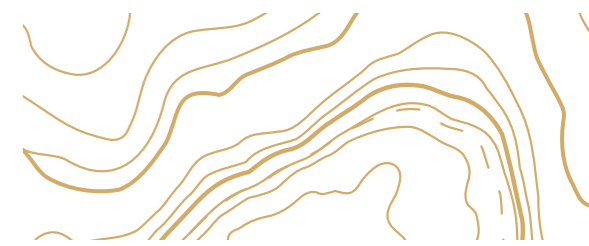
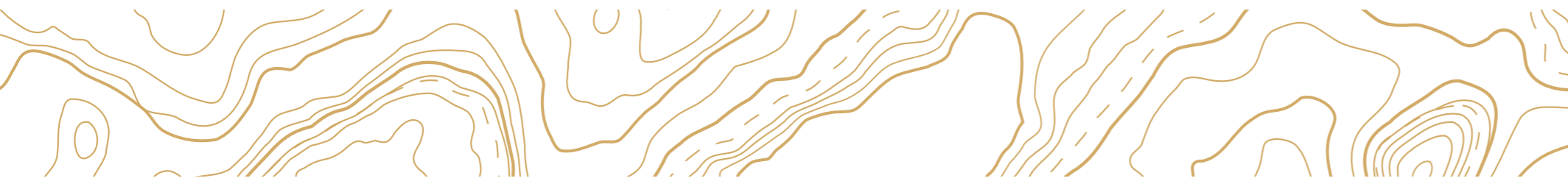
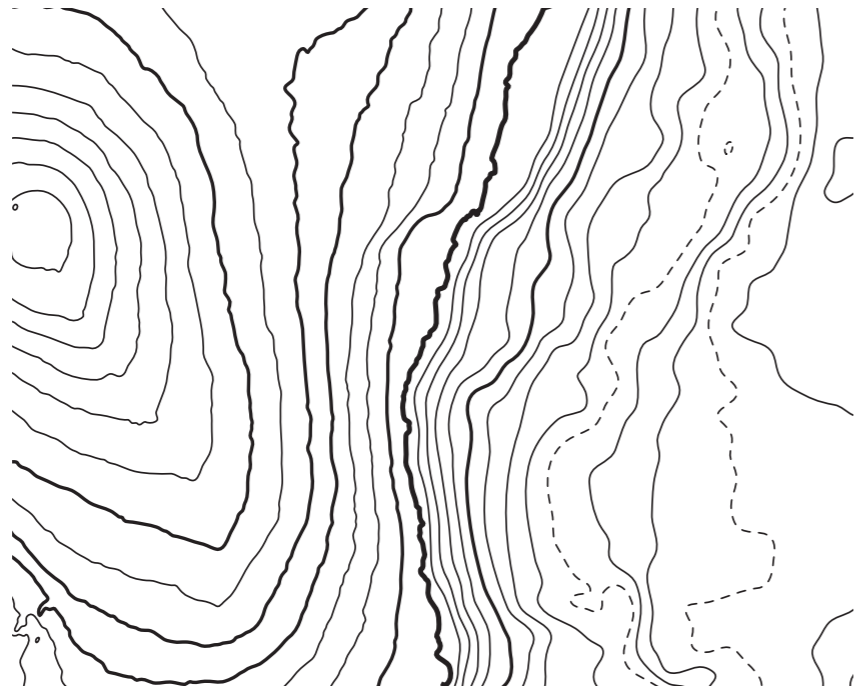
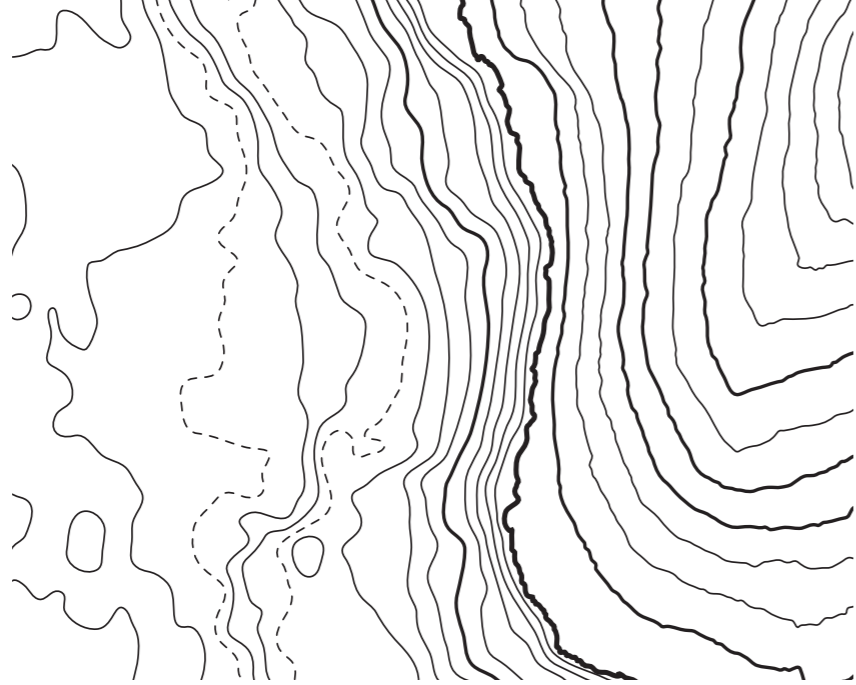




PETRO MATAD LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020





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A topographic map with contour lines and a dashed line, serving as the background for the page.

**BOARD OF
DIRECTORS**

01



Enkhmaa Davaanyam

Chairperson

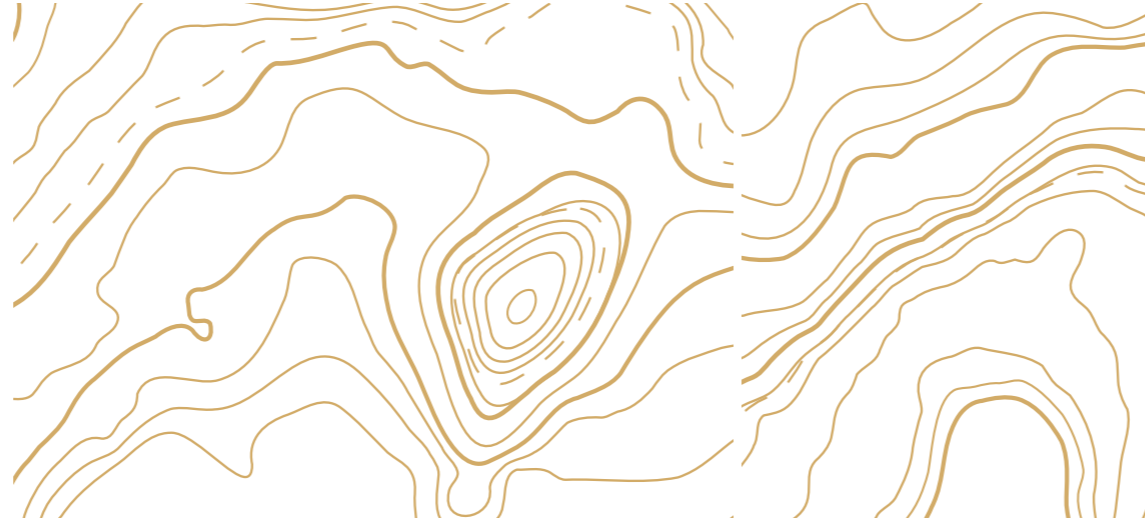
Ms. Enkhmaa is the CEO of Petrovis Group, Mongolia's largest fuel supplier. Ms. Enkhmaa has over 23 years of international experience in financing and risk management of mining, infrastructure and energy projects and commodities trading. She serves as Deputy Chair of Board of Directors of Petrovis Group since 2011 and was appointed as the CEO in August 2013. Prior to joining Petrovis Group, Ms. Enkhmaa worked as a Managing Director at Macquarie Group for over 10 years, responsible for risk management in the energy sector in the United States. Ms. Enkhmaa was appointed as Petro Matad's Chairperson in 2015.



Michael Buck

Chief Executive Officer (CEO)

Mr. Buck is a geologist/geophysicist by training and joined the oil industry in 1979. He spent 20 years with LASMO PLC working first as a prospect generator focused on the UK continental shelf. He then moved to international assignments in Indonesia, Colombia, Vietnam and Libya and was involved in the discovery of several commercial oil and gas fields. Following Eni's takeover of LASMO, Mike became Managing Director of Eni Pakistan and then Managing Director of Eni Iran, working on major oil and gas developments in both countries. In 2006, Mike joined S E Asian focused Salamander Energy PLC as Chief Operating Officer. After the takeover of Salamander by Ophir Energy he was retained to help with the integration process following which he consulted for a number of companies in the S E Asian region before joining Petro Matad in 2017 as Chief Executive Officer. Mike has worked on all aspects of the E&P value chain. He holds a BSc in Geophysics from Liverpool University and an MSc (with Distinction) in Petroleum Geology from Imperial College, London.



Shinezaya Batbold

Non-Executive Director

Ms. Shinezaya is the CEO of Petrovis Venture Capital LLC, one of the first local venture capital funds investing into multiple SME sectors in Mongolia. She was a Vice President of Petrovis LLC from 2010 to 2012 and currently holds a number of board and chair positions in diversified business sectors in Mongolia, including Chairperson of the Board of Petrovis and UNIGAS LLC, a gas distribution company in Ulaanbaatar. She is a graduate of Northeastern University, Boston, MA.



Timothy Bushell

Non-Executive Director

Mr. Bushell is a qualified geologist with more than 37 years' experience in the oil and gas industry. He has worked for British Gas, Ultramar, LASMO, and Paladin Resources. Most recently Tim was Chief Executive Officer at Falkland Oil and Gas Limited and Director/co-founder of Core Energy AS (now part of Vår Energi AS). He is currently serving as a Non-Executive Director on the Boards of Genel Energy Limited, Sval Energi AS and Wentworth Resources PLC. He is also a Director of Redrock Energy Limited.

A detailed topographic map with contour lines, a river, and various geographical features. The map is rendered in black lines on a white background. A solid black rectangular box is overlaid on the right side of the map, containing the text 'DIRECTORS' REPORT' and the page number '02'.

DIRECTORS' REPORT

02

Your Directors submit their report for the year ended 31 December 2020.

Petro Matad Limited (Company) incorporated in the Isle of Man on 30 August 2007 has four wholly owned subsidiaries, including Capcorp Mongolia LLC and Petro Matad LLC (both incorporated in Mongolia), as well as Central Asian Petroleum Corporation Limited (Capcorp) and Petromatad Invest Limited (both incorporated in the Cayman Islands). The Company and its subsidiaries are collectively referred to as the "Group".

Directors

The names of the Company's Directors in office during the year and until the date of this report are as below. Directors were in office for this entire year unless otherwise stated.

- Enkhmaa Davaanyam
- John Rene Henriksen (Retired 31 December 2020)
- Timothy Paul Bushell
- Michael James Buck
- Shinezaya Batbold

Principal Activities

The Group's principal activity in the course of the financial year consisted of oil exploration in Mongolia. During the year there were no significant changes in the nature of this activity.

Review and Results of Operations

The functional and presentation currency of Petro Matad Limited is United States Dollars (\$).

The net loss after tax for the Group for the 12 months ended 31 December 2020 was \$3.25 million (31 December 2019: Loss \$16.83 million).

During the year the Group focused on exploration activities on its Production Sharing Contracts (PSCs) with the Mineral Resources and Petroleum Authority of Mongolia (MRPAM) on Blocks V and XX in Mongolia.

Changes in State of Affairs

On 3 January 2020, 7,954,000 shares were allotted to Directors and employee upon exercise of Conditional Share Awards under the Group's Long Term Equity Incentive Plan (Plan), with an exercise price per share of \$0.01.

On 12 February 2020, 3,039,000 shares were allotted to employees upon exercise of Conditional Share Awards under the Group's Plan, with an exercise price per share of \$0.01.

On 8 April 2020, the Company applied for a one-year moratorium on Block XX while the processes for obtaining an Exploitation Licence continue. MRPAM has approved the moratorium, the documentation for which has been formalized.

On 16 April 2020, the Company applied for a one-year moratorium on Block V. MRPAM has approved the moratorium, the documentation for which is currently being formalized.

On 4 May 2020, the Board approved the grant of 4.3 million Conditional Share Awards to departing employees as part of their severance payment.

On 17 June 2020, 1,100,000 shares were allotted to an employee upon exercise of Conditional Share Awards under the Group's Plan, with an exercise price per share of \$0.01.

On 2 July 2020, 3,200,000 shares were allotted to an employee upon exercise of Conditional Share Awards under the Group's Plan, with an exercise price per share of \$0.01.

On 24 August 2020, 616,000 shares were allotted to an employee upon exercise of Conditional Share Awards under the Group's Plan, with an exercise price per share of \$0.01.

On 24 December 2020, 3,317,000 shares were allotted to Directors and an employee upon exercise of Conditional Share Awards under the Group's Plan, with an exercise price per share of \$0.01.

The proactive approach taken by the Mongolian government commencing in early 2020 was highly effective in preventing community spread in the country until November 2020 when the first cases in community were reported. A substantial effort to contain the outbreak, including full lockdowns and partial lockdowns has been implemented, however the number of cases in Mongolia has continued to grow and the government is now focused on balancing business needs with virus mitigation until such time that the majority of the population is vaccinated. Large scale vaccination operations commenced in March 2021 and the effort continues with the goal of completing the vaccination of all citizens aged 18 and above (which comprises 60% of the population) by 1 July 2021. The Company's Directors and staff have been able to function effectively through a combination of working from home and in the office, with the safety of all employees being the priority at all times.

Significant Events after Reporting Date

The Company's largest and founding shareholder, Petrovis Matad Inc. (Petrovis) has agreed to make available to the Company a loan facility of up to \$1.5 million, against which the Company can draw funds as required.

On 16 March 2021, MRPAM's Technical Committee approved an Exploitation Area of 218.2 km² in Block XX. This area will be enshrined within the formal Exploitation Licence when awarded by the Mongolian Government.

On 17 June 2021, Petro Matad Singapore Pte. Ltd a wholly owned subsidiary of the Company was incorporated in Singapore.

