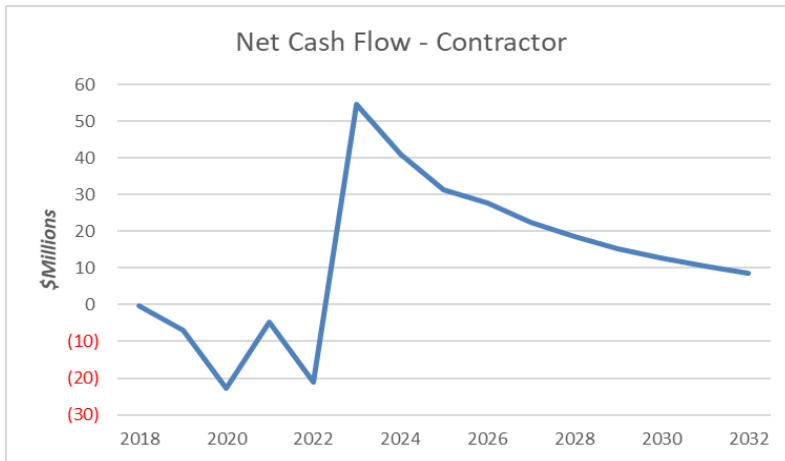
# Commercial Details

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# Success Case Economics: Block XX

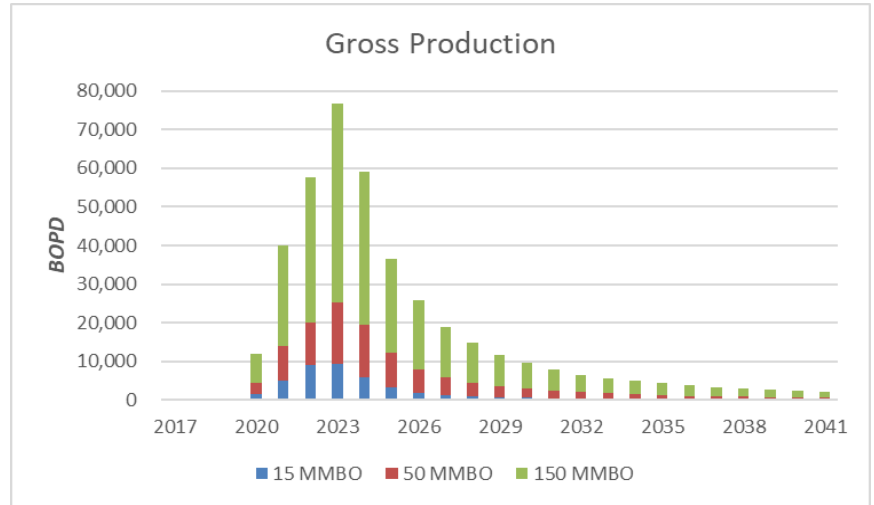
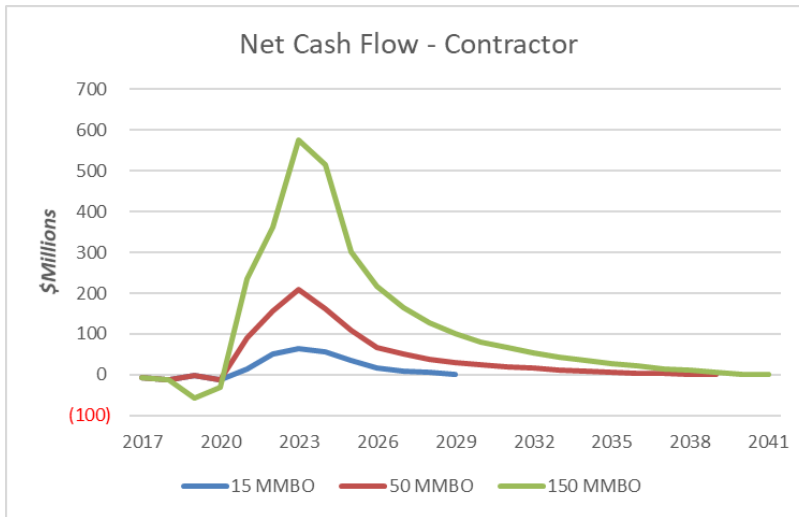


- Based on success at Gazelle and one other prospects
- Immediate appraisal and completion of all wells
- Install pumps, tanks and export via truck to Block XIX facilities
- 40 development wells, cost \$2MM/well, productivity on start up 240bopd per well

Case	15 MMBO Recoverable
NPV <sub>10</sub> (\$MM)	80
IRR %	42
Sensitivities (NPV <sub>10</sub> \$MM)	
Oil price +10%/-10%	109/53
Costs -10%/+10%	99/59
Production +10%/-10%	109/53