Dividends

No dividends have been paid or are proposed in respect of the year 2020 (2019: Nil).

Future Developments

The Group's strategy is focused on oil exploration and the development of discoveries in Mongolia and the Group will continue to pursue exploration

projects within high-graded exploration areas in Mongolia.

Indemnification of Officers and Auditors

The Group has not, during or since the financial year end, indemnified or agreed to indemnify an officer or auditor of the Group against a liability incurred as such by an officer or auditor.

Environmental Regulation

The Group is required to carry out its activities in accordance with the petroleum laws and regulations in the areas in which it undertakes its exploration activities. The Group is not aware of any matter which requires disclosure with respect to any significant environmental regulation in respect of its operating activities.

Auditors

Bentleys Audit & Corporate (WA) Pty Ltd, being eligible, has indicated its willingness to continue in office.

Rounding

The amounts contained in the annual financial report have been rounded to the nearest \$1,000 (where rounding is applicable).

Signed in accordance with a resolution of the Directors.



Mike Buck
Director
22 June 2020

A black and white topographic map of a mountainous region, likely Mount Everest, with contour lines and a central peak. A dashed line outlines a specific area on the map.

DIRECTORS'
STATEMENT

03

SUMMARY

Throughout 2020 the Company focused its attention on completing documentation and engaging with the various agencies in the Mongolian government to advance the approval processes to obtain the Exploitation Licence for the appraisal and development of its Heron oil discovery in northern Block XX in eastern Mongolia.

Covid-19 protocols introduced and enforced by the Mongolian government at the start of the pandemic along with mid-year Parliamentary elections and October local elections contributed to delays in the Exploitation Licence approvals process. However, the government recognises that the Company has been the country's most active oil explorer over recent years and that the success of its 2019 exploration efforts is very well timed in light of the government's commitment to the construction of a new domestic oil refinery. While approval processes have moved slowly, the Company is grateful for the support of the government at all levels during its engagement with various administrative bodies and looks forward to constructive engagement moving forward.

The Company has now completed all the stages of the government's Exploitation Licence application process and has lodged the formal application for the granting of the licence.

COVID-19

The proactive approach taken by the Mongolian government commencing in early 2020 was highly effective in preventing community spread in the country until November 2020 when the first cases in community were reported. A substantial effort to contain the outbreak, including full lockdowns and partial lockdowns has been implemented, however the number of cases in Mongolia has continued to grow and the government is now focused on balancing business needs with virus mitigation until such time that the majority of the population is vaccinated. Large scale vaccination operations commenced in March 2021 and the effort continues with the goal of completing the vaccination of all citizens aged 18 and above (which comprises 60% of the population) by 1 July 2021.

Petro Matad's staff have been able to function effectively through a combination of working from home and in the office. Throughout, the Company has been liaising with the authorities and is taking all precautions to ensure the safety of its staff and contractors. Field activities of companies operating in Mongolia through 2020 were impacted by the restrictions in place but in Q2 2021 restrictions were eased and operability appears to be improving. This is encouraging in light of Petro Matad's plans for appraisal and development activity on the Heron oilfield once the Exploitation Licence is in hand.

2020 REVIEW

HSSE

As part of the Board's ongoing process of continual improvement, the Company's Health, Safety, Security and Environmental Management System (HSSE MS) which is fully structured to follow International Association of Oil and Gas Producers (IOGP) guidelines has been adapted to accommodate best practice in mitigating the impacts of the Covid-19 pandemic. The Company's efforts have been very successful in this regard. Meanwhile, as per standard practice, all reported HSSE incidents continue to be fully investigated, recorded and classified according to IOGP guidelines and learnings are openly shared through the management review process.

The Company is fully committed to environmental protection and ensures all practical measures are implemented to fully comply with national and international standards with reference to ISO 14001 as the benchmark.

The Company is pleased to report that Petro Matad along with its sub-contractors followed all Mongolian national standards in all aspects of the 2020 operations and there were no environmental incidents, lost time incidents or recordable incidents during 2020.

The Company has had its Detailed Environmental Impact Assessment (DEIA) for the Heron Development approved by the Ministry of Environment. This is a major milestone as the field work, documentation and local community engagement requirements in the preparation of the DEIA are significant and

time consuming. An approved DEIA is one of the documents required to get the final ministerial sign off on the Exploitation Licence. Securing the DEIA approval while countrywide Covid-19 restrictions remained in force was achieved with the cooperation of central and local government bodies and with the hard work of the Company's HSSE and Community Relations departments.

Operations

Throughout 2020 the Company was primarily focused on securing the Exploitation Licence on Block XX. In addition to progressing the approval process, major milestones achieved were the preparation of a Competent Persons' Report which provided the first independent review of the Company's reserves and resources in Block XX, and the preparation of a detailed Reserves Report which was presented to the government and was approved. An assay of the Heron 1 well crude oil was also prepared and it confirmed that the oil is a sweet, light, waxy, high quality crude and, as expected, is very similar to the oils produced in neighbouring Block XIX.

Based on the government's approval of the Reserves Report, Petro Matad formally declared its intention to develop the Heron discovery. Subsequently an Exploitation Area was agreed between the Company and the industry regulator, the Mineral Resources and Petroleum Authority of Mongolia (MRPAM) and has been confirmed in a protocol signed by both parties. The area contains the entire Heron structure, the nearby Gazelle discovery and the surrounding prospectivity identified within the proven and prolific oil producing Toson-Uul sub-basin.

As required under the government's Exploitation Licence application process, a Plan of Development (PoD) has to be prepared by the Company and approved by the Mineral Resources Professional Council (MRPC). The approval of the PoD is the final step in the Exploitation Licence application process and after clarifications were provided, MRPC members have signed off on the outstanding items and the Council is now finalising its conclusion. The formal application for the Block XX Exploitation Licence has now been submitted to the Ministry of Mining and Heavy Industry requesting the Minister to award the Licence.

As part of the PoD preparations Petro Matad and Petro China, operator of neighbouring Block XIX, discussed the technical and commercial aspects of the potential unitisation of the Heron oilfield which straddles the boundary of Block XIX and Block XX. The companies agreed that unitisation and joint development are not merited due to the nature of the deposit and its relatively small extension into Block XIX. This conclusion, covered in a Memorandum of Understanding (MoU) between the companies, has the advantage that it saves considerable time and effort in preparing a joint development plan. The conclusion was incorporated into the Block XX PoD. The MoU also includes the agreement that Petro Matad and Petro China will discuss, agree and formalise how Petro Matad will access Petro China's Block XIX infrastructure to exploit economies of scale and operating efficiencies.

Production Sharing Contracts (PSCs)

Block XX: A moratorium was secured for calendar year 2020 whilst the process of applying for the Exploitation Licence was progressed. With the Exploitation Area now approved and Petro Matad's declaration of intent to develop on file, the PSC remains valid for the Exploitation Area and the remainder of Block XX will be returned to the government as per the Petroleum Law and the PSC upon the expiry of the exploration period in July 2021.

Block V: The Company has identified significant exploration potential in the Taats and Tugrug basins within the area of the Block V PSC. In order to preserve the potential for further exploration whilst the Covid-19 pandemic was impacting operability in Mongolia, the Company applied for moratoria on Block V covering 2020 and 2021. These applications were approved by MRPAM and extend the exploration phase on Block V until 29 July 2023.

Block IV: Following post well studies on the Wild Horse 1 well drilled in 2018 and recognising the short time that then remained on the Block IV PSC without any clearly defined, high-graded drillable targets, the Company proposed to the government to relinquish the block with a view to potential partnering and re-licencing of its more prospective areas in the future. The relinquishment process has now been completed.

New Areas: The Company has identified a number of technically attractive areas in Mongolia with a view to submitting requests to the government to review data on areas that are not currently licenced. The Company wants to exploit its pre-eminent position in Mongolia as a technically and operationally competent upstream operator and a prospective partner of choice. Pursuing new areas with a view to potentially signing new PSCs will allow the Company to re-load the portfolio and can provide Petro Matad with a balance of production, development, appraisal, near field and high impact exploration.

Community Relations

The Company takes its responsibilities in community engagement and community relations very seriously. In advance of any work programme activity being undertaken, the Company ensures that it obtains the necessary approvals from MRPAM and all other relevant authorities. Company staff participate in joint meetings with the regulator and the local communities to present and discuss planned activities. In addition to meeting local government officials, the socialisation programmes will typically include town hall meetings where questions from local residents are answered. Company representatives will also meet with nomadic herders who may be in proximity to planned operations to ensure all parties are listened to. Representatives from the Community Relations team are stationed at site during all operational activities.

A focused programme of community projects is undertaken in areas where operations are conducted, and this is done in cooperation with local government. The Company views engagement with local communities as key to conducting safe and successful operations that will in turn benefit the local area.

Due to the Covid-19 pandemic and lack of field operations in 2020, the Company did not undertake any substantial community projects during the year. The Company will carefully review options for targeted community assistance programmes once operations in the field recommence. Meetings with local communities will be arranged well in advance of future field operations.

SHORT-TERM FUNDING CONSIDERATIONS

As the Company reported in 2020, cash conservation initiatives were implemented to extend the life of the Company's existing cash resources through to mid-2021, a period deemed long enough at that time to secure the Exploitation Licence and seek the funding necessary for the next phase of the Company's development. In light of the slow progress on the licence application, the Board took steps to secure the financial standing of the Company beyond mid-2021 and has procured an unsecured loan facility from its major and founding shareholder, Petrovis.

Petrovis agreed to make available to Petro Matad a line of credit of up to US\$1.5 million, to be drawn when needed to maintain the Company's operating capability, to see it through to the award of the Exploitation Licence and preparations for subsequent development operations. Interest on the loan will be paid at effectively the same rate that Petrovis secures US dollar financing from its banks (currently 10%). The loan will be repaid by one or more of the following:

- From production revenue with repayment starting no earlier than 2023.
- The amount drawn plus interest will be rolled into Petrovis' contribution to any future equity fund raising that may be undertaken.
- From the proceeds (payment of back-costs) of a successful farm-out.

The loan will be drawn as required and based on current and forecast operating costs could fund the Company at its current level of staffing and activity through to Q3 2022 if necessary. With this funding mechanism available, Petro Matad has the finances it needs to complete the Exploitation Licence application process and to prepare for development operations on the Heron oilfield.

CONCLUSION

After a long period of exploration in Mongolia, the Company is finally poised to add production and development to its activities.

ACKNOWLEDGEMENTS

The combination of the global pandemic, its impact upon financial markets and the significant reduction in the oil price made it a testing time for all those that operate in our industry in 2020. Although the pandemic is not over, Petro Matad is determined to weather the storm and prepare for the next phase of operations.

The Directors would like to express their appreciation to the staff of Petro Matad, both technical and non-technical, who have continued to work with enthusiasm, diligence and dedication throughout these trying times. The Board looks forward to an exciting time ahead with the full commitment of the Petro Matad team as we enter the next phase of the Company's development.

The Board is fully committed to creating shareholder value and would like to express its gratitude to shareholders for their continued support of the Company. Special mention of our largest shareholder, Petrovis, is warranted as they have once again stepped up to assist the Company with the execution of the 2021 loan agreement.

Board of Directors



ТУЗ-ИЙН ГИШҮҮДИЙН МЭДЭГДЭЛ

/АЛБАН БУС ОРЧУУЛГА/



ХУРААНГУЙ

2020 оны хувьд компани Монгол орны зүүн хязгаарт орших ХХ талбайн Цэн тогоруу газрын тосны нээлт дээр цаашид үнэлгээ хийх, олборлолт явуулахад шаардлагатай Ашиглалтын тусгай зөвшөөрлийг авах ажилд гол анхаарлаа хандуулж, шаардагдах баримт бичгүүдийг бүрдүүлэн холбогдох төрийн байгууллагуудтай хамтран ажиллаа.

Тус зөвшөөрлийг авахад холбогдох процессууд удаашралтай байсны учир нь дэлхий нийтээр тархсан цар тахал эхэлсэнтэй уялдуулан Монгол улсын Засгийн газраас авсан арга хэмжээнүүд мөн тус оны дундуур орон даяар болсон Улсын их хурлын болон оны сүүлээр явагдсан орон нутгийн сонгуультай холбоотой байлаа. Гэсэн хэдий ч манай компани сүүлийн хэдэн жил улсын хэмжээнд хамгийн идэвхтэйгээр хайгуул хийж байгааг, түүнчлэн бидний 2019 оны хайгуулын ажлын амжилт нь Монгол улсын Засгийн газрын шийдвэрээр дотооддоо барьж буй газрын тос боловсруулах үйлдвэрийн ажилтай давхцаж буйг Засгийн газар цохон тэмдэглэн сайшааж байна. Дээрх зөвшөөрлийг авах ажил нь удаашралтай байгаа ч яриа хэлэлцээрийн бүх шатанд дэмжлэг үзүүлж буй Монгол улсын Засгийн газар, төрийн байгууллагуудад бид талархахын зэрэгцээ цаашид ч хамтын ажиллагаагаа гүнзгийрүүлнэ гэдэгт итгэж байна.

Одоогоор ашиглалтын тусгай зөвшөөрөл авахад шаардлагатай бүх шатны шалгуурыг ханган тус зөвшөөрлийг авах албан ёсны хүсэлтийг холбогдох байгууллагад хүргүүлээд байна.

КОВИД-19

2020 оны эхээр Монгол улсын Засгийн газраас цар тахлын эсрэг авсан арга хэмжээнүүд олон нийтийн дунд өвчлөл тархахаас үр дүнтэй сэргийлж чадсан ч 2020 оны 11 дүгээр сарын үеэс анхны тохиолдлууд нийтийн дунд илэрч эхэлсэн. Цар тахлын тархалтыг хумихын тулд удаа дараа бүтэн болон хэсэгчилсэн хөл хорио тогтоох зэргээр багагүй хичээл зүтгэл гаргасан хэдий ч өвчний тархалт нэмэгдсээр байгаа тул Монгол улсын засгийн газар хүн амын дийлэнх нь дархлаажуулалтад хамрагдтал аж ахуйн нэгж, бизнесийн үйл ажиллагааны хэрэгцээг харгалзан үзсэн аль болох тэнцвэртэй шийдвэрүүд гаргахад төвлөрч байна. 2021 оны 3 дугаар сараас дархлаажуулалтын аян өргөн хэмжээнд эхэлсэн бөгөөд 18 болон түүнээс дээш насны бүх иргэд буюу нийт хүн амын 60%-ийг 2021 оны 7 дугаар сарын 1 гэхэд дархлаажуулалтад хамруулсан байх зорилго тавин ажиллаж байна.

Петро Матадын ажилчдын хувьд оффис болон гэрээсээ ажиллах хослуулсан зохион байгуулалттайгаар ажлаа үр бүтээлтэй гүйцэлдүүлж байлаа. Энэ бүх хугацаанд компани холбогдох төрийн байгууллагуудтай нягт холбоотой байж өөрсдийн ажилчид болон гэрээлэгчдийн аюулгүй байдлыг хангах бүхий л арга хэмжээг хэрэгжүүлж ирлээ. Монгол улсад үйл ажиллагаа явуулж буй компаниудын талбайн ажлууд 2020 оны турш хөл хорио, хязгаарлалтад өртөж байсан бол 2021 оны II улирлаас хорио, хязгаарлалт арай суларч үйл ажиллагаа нь сэргэх төлөв ажиглагдаж байна. Ашиглалтын тусгай зөвшөөрлөө авмагц Цэн тогоруу газрын тосны орд дээр үнэлгээ, ашиглалтын ажлууд төлөвлөөд байгаа Петро Матадын хувьд энэ нь сайшаалтай мэдээ юм.

2020 ОНЫ ТОЙМ

ХАБЭАБО

Компанийн Хөдөлмөрийн аюулгүй байдал, эрүүл ахуй, байгаль орчны менежментийн систем (ХАБЭАБО-ы МС) нь Олон улсын газрын тос, байгалийн хий олборлогчдын холбоо (IOGP)-ны удирдамжийг дагаж мөрдөх бүтэц, зохион байгуулалттай байдаг ба ТУЗ-ийн зүгээс компанийн үйл ажиллагааг тогтмол сайжруулах зорилгоор авч хэрэгжүүлдэг ажлын хүрээнд ХАБЭАБО-ы МС-ийг Ковид-19 цар тахлын нөлөөг багасгах шилдэг туршлага, арга хэмжээнүүдийг хэрэгжүүлэхэд нийцүүлж ажиллаа. Компанийн хичээл зүтгэл энэ тал дээр маш үр дүнтэй байсныг энд дурдах нь зүйтэй юм. Түүнчлэн бүх мэдээлсэн ХАБЭАБО-ы тохиолдлыг IOGP-ны удирдамжийн дагуу бүрэн шалган, бүртгэж, ангилж ирсэн бөгөөд энэ талаарх мэдээлэл, сургамжийг удирдлагын хяналтын ажиллагааны хүрээнд нээлттэй бусадтай хуваалцаж байна.

Манай компани байгаль орчныг хамгаалах тал дээр бүхий л практик арга хэмжээг авч хэрэгжүүлдэг ба үйл ажиллагаандаа олон улсын болон дотоодын стандартуудыг, тэр дундаа ISO 14001-ийг мөрдлөг болгон ажиллаж байна.

2020 оны хувьд Петро Матад болон бидний туслан гүйцэтгэгч компаниуд Монгол улсад хэрэгжүүлж буй бүх стандартыг үйл ажиллагаандаа мөрдлөг болгон ажилласан бөгөөд байгаль орчны эсхүл сул зогсолт хийх, бүртгэлд авах шаардлага бүхий ямар нэг асуудал гараагүйг дуулгахад таатай байна.

Цэн тогоруу ордын ашиглалтад шаардлагатай Байгаль орчны нөлөөллийн нарийвчилсан үнэлгээ

(БОННУ)-г Байгаль орчин, аялал жуулчлалын ямаар батлуулсан. БОННУ-г бэлтгэх процесст талбайн тандалтын ажил, орон нутгийн ард иргэдийн зөвшилцөл, эдгээртэй холбоотой баримт бичиг зэргийг бүрдүүлэх нь цаг их шаардсан маш чухал ажил байдаг тул тус үнэлгээний баримт бичгийг батлуулсан маань манай компанийн хувьд нэг том алхам болж чадлаа. Газрын тосны ашиглалтын тусгай зөвшөөрлийн нэг шалгуур үзүүлэлт нь тус батлагдсан БОННУ юм. Энэхүү үнэлгээг батлуулах ажлыг компанийн ХАБЭАБО болон Олон нийттэй харилцах хэлтсийнхний асар их хүчин чармайлт, төв болон орон нутгийн засаг захиргааны дэмжлэгтэйгээр улс орон даяар Ковид-19 цар тахлын хорио цээрийн үед амжуулж чадлаа.

Үйл ажиллагаа

2020 оны туршид компани Матад ХХ талбайн ашиглалтын тусгай зөвшөөрлийг авахад голчлон анхаарч ажиллалаа. Тус зөвшөөрлийг авах процесст ахиц гаргахын зэрэгцээ компанийн ХХ талбайн нөөц, баялаг дээр анхны хараат бус үнэлэмжийг өгсөн Мэргэшсэн Мэргэжилтний Тайлан (Competent Persons' Report)-г гаргуулж, дэлгэрэнгүй нөөцийн тайланг бэлтгэн холбогдох төрийн байгууллага, институцуудад танилцуулан батлуулсан нь компанийн хувьд хийсэн томоохон алхмууд байлаа. Цэн Тогоруу-1 цооногийн түүхий тосонд бүрэн шинжилгээ хийлгэсэн бөгөөд тос нь хүхэрлэг бус, хөнгөн, лавархаг, сайн чанарын түүхий тос, мөн тооцоолж байсанчлан зэргэлдээ XIX талбайгаас олборлож буй тостой тун төстэй болохыг баталсан.

Нөөцийн тайлан батлагдсаны үндсэн дээр Петро Матад нь Цэн тогоруу нээлт дээр ашиглалтын үйл ажиллагаа явуулах хүсэлтээ албан ёсоор гаргав.

Үүний дараа компани ашиглалтын талбайг газрын тосны асуудал эрхэлсэн төрийн захиргааны байгууллага болох Ашигт Малтмал Газрын Тосны Газар (АМГТГ)-тай тохиролцож, хоёр талаас гарын үсэг зурсан протоколоор баталгаажуулав. Уг талбайд Цэн тогоруу хуримтлуур бүхэлдээ, ойролцоох Цагаан зээр нээлт, мөн тос олборлож буй Тосон-Уулын сав газрын дотор тодорхойлсон ойр орчны хэтийн төлөвт хэсгүүд багтаж байна.

Ашиглалтын тусгай зөвшөөрөл авах процессын шаардлагын дагуу компани Орд ашиглах үйл ажиллагааны төлөвлөгөө (ОАУАТ) боловсруулж, Эрдэс Баялгийн Мэргэжлийн Зөвлөл (ЭБМЗ)-өөр батлуулах ёстой байдаг. Энэ нь дээрх процессын сүүлийн алхам бөгөөд манай зүгээс зохих тодруулгуудыг өгсөн тул ЭБМЗ-ийн гишүүд хүлээгдэж байсан асуудлуудыг хааж, тус зөвлөлөөс одоо албан ёсны дүгнэлт гарган эцэслэхээр ажиллаж байна. Түүнчлэн ХХ талбайд ашиглалтын тусгай зөвшөөрлийг авах албан ёсны хүсэлтээ Уул уурхай, Хүнд Үйлдвэрийн Яаманд хүргүүлээд байна.

ОАУАТ-ний бэлтгэл ажлын хүрээнд зэргэлдээ XIX талбайн гэрээлэгч Петрочайна компанитай ХХ болон XIX талбайн хилийг дамнасан Цэн тогоруу ордыг хамтран ашиглах тохиолдолд гарах техникийн болон арилжааны боломж, асуудлуудын талаар ярилцаж хэлэлцсэн. Хуримтлуурын тогтоц, түүний XIX талбай руу орсон хэсэг харьцангуй жижигхэн зэргийг харгалзан үзэж хамтран ашиглалт, нэгтгэсэн тохиролцоо шаардлагагүй гэж хоёр талаас нэгдсэн байр сууринд хүрсэн. Энэ дүгнэлтийг компаниудын хооронд байгуулсан санамж бичигт тусгасан бөгөөд хамтран ашиглах нэгдсэн төлөвлөгөө боловсруулахад зарцуулах байсан ихээхэн цаг, ажлыг хэмнэж байгаа давуу талтай

боллоо. Дүгнэлтийг ХХ талбайн ОАУАТ-нд тусган оруулсан. Санамж бичигт мөн зардал хэмнэх, үйл ажиллагааны бүтээмжийг өсгөх үүднээс Петро Матад ямар хүрээнд Петрочайнагийн XIX талбайн дэд бүтцээс ашиглах талаар тохиролцож, албан ёсны болгох хэлэлцээр хийхийг тусгасан болно.

Бүтээгдэхүүн хуваах гэрээнүүд (БХГ)

ХХ талбай: 2020 оныг бүхэлд нь хамарсан мораториум буюу хайгуулын хугацааг түр зогсоох шийдвэрийг гаргуулсан бөгөөд энэ хугацаанд ашиглалтын тусгай зөвшөөрөл авахад шаардлагатай ажлуудыг хийж байлаа. Ашиглалтын талбайг баталж, компанийн ашиглалтын үйл ажиллагаа явуулах хүсэлтийг албан ёсоор бүртгэж авснаар БХГ нь тус ашиглалтын талбайд хүчин төгөлдөр үлдэх ба бид ХХ талбайн үлдсэн хэсгийг 2021 оны 7 дугаар сард хайгуулын хугацаа дуусах үед Газрын тосны тухай хууль, БХГ-ний дагуу албан ёсоор Засгийн газарт буцаан өгөх болно.

V талбай: V талбайн хувьд Таац болон Төгрөгийн сав газруудад хайгуулын маш ирээдүйтэй хэсгүүдийг тодорхойлсон байдаг. Хайгуулын ажлыг цаашид үргэлжүүлэн хэрэгжүүлэхийн тулд үйл ажиллагаанд нөлөөлж буй Ковид-19 цар тахлын үе буюу 2020, 2021 онуудыг хамрах хугацаанд тус талбайд мөн мораториум авах хүсэлт гаргасан. Уг хүсэлтийг АМГТГ хүлээн авч зөвшөөрснөөр V талбайн хайгуулын хугацаа 2023 оны 7 дугаар сарын 29 хүртэл үргэлжлэхээр боллоо.

IV талбай: 2018 онд өрөмдсөн Тахь-1 цооногийн үр дүн, түүнчлэн тус талбайд түвшин ахисан, тодорхой тогтоосон, өрөмдөхөд бэлэн хэсэг одоогоор байхгүй байгаагаас гадна хайгуулын маш бага хугацаа үлдсэн байгааг харгалзан үзэж

компани тус талбайг Засгийн газарт буцаан өгөх хүсэлт гаргасан. Гэхдээ ирээдүйд тус талбайн хэтийн төлөв сайтай хэсгүүдэд компаниудтай хамтарч ажиллах эсвэл дахин гэрээлэх зэрэг нь боломжтой гэж харж байгаа. Талбайн буцаалтын ажил хийгдэж дууссан болно.

Шинэ газрууд: Компани Монгол орны нутаг дэвсгэрт техникийн хувьд сонирхолтой нэлээд хэдэн хэсэг газруудыг олж тогтоогоод байна. Тэдгээрээс гэрээт бус газруудын мэдээллийг шүүж үзэх хүсэлт гаргах сонирхолтой байгаа юм. Бид Монгол улсад газрын тосны дээд урсгалын чиглэлээр тэргүүлэн ажиллаж буйгаа, мөн ирээдүйтэй хамтрагч хэмээх байр сууриа улам өсгөн нэмэгдүүлэх хүсэлтэй байгаа. Шинэ БХГ-үүд байгуулах зорилготойгоор шинэ газар, талбай эрэлхийлснээр бид өөрийн компанийн портфилийг баяжуулж, манай компанийн хувьд олон талын үйл ажиллагаа болох олборлолт, хөгжүүлэлт, үнэлгээ, тостой ойр талбайн болон том нөлөө үзүүлэхүйц хайгуул хийх боломжтой болно.

Олон нийтийн харилцаа

Компани нь олон нийтийн оролцоо, олон нийтийн харилцааны асуудалд маш хариуцлагатай ханддаг. Компани нь аливаа үйл ажиллагаа эхлэхээс өмнө АМГТГ болон бусад холбогдох байгууллагуудаас шаардлагатай зөвшөөрлүүдийг авч ажилладаг. Компанийн ажилтнууд агентлаг болон орон нутгийн төлөөлөлтэй хамтарсан уулзалт зохион байгуулж, төлөвлөсөн үйл ажиллагааныхаа талаар танилцуулж хэлэлцүүлэг явуулдаг. Орон нутгийн засаг захиргааны ажилтнуудтай уулзахаас гадна нийгмийн хөгжил, орон нутгийн хамтын ажиллагааны хөтөлбөрийн хүрээнд сумын

иргэдийн асуултанд хариулах уулзалтууд мөн зохион байгуулдаг. Бүхий л оролцогч талуудын санал хүсэлтийг сонсохын тулд компанийн төлөөлөгчид төлөвлөсөн үйл ажиллагааны талбайн ойр орчмын нүүдэлчин малчидтай уулздаг. Компанийн олон нийтийн харилцаа хариуцсан багийн төлөөлөгчид үйл ажиллагааны явцад талбай дээр байрлан ажилладаг.

Үйл ажиллагаа явуулж буй нутаг дэвсгэрт чиглэлтэй төсөл хөтөлбөрүүдийг хэрэгжүүлдэг бөгөөд үүн дээр орон нутгийн засаг захиргаатай хамтран ажилладаг. Компани нь орон нутагт үйл ажиллагааг аюулгүй бөгөөд амжилттай явуулахад орон нутгийн ард иргэдийн зөвшилцөл, оролцоо маш чухал гэж үздэг бөгөөд энэ нь аль аль талдаа харилцан ашигтай байдаг.