\* All economics based on Company's internal estimates

# Success Case Economics: Blocks IV/V



- Base Case and High case resource potential consistent with 2018 targets
- Development well count: Base 36, High 117, c.650bopd/well assumed
- Early production via trucking to Chinese refineries
- High case reserves will justify pipeline and will support development of domestic refining capacity

Cases	BASE: 50MMBO Recoverable	HIGH: 150MMBO Recoverable
NPV <sub>10</sub> (\$MM)	451	1270
IRR %	100	114
Sensitivities (NPV <sub>10</sub> \$MM)		
Oil price +10%/-10%	525/383	1482/1075
Costs -10%/+10%	476/423	1343/1187
Production +10%/-10%	522/384	1475/1080

\* All economics based on Company's internal estimates



# Conclusion

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## **Low cost, onshore, oil exploration**

- Near field exploration and appraisal targets. Low cost to drill and quick to monetise
- High impact basin opener exploration with evidence of working petroleum systems
- Geologically analogous to proven productive basins in Northern China

## **Attractive economics**

- Attractive fiscal terms
- Low cost drilling and operating environment
- Success case economics of Block XX near field targets show NPV10 of \$80MM and IRR of 42%
- Basin opener prospects have NPV10 of >\$450MM and IRR of c.100%
- Potentially transformational for the company







## **Petro Matad – well positioned**

- Petro Matad's in-country reputation and experience make it an industry leader in Mongolia
- Supported by major shareholder Petrovis, a key player in the Mongolian energy sector
- Forward programme includes multiple catalysts for significant value additions in 2018/19

*\* All economics based on Company's internal estimates*

# 2018 Work Programme

- Petro Matad intends to embark on a 4 well drilling programme in 2018
- Rig is contracted, certified and stored in country at zero day rate until mobilisation
- Mobilisation scheduled for late 1Q 2018
- First well planned to spud in 2Q 2018
- Cash at YE2017: \$4.7MM
- \$16MM raised for very active 2018 programme

2018 Firm Work Programme							
			2018				Estimated Costs-\$m
			Q1	Q2	Q3	Q4	
	<i>Block</i>						
Well 1: Wild Horse-1	IV	1850m	F				4.0
Well 2: Falcon-1	V	3000m	F				7.0
Well 3: Gazelle	XX	2500m	F				2.5
Well 4: TBD	XX	2000m	F				2.0
PSC Costs	All		F				1.7
G&A / Corporate	All		F				3.5
							<u>20.7</u>



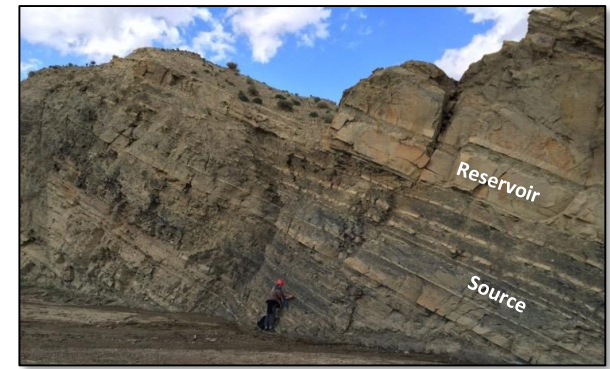
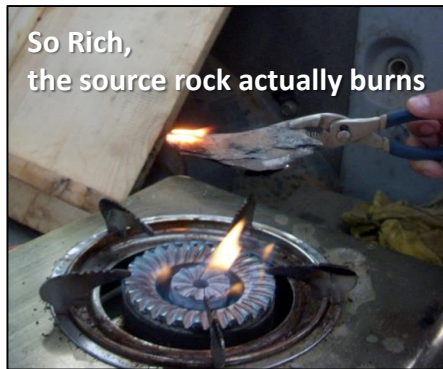
# Appendix