Ковид-19 цар тахлын улмаас 2020 онд хээрийн ажил хийгдээгүй тул компани орон нутагт том хэмжээний төсөл хэрэгжүүлээгүй өнгөрлөө. Компани нь орон нутагт үйл ажиллагаа эхлэх үед төсөл хөтөлбөрүүдийн сонголтыг нарийвчлан авч үзэх болно. Хээрийн ажил эхлэхээс нэлээдгүй хугацааны өмнө орон нутгийн иргэдтэй уулзалт зохион байгуулж энэ талаар урьдчилан зөвшилцөх болно.

БОГИНО ХУГАЦААНЫ САНХҮҮЖИЛТИЙН ТАЛААР

Компани 2020 онд мэдээлж байснаар компанийн бэлэн мөнгөний нөөцийн хүрэлцээг 2021 оны дунд үе хүртэл хангахын тулд мөнгө хэмнэх санаачлагыг хэрэгжүүлж, энэ нь тэр үедээ ашиглалтын тусгай зөвшөөрлийг авсан байх, дараагийн шатанд шаардлагатай санхүүжилтийг олоход хангалттай

урт гэж тооцсон хугацаа байлаа. Тусгай зөвшөөрөл авах үйл явц удаашралтай байсан тул ТУЗ нь 2021 оны дунд үеэс хойших компанийн санхүүгийн байдлыг баталгаажуулах арга хэмжээ авч, үүсгэн байгуулагч, хамгийн том хувьцаа эзэмшигч болох Петровисоос барьцаагүй зээл авахаар болсон.

Петровис нь Петро Матадад ашиглалтын тусгай зөвшөөрөл олгогдтол үйл ажиллагаагаа тогтвортой явуулахад, мөн ашиглалтын үйл ажиллагааны бэлтгэлийг хангахад зориулж хэрэгцээтэй тохиолдолд 1.5 сая хүртэлх ам.долларын зээлийн шугам олгохоор зөвшөөрсөн. Петровис нь банкнаас ам.долларын санхүүжилт авч байгаа хүүгийн хэмжээгээрээ уг зээлийн хүүг тооцно (одоогоор 10%). Зээлийг дараах аргуудын аль нэгээр эсвэл холимог аргаар төлнө. Үүнд:

- Олборлолтын орлогоос, гэхдээ төлбөрийг 2023 оноос хойш төлж эхлэхээр.
- Ирээдүйд хувьцаагаар хөрөнгө босгох болсон тохиолдолд компанийн ашигласан зээлийн дүн болон хүүгийн хэмжээгээр Петровисийн оролцоог дүйцүүлэн тооцох.
- Амжилттай фармаут хийсэн тохиолдолд гарсан зардлыг нөхөн авах тохиролцоотой үед түүнээс орсон орлогоос гаргуулж авах.

Зээлийн шугамаас хэрэгцээгээрээ авах бөгөөд энэ нь үйл ажиллагааны одоогийн болон урьдчилсан зардалд үндэслэснээр 2022 оны III улирал хүртэл компанийг одоогийн хүн хүч, үйл ажиллагааны түвшинд санхүүжүүлэх боломжтой юм. Ийнхүү Петро Матад нь ашиглалтын тусгай зөвшөөрлийг авах үйл явцыг дуусгах болон Цэн тогоруу газрын тосны ордыг ашиглах үйл ажиллагаанд бэлтгэхэд шаардлагатай санхүүжилтэй болж байна.

ДҮГНЭЛТ

Монгол улсад урт хугацаанд хайгуул хийсний эцэст компанийн үйл ажиллагаанд олборлолт, бүтээн байгуулалтын ажлууд нэмэгдэх боломжтой боллоо.

ТАЛАРХАЛ

Ковид-19 цар тахал, түүний санхүүгийн зах зээлд үзүүлсэн нөлөө, мөн газрын тосны үнэ ихээр унасан нь 2020 онд манай салбарт үйл ажиллагаа эрхэлдэг бүх аж ахуйн нэгжүүдэд бэрхшээл хүндрэлийг авчирлаа. Цар тахал дуусаагүй хэдий ч Петро Матад энэ хэцүү цагийг даван гарч, үйл ажиллагааныхаа дараагийн үе шатанд орохоор зорин ажиллаж байна.

Энэ хүнд хэцүү цаг үед урам зоригтойгоор, хичээнгүйлэн ажилласаар ирсэн Петро Матадын техникийн болон техникийн бус бүх ажилчдадаа талархаж байгаагаа илэрхийлье. Петро Матадын хамт олонтойгоо компанийн хөгжлийн дараагийн үе шатанд орохдоо Удирдах зөвлөл баяртай байна.

Удирдах зөвлөл нь үргэлж хувьцаа эзэмшигчдэдээ үнэ цэнийг бий болгохыг эрмэлздэг бөгөөд компанийг үргэлжлүүлэн дэмжиж байгаад хувьцаа эзэмшигчдэдээ талархлаа илэрхийлье. 2021 оны зээлийн гэрээг үзэглэж, дэмжлэгээ үзүүлэхээр дахин гараа сунгасан манай хамгийн том хувьцаа эзэмшигч болох Петровисийг онцгойлон дурдаж, талархлаа илэрхийлж байна.

ТУЗ-ийн гишүүд



**HEALTH, SAFETY,
SECURITY AND
ENVIRONMENT**

Health, Safety, Security and Environmental Management System (HSSE-MS)

Petro Matad continues to refine and update its HSSE-MS, structured on International Oil and Gas Producers (IOGP) 511, which outlines Operational Management System Guidelines. As revised policies and procedures are released by IOGP, the Company's HSSE-MS is updated to reflect changes accordingly.

The key strategic tenet of the Board of Directors and management is to ensure that the Company's operations comply with its HSSE-MS for the safety and wellbeing of all employees at all times. The Company works closely with its contractors to continuously strive for HSSE excellence to achieve top tier delivery and performance across all operations.

Petro Matad's HSSE philosophy is moulded by the Company's HSSE-MS. It enables real time and practical support in all of the Company's activities and operations as well as ensuring structural compliance with international standards and Mongolian laws and regulations. To apply best in class practises in operating procedures as well as compliance with Mongolian legislation, the Company adheres to guidelines set out in: International Association of Oil and Gas Producers (IOGP), ISO 14001, Environmental Management System Guidelines, OSHA 18001 Occupational Health and Safety Management System Guidelines, International Association of Drilling Contractors (IADC), and International Association of Geophysical Contractors (IAGC).

It is thanks to the rigorous adherence to these standards that Petro Matad has had zero Lost Time Injuries (LTI) for five consecutive years.

Activities

Although there were no exploration operations undertaken in 2020, the Company continued to focus on current and future HSSE needs and requirements.

Since the completion of drilling of the Snow Leopard-1 exploration well in Block V in 2018 and

subsequent technical and biological restoration of the drilling lease, the Company together with its specialist restoration contractor continued to tend to the restoration of the drilling lease. Extremely dry weather conditions during 2019 and 2020 hindered the growth of seeded flora on the lease. With the continued proactive measures undertaken such as additional irrigation of the area to promote flora growth, the lease area was successfully restored to its original condition. The Handover Committee of the Province issued its approval and signed off on the formal handover act completing and confirming the environmental restoration of the site.

The Company also executed the necessary environmental work in order to hand back to the government the Block IV (Bogd) Production Sharing Contract (PSC) area in its entirety and to facilitate the partial relinquishment of the Block V (Ongi) PSC in 2020. A working group consisting of representatives from the Ministry of Mining and Heavy Industry (MMHI), Ministry of Environment (MoE), Mineral Resources and Petroleum Authority of Mongolia (MRPAM) and the Company was set-up to review all related environmental documents and conduct physical inspection of areas where operations had been undertaken by the Company. The working group determined that there were no remaining issues and the processes for the total and partial relinquishments of Blocks IV and V, respectively were concluded.

Upon the completion of drilling of the Red Deer-1 well in southern Block XX, technical restoration of the drilling lease was undertaken immediately after the well was plugged and abandoned. Biological restoration by a specialist restoration contractor was completed in Spring 2020 and the flora re-growth took extremely well in the summer allowing the Company to successfully hand over the lease area with the province's Handover Committee signing off on the formal handover act.

The Company also completed the abandonment of 6 wells drilled between 2010 to 2011 in northern Block XX. As sometime had passed since the wells were drilled, the Company studied and designed

an appropriate abandonment programme in consultation with MRPAM and in compliance with applicable regulations and standards. The abandonment was carried out by a specialist contractor and supervised onsite by Petro Matad. The wellsites will be subject to the necessary biological restoration in 2021.

The Company has had its Detailed Environmental Impact Assessment (DEIA) for the Heron Development approved by the MoE. The DEIA is valid for and covers the first five years of activity within the Exploitation Area and was one of the documents required as part of the application for an Exploitation License in Block XX. Securing the DEIA approval while countrywide Covid-19 restrictions remained in force was achieved with the cooperation of central and local government bodies and with the hard work of the Company's HSSE and Community Relations departments.

Petro Matad concluded 2020 with zero Lost Time Injuries (LTI) and a total of 50,533 manhours recorded. Petro Matad Group's Total Recordable Incident Rate (TRIR), which is one of the Company's Key Performance Indicators (KPIs) was also maintained at zero. Leading and Lagging Indicators were documented throughout as part of the routine data gathering required by the Company's HSSE-MS and enabled Petro Matad and its contractors to analyse trends and anticipate potential problems so aiding in achieving the successful outcome for the year.

The commitment of the Company's management and staff and the continuous and rigorous application of safety systems, policies, and procedures, combined with ongoing training, contributed to no injuries and the Company's fifth consecutive year of zero LTIs.

Health, Safety, Security and Environmental Policy

Petro Matad's Health, Safety, Security and Environmental Policy requires that executive management and all employees are committed to the welfare of all, and it further requires that contractors conduct their services in line with the Company's Policies. The Company understands that

its people are its greatest asset and success can only be achieved by ensuring their welfare and wellbeing.

The specific objectives of Petro Matad's HSSE Policy are to:

- Achieve an accident-free workplace.
- Make Health & Safety an integral part of every managerial and supervisory position.
- Ensure Health & Safety are considered in all planning and work activities.
- Include the Company's employees in the decision-making process through regular communication, consultation, and training.
- Ensure a minimal environmental footprint in all activities.
- Provide a continuous programme of education and development to ensure that the Company's employees work in the safest possible manner.
- Identify, manage, and control all potential hazards in the workplace through hazard identification and risk analysis.
- Ensure potential accidents and incidents are mitigated by proactive engagement, with prevention always being the objective.
- Provide effective injury management; and
- Comply with relevant occupational Health & Safety laws, regulations, guidelines, and project requirements.

The success of the Company's HSSE-MS is dependent on:

- Proactive planning of all work activities with consideration given to implementing health and safety controls that are suitable to each given situation.
- Understanding the total work process and associated health and safety risks.
- Ensuring that employees and contractors are totally committed to achieving objectives.
- Ensuring that open and honest communication exists between management and all employees.
- Minimizing impact on the environment and to conserve and protect the environment in all areas of operations.

Risk Management

Petro Matad, recognises the significance of a proactive stance on HSSE risk management in its operations to provide measures that protect its employees, its contractors and the environment within which the Company operates. Prior to any operations, all risks and hazards are identified, and mitigating measures are implemented to reduce risks where possible to as low as is reasonably practical.

The nature of the Company's business involves exposure to potentially hazardous materials. Any loss of containment of hydrocarbons or other dangerous substances may have adverse effects on both the environment and the health of others. Through operational controls, integrity of asset protocols and environmental risk management, the Company continues to aim to eliminate all environmental risks that may have an impact on the environment and stakeholders.

Engagement and Training

Through an extensive engagement programme, employees, contractors and local hires are trained on Mongolian occupational, health and safety standards and regulations for all required operations and activities. The awareness and training programme includes topics such as Mongolian occupational safety and hygiene laws, investigating industrial accidents, avoidance of acute poisoning, and prevention of occupational diseases, amongst others.

Commitment to Environment

Petro Matad is committed to the preservation and protection of the environment in all areas of its operations. As per the Mongolian environmental laws and regulations, Petro Matad obtains approved Detailed Environmental Impact Assessments (DEIA) over its Blocks and areas of operations as necessary and for the stipulated required periods. The Company's project specific Environmental Management Plans (EMPs) based on the approved DEIA, which are approved by the Mongolian MoE,

include comprehensive plans on how the Company intends to protect the environment in all operating areas. The EMP is provided to local and regional governance bodies to provide assurance to local communities and stakeholders that Petro Matad is operating legally and responsibly.

In other efforts to protect the environment, Petro Matad pays close attention to the training of employees and contractors, to recycling and waste management, spill prevention, water source management and environmental restoration.

Air Quality

The nature of the Company's activities has the potential to pollute the atmosphere, which increases the importance of controlling and reducing emissions to avoid and minimize the potential damaging effects on the environment and human health. Efforts are placed on ensuring machinery and equipment are stringently serviced and maintained to reduce pollutants. Transportation and logistical plans are constantly reviewed to reduce carbon emissions.

Summary

Fundamental to Petro Matad's mission is that the application of international HSSE standards is paramount and foremost in all activities and operations undertaken by the Company and its contractors. Pre-work planning and risk analysis before operations commence are focused on ensuring standards are maintained and enforced. This approach ensures that the Company's license to operate remains in good standing. Petro Matad is constantly striving to improve standards, protect the environment, and ensure the safety of all personnel in its areas of operation.



Petro Matad Group HSE Policy

Commitment

Petro Matad Group is committed to conducting its activities in a manner that incorporates safety, people's health, security and environmental protection (HSSE) as core values. To achieve this commitment, Petro Matad Group companies will be guided by the following principles:

Leadership and Integrated Management

The Board of Directors shall lead and set the overall strategy for health, safety, security and environmental programmes. The Board shall also mandate and facilitate the process where

- appropriate resources will be allocated to implement the strategy; and
- all employees are made aware of and work in accordance with the established principles on a continuing basis.

Line Management shall integrate health, safety, security and environmental protection principles into the business and shall be responsible for their implementation and for the achievement of goals and objectives.

Inclusion of Health, Safety, Security and Environmental Criteria in the Complete Business Cycle

Petro Matad Group shall do everything 'reasonably practicable' to demonstrate legal "due diligence" in onsite health, safety, security and environmental criteria in its strategy and in all aspects and throughout the life cycle of its business activities. The objective is to prevent personal injuries, asset damage and minimise any detrimental effects on the environment and on climate change while respecting local biodiversity and local communities.

Compliance with Standards & HSE Management System

Petro Matad Group shall be proactive in seeking to identify, understand and comply with all local applicable regulatory requirements.

This shall be achieved through a fit for purpose documented Health, Safety, Security, and Environmental Management System (HSSE MS). The HSSE MS will also seek to incorporate current industry best practice and will be updated through a process of continual improvement.

These standards and practices covering health, safety, security and the environment shall be common across all geographic areas, no matter where the Group's activities are being carried out. In non-operated joint ventures, the Group will seek to influence the designated Operator to comply with equivalent standards and principles and apply duty of care to verify minimum standards of performance are met. Petro Matad Group will also seek to design and plan its strategies taking into account relevant trends in legislation and international standards.

Continual Improvement

Petro Matad Group shall systematically establish goals and objectives for continual improvement in health, safety, security and environmental protection. Performance against these objectives shall be evaluated and the necessary corrective measures shall be applied in order to achieve the established goals. Petro Matad Group shall actively research new technical solutions and approaches concerning health, safety, security and environmental issues.

Communication and Community Relations

Petro Matad Group shall maintain regular communication with interest groups and shall work with the community, sharing its knowledge and reporting its performance and the effect of its activities and products upon people and the environment, in a trustworthy and transparent manner.

Contractor and Worker Competency

Petro Matad Group considers demonstrable "competence" an essential prerequisite for all persons holding HSSE or operational critical positions. The scope of this requirement includes both staff and consultants and Contractors carrying out work on behalf of the Group. All personnel in critical positions shall be demonstrably task competent through training, and experience to safely perform the work assigned without supervision. All personnel shall also demonstrate site competence through successful induction.

All Petro Matad Group staff and consultants, no matter what their position or geographic location, are responsible for their own safety and shall contribute as an individual and collectively, to health, safety, security and environmental performance.

Implementation, Including Rights and Duties of Workers

Petro Matad Group considers that complying with and ensuring the fulfilment of this policy is the responsibility of everyone who takes part in its activities. This includes the right and duty to refuse work which might reasonably be considered to be outside this policy subject to formal review.

Reviewed date 11th January 2021

CORPORATE SOCIAL RESPONSIBILITY

05

Corporate Social Responsibility/Community Relations is an integral part of Petro Matad's activities. The Company is committed to evaluating the social impact of its operations, minimizing harm and negative effects thereby ensuring long-term sustainability. Petro Matad has developed a Social Performance (SP) Plan based on socio-economic and social impact assessments. This sets out the socio-economic context, identifies key stakeholders and establishes associated consultation processes, a community grievance management mechanism, a social investment strategy and commitments including the required resources and budget.

In 2020, the following CSR documents were reviewed and updated in accordance with international and Mongolian standards in order to improve the CSR accountability system:

- CSR Social Development Program
- Grievance Receipt Form
- Unified Grievances Database
- Monthly Report Form
- Project Request form

Social Performance Objectives

Petro Matad's strategic SP objectives are to support its business needs primarily through managing social risks and building broad based stakeholder support for its projects to enable on-time and within budget delivery, through the following engagements:

- Manage on the ground social impacts and engage closely with local communities on the management of these risks;
- Ensure community access to timely and accurate information on proposed and executed projects;
- Support HSSE in monitoring environmental impacts during planned operations;
- Maintain an effective community grievance mechanism to resolve issues promptly and appropriately;
- Provide local contractor support to avoid, minimise or mitigate adverse social and cultural impact on surrounding communities; and
- Support local contractors to optimise local participation in projects through direct employment or procurement of goods/services.

Stakeholder Engagement

The core objective of Petro Matad's SP stakeholder engagement strategy is to build relationships, strengthen trust, gain broad-based support and broaden understanding of the communities in which Petro Matad is operating, which provides a mechanism for effective social risk management.

In 2020, the Company's focus was on disseminating accurate information about Petro Matad and its operations, establishing mutually beneficial cooperation with the local community and organizations and reviewing complaints and grievances received from the local community and stakeholders through discussions and information exchanges.

The Company has developed an Image Survey that will be used to assess local community views, opinions and attitudes towards Petro Matad in the areas in which it operates. This will be a useful tool to assist the Company in incorporating public opinions and views for the following year's CSR action plan.

In 2020 even though the Company did not undertake large scale operational activities, its employees were in constant communication with the local administrative offices and government agencies to maintain stable on-going relations.

Social Investment Activities

The Company aims to achieve sustainable development by contributing to social well-being and the country's long-term economic development within the relevant international and Mongolian legislations, and not be limited to donations, aid and short-term projects and programs. Petro Matad has implemented projects and programs to improve the infrastructure for the local community, improve access to health services, improve outreach of education, facilitate protection and preservation of cultural heritage, and provide support for small and medium sized businesses.

An article on the projects and programs implemented by Petro Matad since 2011 was published and released via online news sites and social media in Mongolia during 2020.

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**CORPORATE
GOVERNANCE**

06

Corporate Governance at Petro Matad Limited

Since 2010 the Company has followed the QCA Corporate Governance Guidelines for Alternative Investment Market (AIM) Companies (QCA Code), and the Board, to the extent considered applicable, has ensured that the Company is in compliance with that Code. A Corporate Governance, Social Action and Environmental (CGSAE) Committee was formed in 2010. The Committee is charged, amongst other things, with overseeing and reviewing compliance and corporate governance issues.

Following the changes to the AIM rules which now require AIM-listed businesses to adopt a recognised corporate governance code, the Company is pleased to report that the Board has chosen to continue to follow the QCA Code and is applying the 2018 QCA Code.

Enkhmaa Davaanyam, Non-Executive Chairperson'

Strategy and Business Model Promoting Long-Term Value

The Petro Matad Group's strategy is focused on oil exploration and the development of discoveries in Mongolia and the Group will continue to pursue exploration projects within high-graded exploration areas in Mongolia. Shareholder value will be realised with the development and production of any commercial discoveries made by the Company. To this end, following the success achieved in 2019 with the discovery of potentially commercial oil in the Heron-1 well, the Company has focused efforts and resources on securing the necessary permits to allow the discovery to be delineated and brought on stream. The award of an Exploitation License, will secure the development area of Block XX for 25 years (extendable) and will enable the Company to proceed with development and production activities in the Heron area. Petro Matad will also look at risk diversification measures such as farmouts should a favourable opportunity arise.

The Company is focused on commercialising its discoveries and high-grading exploration areas by accessing and applying state of the art technical

resources to maximise the probability of identifying the best opportunities, making hydrocarbon discoveries and creating value for shareholders.

Funding the Company's activities is critical and the Board reviews funding requirements closely and is focused on ensuring that the Company will be able to fund planned future work programmes.

Board of Directors and Composition

The Board is currently comprised of two Non-Executive Directors (who are shareholder representatives), one Independent Non-Executive Director and one Executive Director.

Due consideration is given to the composition of the Board to ensure:

- The principle of having at least one Independent Director on the Board to oversee that the interests of the Company and all shareholders are maintained
- The Board has appropriate skills, experience and expertise
- Appropriate representation for the Company's major shareholder, Petrovis Matad Inc. (Petrovis)
- Appropriate executive representation on the Board

As the Board is currently comprised of 4 directors it has been agreed that the independent Non-Executive Director rather than the Chairperson will cast the tie breaking vote in case of a tied vote of the Board on any issue. When a fifth Director is added (expected later in 2021 or 2022), votes on resolutions will revert to being passed by majority vote.

The Board is comprised of the following members as of the date of this report:

- Enkhmaa Davaanyam, Non-Executive Chairperson (Petrovis appointee)
- Shinezaya Batbold, Non-Executive Director (Petrovis appointee)
- Timothy Bushell, Non-Executive Director (Independent)
- Michael Buck, Executive Director (Chief Executive Officer)

Brief biographies of the Directors are set out on pages 6 to 9.

Each Director brings different skillsets and capabilities to the Board, resulting in a balanced Board with the necessary blend of relevant experience, skills and personal qualities to deliver the strategy of the Company.

On an ongoing basis the Board reviews the expertise required on its Board to ensure it is fully capable to determine and implement the Company's strategy.

Board additions or replacements are made with the Company's current outlook and the stage of its business development in mind. Candidates are considered on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender.

The Company will ensure, where necessary, that all Directors receive the necessary training to keep their skill sets relevant for Petro Matad.

Whilst the Chairperson of the Board may not fully meet the definitions of an Independent Chairperson, with her experience, skill sets, and independence from Petro Matad's day to day operations, the Company is confident of her leadership in fostering an effective corporate governance regime.

Board Performance Evaluation

The Board has not formally adopted performance evaluation procedures. However, the Board takes the effectiveness and efficiency of its Directors seriously and will continue to review its own performance and effectiveness in an informal way. Performance of Executive Directors is monitored on a continual and ongoing basis in order to assess their effectiveness.

All Directors are evaluated on an ongoing basis before being proposed for re-election to ensure that their performance is and continues to be effective, that where appropriate they maintain their independence and that they are demonstrating continued commitment to the role.

All Directors stand for re-election on a rotational basis whereby one third of the Directors of the Company are required to retire from office at each annual general meeting of the Company and may submit themselves for re-election at each annual general meeting of the Company.

While the Board has plans to add a second independent Non-Executive Director it also evaluates requirements in relation to succession planning taking into account the required skill set and plans and performance of incumbent Directors.

Board Processes

The Company is controlled by the Board of Directors.

Ms D. Enkhmaa ensures the efficient and effective functioning of the Board and, together with the Board as a whole, is responsible to the shareholders for the proper management, development, leadership and protection of the Company's assets. The roles of the Board and its Committees include, but are not limited to, the establishment, review and monitoring of business and strategic plans, overseeing the Company's systems of internal control, governance and policies, reviewing and approving annual operating plans and budgets, and protecting the shareholders' interests.

The Executive Directors are charged by the Board with the day to day operations of the Company and are responsible for the execution of strategy set by the Board and to act as an interface between the Board, management and employees to ensure that all Petro Matad employees and contractors work towards achieving the Company's goals, vision and mission.

All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. All Directors have direct access to the advice and services of the Company's Corporate Manager and are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. The Board through a combination of meetings and conference

calls regularly, and at least once a quarter, reviews operations and implementation of strategy. Due to the 2020 Covid-19 pandemic and travel restrictions, all 2020 Board meetings and discussions were held virtually. Board meetings and discussions in 2020 were attended by all Directors a large majority of the time. Non-Executive Directors are closely involved and updated with regular information flows and are expected to spend at least circa 3-4 weeks of their time each year on Petro Matad matters.

Board Committees

The Board has established an Audit Committee, a Remuneration Committee and a Corporate Governance Social Action and Environmental (CGSAE) Committee, each with formally delegated rules and responsibilities. Management executives and other individuals are invited to attend all or part of the Committee meetings as and when appropriate.

Audit Committee

The members of the Audit Committee in 2020 and to the date of this report, are as follows:

Chair

Enkhmaa Davaanyam

Members

Timothy Bushell
Shinezaya Batbold

The Audit Committee meetings are normally linked to events in the Group's financial calendar, including a review of the Company's annual and half yearly results, the review of the internal controls of the Group and ensuring that the financial performance of the Group is properly reported and monitored. The Audit Committee is responsible, inter alia, for:

(a) considering the appointment of the auditors of the Group, their fees, any questions relating to the resignation or removal of the auditors and their objectivity and independence in the conduct of the audit, and reviewing the nature and extent of non-auditing services provided by the auditors, seeking to balance the maintenance of objectivity and value for money;

(b) discussions with the auditors before the audit commences on the nature and scope of the audit and subsequently reviewing the audit process;

(c) monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgments contained in them, including reviewing the half-yearly and annual financial statements before submission to the Board;

(d) reviewing the Company's internal control systems; and

(e) considering such other matters as the Board may from time to time refer to it.

The Audit Committee meetings minutes are circulated to the Board and the Committee reports its findings to the Board and identifies any matters in respect of which it considers that action or improvement is needed.

Remuneration Committee

The members of the Remuneration Committee in 2020 and to the date of this report are as follows:

Chair

Timothy Bushell

Members

Enkhmaa Davaanyam
Shinezaya Batbold

The Remuneration Committee evaluates the scale and structure of remuneration for Executive Directors, reviews the recommendations for senior management of the Company, and where appropriate overviews the broad issues of salary levels for all employees. The Company's remuneration policy is to facilitate the recruitment, retention and motivation of employees through appropriate remuneration in line with those prevailing in the market of similar positions and responsibilities taking into consideration qualifications and skills possessed. The Committee also makes recommendations to the Board regarding employee incentives and rewards under the share incentive schemes. The Committee reviews

and recommends a framework for the remuneration of the Chairperson as well as the Non-Executive Directors fees. The full details of the Company's remuneration policy and remuneration of Directors are set out in the Remuneration Report on pages 43 to 49.

Corporate Governance, Social Action and Environmental (CGSAE) Committee

The members of the CGSAE Committee in 2020 and to the date of this report are as follows:

Chair

Shinezaya Batbold

Members

Enkhmaa Davaanyam
Timothy Bushell

The CGSAE Committee among other things: regularly reviews the Company's corporate governance and system of internal non-financial controls; assigns responsibilities for health, safety, security and environmental (HSSE) matters and community liaison; reviews the application of the Company's social action policies and environmental policies and supervises the preparation of various reports in respect of these aspects of the Company's activities.

Internal Controls

The Board has responsibility for the Group's systems of internal controls and for reviewing their effectiveness. The internal controls systems are designed to safeguard the assets of the Company, ensure compliance with applicable laws and regulations and internal policies with respect to the conduct of business and the reliability of financial information for both internal use and external publication. The Board has delegated to management the implementation of internal control systems and reviews policies and procedures through regular updates from management. A budgeting process is in place for all items of expenditures, and an annual budget is approved by the Board. In accordance with Board approved Delegation of Authorities, all major expenditures require senior management approval at the appropriate stages of each transaction. Actual versus budgeted expenditure data and the Company's cash position is reported to and monitored by the Board on a monthly basis. In 2020,

management continued to enhance procedures for procurement, budgeting and expenditure approvals, which are in line with standard industry practices. Whilst the Board is aware that no system can provide absolute assurance against material misstatement or loss, regular reviews of internal controls are undertaken to ensure that they are appropriate and effective. It is the opinion of the Board that the system of internal controls operating throughout the year were adequate and effective.