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# The Rocks

## Late Jurassic - Early Cretaceous Mega-Sequence (MS2)

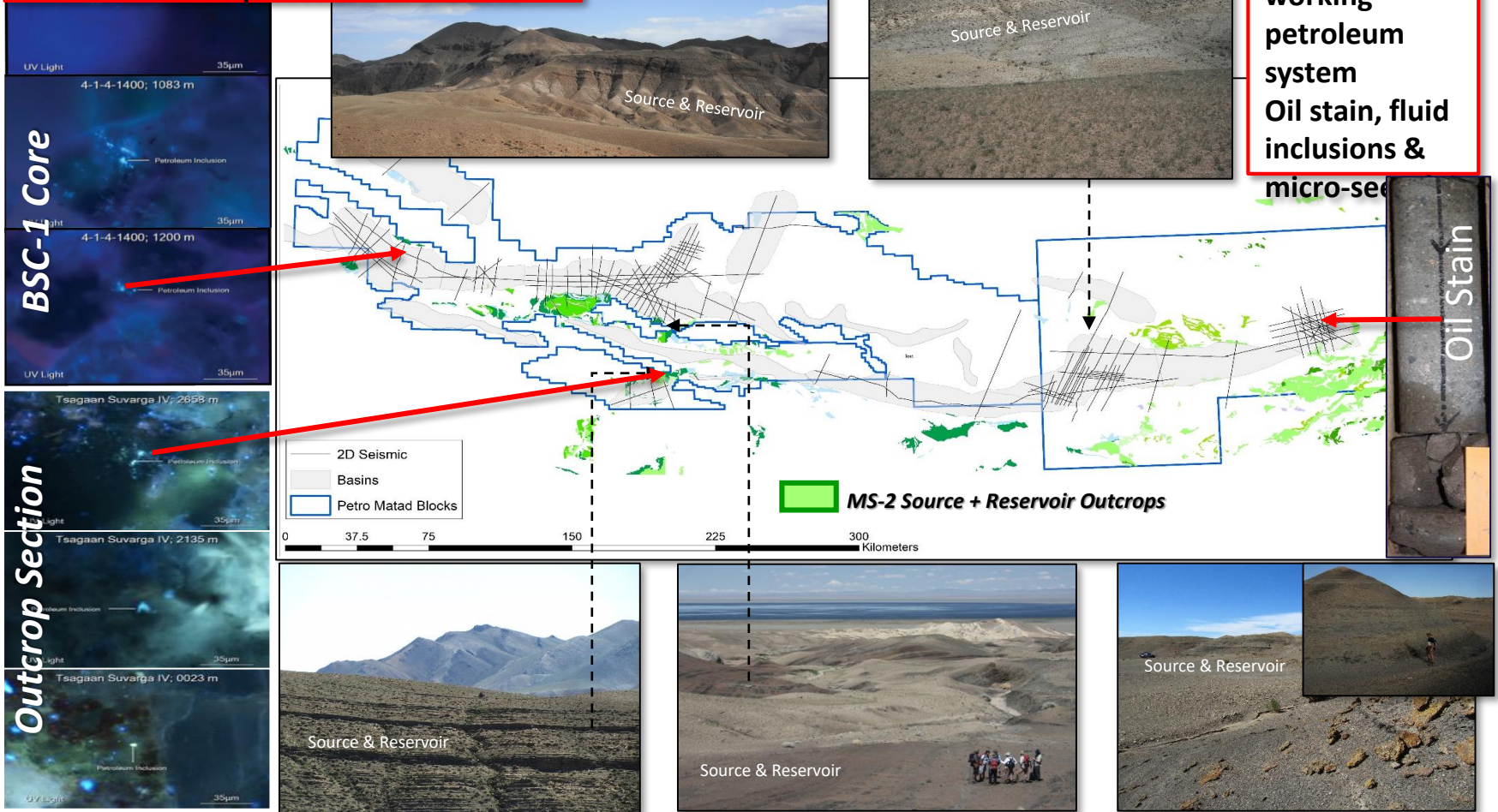
- Extensional lake basins preserved the geologic components for the proven productive oil province of the China-Mongolia region
- This system generates the giant oil fields of Eastern China and has been proven productive in Eastern Mongolia as well
- Source rocks are world class oil shales. They are thick, rich and have very high oil generation potential
- Reservoir rocks are interbedded with the source rock and have high porosity and good permeability potential
- The oil shales also act as effective top seals and create effective seals across faults



# Proven Petroleum Systems Blocks IV/V

•Oily fluid Inclusions in BSC-1 core as well as outcrop sections in Block IV

•Proven working petroleum system  
Oil stain, fluid inclusions & micro-se





# Proven Petroleum System: Tugrug Basin

## TSC-1: Stratigraphic core hole (TD: 1,603m)

- Situated on basin margin
- Proved source and reservoir presence
- High porosity sands (10-30%). Good permeability in basal sands (50md+)
- 40m of good quality source rock with 2-5% TOC

## Live oil staining in sand and basement

- Pervasive oily fluid inclusions observed in sands
- Source rock in well is immature, so oil has migrated to this location
- Oil extracted not biodegraded indicating currently active migration
- Derived from a brackish lacustrine source

## Core hole gives good tie to seismic

- Penetration of basement gives confident tie to seismic
- Seismic shows source and reservoir units thickening in to basin

## Core hole eliminates play risk for the Falcon area

- Chance of success is solely prospect specific
- Very unusual for the first well in an undrilled area