Business Conduct and Ethics

Business conduct and ethics are key factors for the Company and the Board.

Extractive Industries Transparency Initiative (EITI)

EITI is a global initiative in which extractive industries, governments and civil society, all work together for greater transparency. Improved financial transparency of extractive industries operating in countries would enable governments to better manage its natural resource wealth for the benefit of a country's citizens. Mongolia is one of the countries compliant with the EITI. Therefore, the Company's Mongolian subsidiaries have cooperated with the government in this respect and submit annual transparency reports in the required format to the local EITI office. Additional information is provided upon request.

Anti-Bribery and Corruption Policy (ABCP)

Business integrity and ethics are upheld within the operations of the Company at all levels to demonstrate a zero-tolerance approach on bribery and corruption. At the time of the enactment of the Bribery Act 2010, the Company's legal counsels undertook extensive review of the Act and the Board has accordingly adopted an ABCP, including training of its staff to ensure that business integrity and ethics are upheld within the operations of the Company at all levels to demonstrate a zero-tolerance approach on bribery and corruption. The ABCP is updated as necessary to reflect updated processes.

Insurance

The Group maintains insurance for its Directors and officers to protect against liabilities in relation to the Company's operations.

Share Dealing Code

The Company has adopted a Share Dealing Policy for dealing in ordinary shares by Directors and employees which is in line with the new Market Abuse Regulations that came into effect on 3 July 2016.

Risk Management

The Board acknowledges that risk assessment and evaluation is an essential part of the Group's planning and an important aspect of the Group's internal control system. The Board is committed to applying best practice technical, commercial and financial solutions to mitigate risks as much as possible, while always maintaining a proper control environment to ensure all laws and regulations are followed. The principal risks facing the Group are set out below. This list is not exhaustive and investors should be aware that additional risks which were not known to the Directors at the time of review, or that the Directors considered at the date of this report to be immaterial, may also have a material adverse effect on the financial condition, performance or prospects of the Company, and the market price of Company shares.

The Board has undertaken to review risks annually using a purpose-built risk matrix. Risks identified are ranked in relation to the probability of occurrence and impact on operations. Each identified risk is delegated to a senior member of the management team to monitor and define mitigating and intervening action, should circumstances warrant it.

Financial Risks

- Bank Default
- Lack of funding leading to temporary slowdown
- Lack of funding leading to insolvency
- Financial risks – inflation, exchange rates etc.

Government/Statutory Risks

- Expropriation of PSC
- Sanctity of contract – Detrimental change of PSC terms

- Statutory environment: FDI, Petroleum Law, Tax etc.
- Government ineffectiveness/Institutional failure
- Loss of listed status
- External statutory risks (Anti-bribery, FCA)

Operational Risks

- Lack of sufficient success in exploration/exploitation programme
- Contractual risk – quality of work or value for money not achieved
- Work programme risk – improper well design and others
- Contractor risk – equipment failure

Health, Safety, Security and Environmental Risks

- Natural disasters/health epidemics and pandemics
- Environmental damage
- Accidents in workplace
- Security concern: Civil unrest, terrorism, sabotage

Management Risks

- Management effectiveness
- Project management/operational efficiency
- Loss of key staff

Shareholder and Investor Relations

The Board remains committed to maintaining communication with its shareholders. The Company encourages two-way communication with both its institutional and private investors and responds in a timely manner to all queries received. The Company has kept its shareholders and investors abreast with the latest updates without any delay and through various platforms such as interviews, podcasts and investor conferences.

The Board recognizes the AGM as an important opportunity to meet private shareholders. The Directors are available to listen to the views of shareholders informally immediately following the AGM. The Company's Articles of Association were amended at the September 2018 AGM to enable the Company to potentially hold AGMs in the United Kingdom in the future, in recognition of Petro Matad Limited being listed on AIM, where a substantial number of the Company's private investors are based. Due to the Covid-19 pandemic which resulted

in imposed lockdowns and travel restrictions, the Company opted to hold the 2020 AGM virtually and provided shareholders an opportunity to attend and listen to the meeting proceedings from wherever they were located around the world. Shareholders were also encouraged to submit any questions prior to the commencement of the AGM during which time the questions were answered by executive management. A recording of the proceedings of the AGM were uploaded to the website following the meeting. Where voting decisions are not in line with the Company's expectations the Board will engage with those shareholders to understand and address any issues. The Company's Executive Management is the main point of contact for such matters and the Company has established an email address for this purpose: admin@petromatadgroup.com.

The Company maintains a website for the purpose of improving information flow to shareholders as well as potential investors. All press announcements and financial statements as well as extensive operational information about the Group's activities are made available on the website. Enquiries from individual shareholders on matters relating to their shareholdings and the business of the Group are welcomed through the Company's website and other methods of communication.

The Company engaged FTI Consulting in 2017 to enhance investor relations. In order to provide more informational updates on operations, the Company started a Twitter account (@Petro_Matad) with an aim to provide regular operational and corporate updates to its investors and shareholders.

Stakeholder Engagement and Corporate Social Responsibilities

Community Social Responsibility (CSR) is an integral part of Petro Matad's activities. The Company is committed to evaluating and minimizing the social and environmental impact of its operations, thereby ensuring its long-term sustainability. Petro Matad has developed a Social Performance (SP) Plan based on socio-economic and social impact assessments, which sets out the socioeconomic context, identifies the key stakeholders and associated consultation process, community grievance management mechanism, social investment strategy and commitments including the required resources and budget.

This is evidenced and underpinned by our vision and values including ongoing engagement with stakeholders at all levels.

The core objective of Petro Matad's SP stakeholder engagement strategy is to build relationships, strengthen trust, gain broad-based support and broaden understanding of the communities in which Petro Matad is operating, which provides a mechanism for effective social risk management. For more information please see the Corporate Social Responsibility Statement on pages 32 to 33.

The Company liaises closely with the Mongolian regulator, Mineral Resources and Petroleum Authority of Mongolia in bringing forward issues in the conduct of business and operations within the Mongolian oil industry and also to comply with its obligations under the Production Sharing Contracts.

The Petro Matad Group conducts regular reviews on the effectiveness of stakeholder engagement and is committed to improve in areas where deficiencies are recognised. The Petro Matad Group encourages feedback from all stakeholders and reacts accordingly in line with guidelines on stakeholder engagement. The Company has established an email address for this purpose: admin@petromatadgroup.com. The Company's public relations firm FTI responds to general enquiries on behalf of the company, recognising that price sensitive information will not be divulged.

Please go to <https://www.petromatadgroup.com/corporate/corporate-governance/> for further details on how the Company complied with the QCA Code.

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**REMUNERATION
REPORT
(UNAUDITED)**

07

The Board of Directors of the Company has appointed a Remuneration Committee for the purposes of establishing a framework for setting and maintaining remuneration at appropriate levels in the Group.

The Remuneration Committee has been comprised of the following members during the year and until the date of this report. Directors were in office for this entire year unless otherwise stated.

Timothy Paul Bushell (Chairperson)
Enkhmaa Davaanyam
Shinezaya Batbold

The Committee's objective is to meet at least twice a year and as at such other times as the Committee Chairperson shall require in accordance with the formal "Terms of Reference for the Remuneration Committee" approved by the Board of Directors on 24 April 2008.

Remuneration Policy

The Committee determines and agrees with the Board on behalf of the shareholders the broad policy for the remuneration of the Company's Chairman, the Chief Executive of the Company, the Executive Directors and such other members of the executive management as it is designated to consider. No Director or manager is involved in any decisions as to their own remuneration.

In determining the policy, the Committee takes into account all factors which it deems necessary. The objective of such policy is to ensure that members of the management of the Group are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group.

The Committee approves the design of, and determine targets for, any performance related pay schemes operated by the Group and approve the total annual payments made under such schemes.

The Committee approves the design of all share incentive plans for approval by the Board and shareholders. For any such plans, the Committee determines each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to any executive Directors and other senior executives and the performance targets to be used.

The Committee determines the policy for, and scope of, pension arrangements for any Executive Directors and other senior executives. Currently the Group has not adopted any policy for pension arrangements.

The Committee ensures that contractual terms on termination of employment of any Executive Directors, and any payments made, are fair to the individual, and the Group, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

Within the terms of the agreed policy and in consultation with the Chief Executive as appropriate, the Committee determines the total individual remuneration package of each Executive Director including bonuses, incentive payments and share Options or other share awards.

In determining such packages and arrangements, the Committee gives due regard to any relevant legal requirements, the provisions and recommendations in the UK Corporate Governance Code and the London Stock Exchange's AIM Rules for Companies and associated guidance. The Committee also gives due consideration to pay and employment conditions elsewhere in the Group.

The Committee reviews up-to-date remuneration information on companies of a similar size in a comparable industry sector, as well as on other companies within the same group as the Group and ensures that automatic increases are not implemented without considering relative performance and judging the implications carefully.

The Committee reviews and notes annually the remuneration trends across the Group.

The Committee is aware of and oversee any major changes in employee benefit structures throughout the Group.

The Committee ensures that all provisions regarding disclosure of remuneration, including pensions, are fulfilled.

The Committee is exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee, and for obtaining reliable, up-to-date information about remuneration in other companies. The Committee has full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations.

The Committee gives guidance to the executive management in setting the levels of remuneration for the Group.

The Committee reviews the ongoing appropriateness and relevance of the remuneration policy.

Long Term Equity Incentive Plan (Plan or Group's Plan)

The Group provides long term incentives to employees (including Executive Directors), Non-Executive Directors and consultants through the Group's Plan based on the achievement of certain performance criteria. The Plan provides for share awards in the form of Options and Conditional Share Awards. The incentives are awarded at the discretion of the Board, or in the case of Executive Directors, the Remuneration Committee of the Board, who determine the level of award and appropriate vesting, service and performance conditions taking into account market practice and the need to recruit and retain the best people.

Options may be exercised, subject only to continuing service, during such period as the Board may determine.

Conditional Share Awards shall vest subject to continuing service and appropriate and challenging service and performance conditions determined by the Remuneration Committee relating to the overall performance of the Group.

(a) Details of Directors

The names of the Company's Directors, having authority and responsibility for planning, directing and controlling the activities of the Group, in office during 2019 and 2020, are as below:

The Directors were in office until the date of this report and for this entire period unless otherwise stated.

Directors

Enkhmaa Davaanyam	Non-Executive Chairperson
John Rene Henriksen	Chief Financial Officer (Retired 31 December 2020)
Timothy Paul Bushell	Non-Executive Director
Michael James Buck	Chief Executive Officer
Shinezaya Batbold	Non-Executive Director

(b) Compensation of Directors

	Consolidated	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Short-term employee benefits	681	1,257
Post-employment benefits	-	-
Share based payment expense	6	102
	687	1,359

Directors	Consolidated	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Enkhmaa Davaanyam	32	51
Timothy Paul Bushell	45	84
John Rene Henriksen	265	348
Michael James Buck	320	743
Shinezaya Batbold	19	31
Total	681	1,257

The short-term employment benefits were paid to Directors and associated entities of the Directors.

Directors are not entitled to termination or retirement benefits.

(c) Shareholdings of Directors and their related parties

Balance at 31 December 2019 or if applicable at the date of resignation	Balance as at 01-Jan-19	Acquired and (Disposed)	Options & Awards Exercised	Balance as at 31-Dec-19
Directors				
Enkhmaa Davaanyam	6,136,175	-	-	6,136,175
John Rene Henriksen	2,065,213	-	-	2,065,213
Timothy Paul Bushell	1,061,538	-	-	1,061,538
Michael James Buck	4,270,006	-	-	4,270,006
Shinezaya Batbold	2,000,000	-	-	2,000,000
Total	15,532,932	-	-	15,532,932

Balance at 31 December 2020 or if applicable at the date of resignation	Balance as at 01-Jan-20	Acquired and (Disposed)	Options & Awards Exercised	Balance as at 31-Dec-20
Directors				
Enkhmaa Davaanyam	6,136,175	251,000	-	6,387,175
John Rene Henriksen	2,065,213	1,737,000	-	3,802,213
Timothy Paul Bushell	1,061,538	415,000	-	1,476,538
Michael James Buck	4,270,006	4,455,000	-	8,725,006
Shinezaya Batbold	2,000,000	151,000	-	2,151,000
Total	15,532,932	7,009,000	-	22,541,932

All transactions with Directors other than those arising from the exercise of Options and Conditional Share Awards have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

(d) Options holdings of Directors

For the year ended 31 December 2019	Balance as at 01-Jan-19	Granted as Remu- neration	Options Exercised	Options Lapsed	Balance as at 31-Dec-19	Not Vested & Not Exercisable	Vested & Exercisable
Directors							
Enkhmaa Davaanyam	150,000	-	-	-	150,000	-	150,000
John Rene Henriksen	100,000	-	-	-	100,000	-	100,000
Timothy Paul Bushell	-	-	-	-	-	-	-
Michael James Buck	-	-	-	-	-	-	-
Shinezaya Batbold	-	-	-	-	-	-	-
Total	250,000	-	-	-	250,000	-	250,000

For the year ended 31 December 2020	Balance as at 01-Jan-20	Granted as Remu- neration	Options Exercised	Options Lapsed	Balance as at 31-Dec-20	Not Vested & Not Exercisable	Vested & Exercisable
Directors							
Enkhmaa Davaanyam	150,000	-	-	-	150,000	-	150,000
John Rene Henriksen	100,000	-	-	-	100,000	-	100,000
Timothy Paul Bushell	-	-	-	-	-	-	-
Michael James Buck	-	-	-	-	-	-	-
Shinezaya Batbold	-	-	-	-	-	-	-
Total	250,000	-	-	-	250,000	-	250,000

(e) Conditional Share Awards holdings of Directors

For the year ended 31 December 2019	Balance as at 01-Jan-19	Granted as Remu- neration	Awards Exercised	Awards Lapsed	Balance as at 31-Dec-19	Not Vested & Not Exercisable	Vested & Exercisable
Directors							
Enkhmaa Davaanyam	150,000	251,000	-	-	401,000	150,000	251,000
John Rene Henriksen	100,000	1,737,000	-	-	1,837,000	100,000	1,737,000
Timothy Paul Bushell	-	415,000	-	-	415,000	-	415,000
Michael James Buck	-	4,455,000	-	-	4,455,000	-	4,455,000
Shinezaya Batbold	-	151,000	-	-	151,000	-	151,000
Total	250,000	7,009,000	-	-	7,259,000	250,000	7,009,000

For the year ended 31 December 2020	Balance as at 01-Jan-20	Granted as Remu- neration	Awards Exercised	Awards Lapsed	Balance as at 31-Dec-20	Not Vested & Not Exercisable	Vested & Exercisable
Directors							
Enkhmaa Davaanyam	401,000	-	251,000	-	150,000	150,000	-
John Rene Henriksen	1,837,000	-	1,737,000	-	100,000	100,000	-
Timothy Paul Bushell	415,000	-	415,000	-	-	-	-
Michael James Buck	4,455,000	-	4,455,000	-	-	-	-
Shinezaya Batbold	151,000	-	151,000	-	-	-	-
Total	7,259,000	-	7,009,000	-	250,000	250,000	-

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**CONSOLIDATED
FINANCIAL
STATEMENTS**

08

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Note	Consolidated	
		31 Dec 2020 \$'000	31 Dec 2019 \$'000
Continuing operations			
Revenue			
Interest income	4(a)	25	765
Other income	4(a)	39	4
		64	769
Expenditure			
Consultancy fees		(80)	(130)
Depreciation and amortisation		(224)	(174)
Employee benefits expense	4(b)	(1,598)	(4,092)
Exploration and evaluation expenditure	4(c)	(433)	(10,916)
Other expenses	4(d)	(974)	(2,291)
(Loss)/Profit from continuing operations before income tax		(3,245)	(16,834)
Income tax expense	5	-	-
(Loss)/Profit from continuing operations after income tax		(3,245)	(16,834)
Net (loss)/profit for the year		(3,245)	(16,834)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of income tax of \$Nil (2019: \$Nil)		(16)	(14)
Other comprehensive (loss)/income for the year, net of income tax		(16)	(14)
Total comprehensive (loss)/income for the year		(3,261)	(16,848)
(Loss)/Profit attributable to owners of the parent		(3,261)	(16,848)
Total comprehensive (loss)/income attributable to owners of the parent		(3,261)	(16,848)
(Loss)/Earnings per share (cents per share)			
Basic (loss)/earnings per share	6	(0.5)	(2.5)
Diluted (loss)/earnings per share	6	(0.5)	(2.5)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	Consolidated	
		31 Dec 2020 \$'000	31 Dec 2019 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	7	939	2,815
Trade and other receivables	8	10	23
Prepayments	9	222	155
Financial assets	10	11	1,510
Inventory	11	224	226
Total Current Assets		1,406	4,729
Non-Current Assets			
Exploration and evaluation assets	12	15,275	15,275
Property, plant and equipment	13	145	260
Right-of-Use asset	13	36	-
Total Non-Current Assets		15,456	15,535
TOTAL ASSETS		16,862	20,264
LIABILITIES			
Current Liabilities			
Trade and other payables	14	364	502
Lease liability	14	25	-
Total Current Liabilities		389	502
TOTAL LIABILITIES		389	502
NET ASSETS		16,473	19,762
EQUITY			
Equity attributable to owners of the parent			
Issued capital	15	144,011	143,174
Reserves	16	1,392	3,062
Accumulated losses		(128,930)	(126,474)
TOTAL EQUITY		16,473	19,762

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	Consolidated	
		31 Dec 2020 \$'000	31 Dec 2019 \$'000
Cash flows from operating activities			
Payments to suppliers and employees		(3,340)	(17,598)
Interest received		25	765
Other income		52	-
Net cash flows (used in)/provided by operating activities	7	(3,263)	(16,833)
Cash flows from investing activities			
Purchase of property, plant and equipment		(13)	(105)
Proceeds from the sale of financial assets		1,499	17,651
Proceeds from the sale of property, plant and equipment		-	5
Net cash flows used in investing activities		1,486	17,551
Cash flows from financing activities			
Proceeds from issue of shares		31	-
Capital raising cost		-	-
Payments of lease liability principal		(114)	-
Net cash flows from financing activities		(83)	-
Net (decrease)/increase in cash and cash equivalents		(1,860)	718
Cash and cash equivalents at beginning of the year		2,815	2,111
Net foreign exchange differences		(16)	(14)
Cash and cash equivalents at the end of the year	7	939	2,815

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Note	Consolidated			
		Attributable to equity holders of the parent			
		Issued capital \$'000	Accumulated Losses \$'000	Other Reserves Note 16 \$'000	Total \$'000
As at 1 January 2019		143,174	(109,809)	2,660	36,025
Net loss for the year		-	(16,834)	-	(16,834)
Other comprehensive income		-	-	(14)	(14)
Total comprehensive gain/(loss) for the year		-	(16,834)	(14)	(16,848)
Issue of share capital	15	-	-	-	-
Cost of capital raising	15	-	-	-	-
Share-based payments	15 & 16	-	-	585	585
Exercise of Conditional Share Awards	15, 16 & 17	-	-	-	-
Expiry of Options	16 & 17	-	169	(169)	-
As at 31 December 2019		143,174	(126,474)	3,062	19,762
Net loss for the year		-	(3,245)	-	(3,245)
Other comprehensive income		-	-	(16)	(16)
Total comprehensive gain/(loss) for the year		-	(3,245)	(16)	(3,261)
Issue of share capital	15	192	-	-	192
Cost of capital raising	15	-	-	-	-
Share-based payments	15 & 16	-	-	(220)	(220)
Exercise of Conditional Share Awards	15, 16 & 17	645	-	(645)	-
Expiry of Options	16 & 17	-	789	(789)	-
As at 31 December 2020		144,011	(128,930)	1,392	16,473

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

The financial report of Petro Matad Limited (Company) for the year ended 31 December 2020 was authorised for issue in accordance with a resolution of the Directors dated 18 June 2021, which was approved on 22 June 2021.

This financial report presents the consolidated results and financial position of Petro Matad Limited and its subsidiaries.

Petro Matad Limited (Company) incorporated in the Isle of Man on 30 August 2007 has four wholly owned subsidiaries, including Capcorp Mongolia LLC and Petro Matad LLC (both incorporated in Mongolia), as well as Central Asian Petroleum Corporation Limited (Capcorp) and Petromatad Invest Limited (both incorporated in the Cayman Islands). The Company and its subsidiaries are collectively referred to as the "Group". The Group's principal activity in the course of the financial year consisted of oil exploration in Mongolia.

Petrovis Matad Inc. (Petrovis) is a major shareholder of the Company, holding approximately 21.44% of the shareholding at the year end of 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

This financial report complies with International Financial Reporting Standards (IFRS) as adopted by the European Union.

This financial report has been prepared on a historical cost basis, except where otherwise stated. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

For the purpose of preparing the consolidated financial statements, the Company is a for-profit entity.

(b) Statement of compliance

This general-purpose financial report has been prepared in accordance with the requirements of all applicable IFRS as adopted by the European Union and related Interpretations and other authoritative pronouncements.

(c) Going concern note

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group generated a loss of \$3.25 million (2019: \$16.83 million loss) and experienced net cash outflows from operating activities of \$3.26 million (2019 outflow: \$16.83 million). In addition, as outlined in Note 18(b) the Group is required to meet minimum exploration commitments on its Block XX Production Sharing Contract (PSC) of approximately \$6.96 million as of 31 December 2021. The Company has reached an agreement with the Mineral Resources and Petroleum Authority of Mongolia (MRPAM) that this underspent minimum exploration commitment can be transferred to and spent on exploration and appraisal activities during the exploitation period. The documentation confirming this agreement is currently being formalized. The Company's application for a 25-year Exploitation Licence (EL) for Block XX is at an advanced stage with approval expected in the near future. Once the EL is obtained, the Company will be in a position to initiate a fundraise for appraisal and development of the Heron discovery, including expenditure to satisfy the aforementioned shortfall.

The delay in EL approval and requirement for a fundraise to commence appraisal and development activities are conditions that indicate a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern.

The Company's current cash balance is insufficient to continue operations beyond July 2021. To address this situation, the Company's largest and founding shareholder, Petrovis has agreed to make available to the Company a loan of up to \$1.5 million, against which the Company can draw funds as required. This facility ensures the Company will be able to operate until late 2022, if unexpectedly, the EL is not approved in the near-term.

Although the Company is fully funded for its planned activities in 2021, the ability of the Group to continue as a going concern beyond 2021 is principally dependent upon one or more of the following:

- Obtaining approval from the Ministry of Mining and Heavy Industry (MMHI) the Block XX Exploitation Licence;
- Raising additional equity;
- Securing farm-out agreements to fund operations beyond 2021.

The Company handed back its Block IV PSC with no financial commitment remaining and MRPAM has approved the return of the Block.

Cumulative expenditures to end 2020 in Block V exceed financial commitments by \$3.90 million. In 2020, the Company relinquished 13,206.41 sq kms of the Block (retaining 7,936.95 sq kms) and this has been formally approved by MRPAM. The Company applied for moratoria on Block V for both 2020 and 2021 which have been approved by MRPAM. The Block V PSC exploration term is now due to expire in July 2023.

The Directors have prepared a cash flow forecast which indicates that the Group will have sufficient cash to meet their working capital requirements for the twelve-month period from the date of signing the financial report.

The Directors are satisfied that they will achieve successful outcomes in relation to the matters set out above and therefore the going concern basis of preparation is appropriate. The financial report has therefore been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Should the Group be unable to achieve the matters referred to above, there is a material uncertainty whether the Group will be able to continue as going concerns beyond 2022 and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business and at amounts stated in the financial report.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

(d) Application of new and revised Accounting Standards

Accounting Standards that are mandatorily effective for the current reporting year

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2020. New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia.

The Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Group has not applied the new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective. Based on a preliminary review of the standards and amendments, the Directors do not anticipate a material change to the Group's accounting policies, however further analysis will be performed when the relevant standards are effective.

(e) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

(f) Foreign currency translation

Functional and presentation currency

Both the functional and presentation currency of Petro Matad Limited is United States Dollars (USD). The Cayman Island subsidiaries' functional currency is USD. The Mongolian subsidiaries' functional currency is Mongolian Tugrugs (MNT) which is then translated to the presentation currency, USD.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on transactions entered into to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal on the net investment.

Translation of subsidiaries' functional currency to presentation currency

The results of the Mongolian subsidiaries are translated into USD (presentation currency) as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at the reporting date.

Exchange differences resulting from the translation are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity.

On consolidation, exchange differences arising from the translation of the net investment in Mongolian subsidiaries are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. If a Mongolian subsidiary was sold, the proportionate share of exchange difference would be transferred out of equity and recognised in profit and loss.

(g) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(h) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Objective evidence of impairment includes financial difficulties of the debtor, default payments or debts more than 60 days overdue. The amount of the impairment loss is the amount by which the receivable carrying value exceeds the present value of the estimated future cash flows, discounted at the original effective interest rate.

(i) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset and is currently estimated to be an average of 6 years.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(j) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instruments. For financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instruments is classified at 'Fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. Fair value represents the price that would be received to sell an asset or paid to transfer a

liability in orderly transaction between market participants at the measurement date. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as (i) the amount at which the financial asset or financial liability is measured at initial recognition; (ii) less principal repayments; (iii) plus or minus the cumulative amortization of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and (iv) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carry amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss. The Group does not designate any interest in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial statements.

(i) Financial assets at fair value through profit and loss or through other comprehensive Income

Financial assets are classified at 'Fair value through profit or loss' or Fair value through other comprehensive Income' when they are either held for trading for purposes of short term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss if electing to choose 'fair value through profit or loss' or other comprehensive income if electing 'Fair value through other comprehensive income'.

(ii) Financial Liabilities

The Group's financial liabilities include trade and other payables, loan and borrowings, provisions for cash bonus and other liabilities which include deferred cash consideration and deferred equity consideration for acquisition of subsidiaries & associates.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, and payables, net of directly attributable transaction costs.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Derecognition

Financial assets are derecognised where the contractual rights to receipts of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risk and benefits associated with the asset. Financial liabilities are recognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(k) Inventory

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(l) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred by the Group is expensed separately for each area of interest. The Group's policy is to expense all exploration and evaluation costs funded out of its own resources.

(m) Exploration and evaluation assets

Exploration and evaluation assets arising out of business combinations are capitalised as part of deferred exploration and evaluation assets. Subsequent to acquisition, exploration expenditure is expensed in accordance with the Group's accounting policy.

(n) Impairment of tangible and intangible assets other than goodwill

At each reporting date, the Group assesses whether there is any indication that tangible and intangible asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount for each asset or cash generating unit to determine the extent of the impairment loss (if any). Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the assets (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of impairment loss is treated as a revaluation increase.

Impairment review for deferred exploration and evaluation assets are carried out on a project-by-project basis, where each project representing a single cash generating unit. An impairment review is undertaken when indicators of impairment arise, typically when one of the following circumstances apply:

- Unexpected geological occurrences that render the resource uneconomic;
- Title to asset is compromised;
- Variations in prices that render the project uneconomic; or
- Variations in the currency of operation.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. After initial recognition, trade and other payables are carried at amortised cost and due to their short-term nature are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. If the effect of the time-value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(q) Leases

The Group as lessee

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (ie a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

The Group as lessor

Upon entering into each contract as a lessor, the Group assesses if the lease is a finance or operating lease.

A contract is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases not within this definition are classified as operating leases.

Rental income received from operating leases is recognised on a straight-line basis over the term of the specific lease.

Initial direct costs incurred in entering into an operating lease (for example, legal cost, costs to set up equipment) are included in the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Rental income due under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. When a contract is determined to include lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

(r) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(s) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognised:

Interest revenue

Revenue is recognised on an accrual basis using the effective interest method.

(t) Share-based payment transactions

The Group provides to certain key management personnel share-based payments, whereby they render services in exchange for rights over shares (equity-settled transactions).

The cost of these equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined by use of the Black Scholes model.

In determining the fair value of the equity-settled transactions, vesting conditions that are not market conditions are not taken into account.

The cost of equity-settled transactions is recognised as an expense on a straight-line basis, together with a corresponding increase in equity, over the period in which they vest.

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects:

- the extent to which the vesting period has expired; and
- the number of awards that, in the opinion of the Directors of the Group, will ultimately vest.

This opinion is formed based on the best available information at the reporting date. The impact of the revision of original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

(u) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior years is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) that affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax is recognised as an expense or income in the profit or loss, except when it relates to items credited or debited directly to equity/other comprehensive income, in which case the deferred tax is also recognised directly in equity/other comprehensive income, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill.

(v) Earnings per share

Basic earnings per share is calculated as net profit attributable to owners of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to owners of the parent, adjusted for:

- Costs of servicing equity (other than dividends);
- The after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the year that would result from the conversion of dilutive potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(w) Significant accounting judgments, estimates and assumptions

In applying the Group's accounting policies, management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions.

Any revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

The following are the most critical estimates and judgments made by management in applying the accounting policies and have the most significant effect on the amounts recognised in the financial statements.

Share-based payments

The Group measures the cost of equity-settled transactions with Directors and employees at the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black Scholes model. One of the inputs into the valuation model is volatility of the underlying share price which is estimated on the historical share price.

Recovery of the exploration and evaluation assets

The ultimate recoupment of the exploration and evaluation assets is dependent upon successful development and commercial exploitation or alternatively the sale of the respective areas of interest at an amount at least

equal to book value. At the point that it is determined that any capitalised exploration and evaluation expenditure is not recoverable, it is written off.

Going Concern

The Group assesses the going concern of the Group on a regular basis, reviewing its cash flow requirements, commitments and status of PSC requirements and funding arrangements. Refer to Note 2(c) for further details.

3 OPERATING SEGMENTS

Operating segments have been identified on the basis of internal reports of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The chief operating decision maker has been identified as the Board of Directors. On a regular basis, the Board receives financial information on a consolidated basis similar to the financial statements presented in the financial report, to manage and allocate their resources. Based on the information provided to the Board of Directors, the Group has one operating segment and geographical segment, being Mongolia; as such no separate disclosure has been provided.

4 REVENUES AND EXPENSES

	Consolidated	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
(a) Revenue		
Interest Income	25	765
Other income:		
Other income	39	4
	64	769
(b) Employee benefits expense		
Included in employee benefits expense are the following:		
Wages and salaries	1,471	2,708
Bonuses	-	269
Non-Executive Directors' fees (including Directors of affiliates)	96	166
Consultancy fees	251	364
Share-based payments	(220)	585
	1,598	4,092
(c) Exploration and evaluation expenditure		
Exploration and evaluation expenditure relates to the following PSCs:		
Block XX	404	10,726
Blocks IV and V	29	190
	433	10,916

The Company handed back its Block IV with no financial commitment remaining and MRPAM has approved the return of the Block.

(d) Other expenses		
Included in other expenses are the following:		
Administration costs	494	1,161
PSC administration costs	345	745
Audit fees	84	83
Travel expenses	51	302
	974	2,291

5 INCOME TAX

	Consolidated	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Income tax recognised in the statement of profit or loss:		
Tax expense/(benefit) comprises:		
Current tax expense/(benefit)	-	-
Deferred tax expense/(benefit) relating to the origination and reversal of temporary differences	-	-
Total tax expense/(benefit) reported in the statement of profit or loss	-	-

The prima facie income tax benefit on pre-tax accounting loss from continuing operations reconciles to the income tax expense/(benefit) in the financial statements as follows:

	Note	Consolidated	
		31 Dec 2020 \$'000	31 Dec 2019 \$'000
Net (loss)/profit for the year		(3,245)	(16,834)
Income tax benefit calculated at 10%	(i)	325	1,683
Effect of different tax rates on entities in different jurisdictions	(ii)	(95)	(245)
Change in unrecognised deferred tax assets		(230)	(1,438)
		-	-

(i) The tax rate used in the above reconciliation is the corporate tax rate of 10% payable by Mongolian corporate entities on taxable profits up to 6 billion MNT under Mongolian tax law.

(ii) Petromatad Invest Limited and Capcorp are exempt of Mongolian corporate tax on profits derived from the sale of oil under their PSCs once production commences and are subject to Cayman Islands income tax at a rate of 0%. As a consequence, no provision for Mongolian corporate tax or Cayman Islands current tax or deferred tax has been made in the Company's accounts in relation to them.

Petro Matad Limited is subject to Isle of Man income tax at a rate of 0%. As a consequence, no provision for Isle of Man current tax or deferred tax has been made in the Company's accounts.

6 (LOSS)/EARNINGS PER SHARE

The following reflects the loss and share data used in the total operations basic and diluted (loss)/earnings per share computations:

	Consolidated	
	31 Dec 2020 cents per share	31 Dec 2019 cents per share
Basic (loss)/earnings per share	(0.5)	(2.5)
Diluted (loss)/earnings per share	(0.5)	(2.5)
	\$'000's	\$'000's
The loss and weighted average number of ordinary shares used in the calculation of basic and diluted (loss)/earnings per share are as follows:		
Net (loss)/profit attributable to owners of the parent	(3,245)	(16,834)
Weighted average number of ordinary shares for the purposes of diluted (loss)/earnings per share (in thousands)	675,284	662,196
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share (in thousands)	675,284	662,196

7 CASH AND CASH EQUIVALENTS

	Consolidated	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Cash at bank and in hand	939	2,815
	939	2,815

Cash at bank and in hand earns interest at fixed and floating rates based on prevailing bank rates, and the fair value of the above cash and cash equivalents is \$939,000 (2019: \$2,815,000) due to the short-term nature of the instruments.

Reconciliation from the net gain/(loss) after tax to the net cash flows from operations:

	Consolidated	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Net (loss)/gain after tax	(3,245)	(16,834)
<i>Adjustments for:</i>		
Depreciation and amortisation	224	174
Consultancy fee	161	-
Share based payments	(220)	585
Unrealised foreign exchange (gains)/ losses	7	6
<i>Changes in assets and liabilities</i>		
Decrease/(increase) in trade and other receivables	13	(14)
Decrease/(increase) in prepayments	(67)	47
Decrease/(increase) in inventory	2	(13)
Increase/(decrease) in trade and other payables	(138)	(784)
Net cash flows used in operating activities	(3,263)	16,833

Non-cash investing and financing activities

There were no non-cash investing or financing activities undertaken in the 2020 financial year or prior year, other than the exercise of Conditional Share Awards of \$0.838 million (2019: nil).

8 TRADE AND OTHER RECEIVABLES

	Consolidated	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Current		
Other debtors	10	23
	10	23

All amounts are recoverable and are not considered past due or impaired.

9 PREPAYMENTS

	Consolidated	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Prepayments	222	155
	222	155

10 FINANCIAL ASSETS

	Consolidated	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Long Term Deposits	11	1,510
	11	1,510

The Group holds term deposits with an average weighted interest rate of 1.8%. The deposits have maturity dates greater than 3 months. None of these assets had been past due or impaired at the end of the reporting period.

11 INVENTORY

	Consolidated	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Raw materials	224	226
	224	226

Inventory are mainly consumables, including casing, mud and drilling materials purchased for Block XX.

12 EXPLORATION AND EVALUATION ASSETS

	Consolidated	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Exploration and evaluation assets	15,275	15,275
	15,275	15,275

The exploration and evaluation asset arose following the initial acquisition in February 2007 of 50% of Petromatad Invest Limited, together with acquisition on 12 November 2007 of the remaining 50% not already held by the Group, for a consideration of 23,340,000 ordinary shares credited as fully paid up and with an estimated fair value of \$0.50 per share, taking into account assets and liabilities acquired on acquisition. This relates to the exploration and evaluation of PSC Block XX.

The ultimate recoupment of exploration and evaluation expenditure is dependent upon successful development and commercial exploitation or alternatively the sale of the respective areas of interest at an amount at least equal to book value.

Management have reviewed for impairment indicators on Block XX and no impairment has been noted.

During 2020, the Company was focused on providing all necessary documentation to the Mongolian regulator in an effort to obtain approval for its Exploitation Licence application, which would then enable development of its 2019 Heron discovery in the northern area of Block XX. When the Exploitation Licence is approved, the Company will be able to appraise, develop and produce oil from the area. An Exploitation Licence has a 25-year term and is extendable by up to 10-years (two times 5-years)

13 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSET

	Consolidated	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Plant and equipment at cost	831	917
Accumulated depreciation and impairment	(686)	(657)
	145	260
Right-of-Use asset	139	-
Accumulated depreciation – Right-of-Use asset	(103)	-
	36	-

Reconciliation of carrying amounts at the beginning and end of the year:

	Plant and equipment Total \$'000	Right-of-Use asset Total \$'000	Total Total \$'000
As at 1 January 2019 (net of accumulated depreciation)	340	-	340
Additions	105	-	105
Disposals	(5)	-	(5)
Foreign exchange	(6)	-	(6)
Depreciation charge for the year	(174)	-	(174)
As at 31 December 2020 (net of accumulated depreciation)	260	-	260
Additions	13	139	152
Foreign exchange	(7)	-	(7)
Depreciation charge for the year	(121)	(103)	(224)
As at 31 December 2020 (net of accumulated depreciation)	145	36	181

The following useful lives are used in the calculation of depreciation: Plant and equipment – 2 to 10 years

14 TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Trade payables	364	502
Lease liability	25	-
	389	502

Trade payables are non-interest bearing and are normally settled within 60 day terms.

15 ISSUED CAPITAL

	Consolidated	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Ordinary Shares 681,422,306 shares issued and fully paid (2019: 662,196,306)	144,011	143,174
	144,011	143,174

Movements in ordinary shares on issue:

	Number of Shares	Issue Price \$	\$'000
As at 1 January 2019	662,196,306		143,174
No transaction during 2019			-
As at 31 December 2019	662,196,306		143,174
Exercise of Conditional Share Awards on 3 January 2020 (note (a))	7,954,000	\$0.010	80
Exercise of Conditional Share Awards on 12 February 2020 (note (b))	3,039,000	\$0.010	30
Exercise of Conditional Share Awards on 17 June 2020 (note (c))	1,100,000	\$0.010	11
Exercise of Conditional Share Awards on 2 July 2020 (note (d))	3,200,000	\$0.010	32
Exercise of Conditional Share Awards on 24 August 2020 (note (e))	616,000	\$0.010	6
Exercise of Conditional Share Awards on 24 December 2020 (note (f))	3,317,000	\$0.010	33
Capital raising cost			-
Exercise of Awards			645
As at 31 December 2020	681,422,306		144,011

- (a) On 3 January 2020, 7,954,000 shares were allotted to Directors and an employee upon exercise of Conditional Share Awards under the Group's Long Term Equity Incentive Plan (Plan), with an exercise price per share of \$0.01.
- (b) On 12 February 2020, 3,039,000 shares were allotted to employees upon exercise of Conditional Share Awards under the Group's Plan, with an exercise price per share of \$0.01.
- (c) On 17 June 2020, 1,100,000 shares were allotted to an employee upon exercise of Conditional Share Awards under the Group's Plan, with an exercise price per share of \$0.01.
- (d) On 2 July 2020, 3,200,000 shares were allotted to an employee upon exercise of Conditional Share Awards under the Group's Plan, with an exercise price per share of \$0.01.
- (e) On 24 August 2020, 616,000 shares were allotted to an employee upon exercise of Conditional Share Awards under the Group's Plan, with an exercise price per share of \$0.01.
- (f) On 24 December 2020, 3,317,000 shares were allotted to Directors and an employee upon exercise of Conditional Share Awards under the Group's Plan, with an exercise price per share of \$0.01.

16 RESERVES

A detailed breakdown of the reserves of the Group is as follows:

	Merger reserve	Equity benefits reserve	Foreign currency translation	Total
	\$'000	\$'000	\$'000	\$'000
As at 1 January 2019	831	3,018	(1,189)	2,660
Currency translation differences	-	-	(14)	(14)
Expiry of Options	-	(169)	-	(169)
Exercise of Awards	-	-	-	-
Share based payments	-	585	-	585
As at 31 December 2019	831	3,434	(1,203)	3,062
Currency translation differences	-	-	(16)	(16)
Expiry of Options	-	(789)	-	(789)
Exercise of Awards	-	(645)	-	(645)
Share based payments	-	(220)	-	(220)
As at 31 December 2020	831	1,780	(1,219)	1,392

Nature and purpose of reserves

Merger reserve

The merger reserve arose from the Company's acquisition of Capcorp on 12 November 2007. This transaction is outside the scope of IFRS 3 'Business Combinations' and as such Directors have elected to use UK Accounting Standards FRS 6 'Acquisitions and Mergers'. The difference, if any, between the nominal value of the shares issued plus the fair value of any other consideration, and the nominal value of the shares received in exchange are recorded as a movement on other reserves in the consolidated financial statements.

Equity benefits reserve

The equity benefits reserve is used to record the value of Options and Conditional Share Awards provided to employees and Directors as part of their remuneration, pursuant to the Group's Long-Term Equity Incentive Plan (Plan" or Group's Plan). Refer to Note 17 for further details of these plans.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

17 SHARE BASED PAYMENTS

(a) Long Term Equity Incentive Plan (Plan or Group's Plan)

The Group provides long term incentives to employees (including Executive Directors), Non-Executive Directors and consultants through the Group's Plan based on the achievement of certain performance criteria. The Plan provides for share awards in the form of Options and Conditional Share Awards. The incentives are awarded at the discretion of the Board, or in the case of Executive Directors, the Remuneration Committee of the Board, who determine the level of award and appropriate vesting, service and performance conditions taking into account market practice and the need to recruit and retain the best people.

Options may be exercised, subject only to continuing service, during such period as the Board may determine. Options have a term of 10 years.

Conditional Share Awards shall vest subject to continuing service and appropriate and challenging service and performance conditions determined by the Remuneration Committee relating to the overall performance of the Group.

Conditional Share Awards based on performance conditions will vest on achievement of the following performance conditions:

- 25% vest on the first discovery of oil on a commercial scale, estimated by management as being by 31 December 2021;
- 25% vest on the first production of oil on a commercial scale, estimated by management as being by 31 December 2023; and
- 50% vest on the Company achieving the sale of 1 million barrels of oil, estimated by management as being by 31 December 2024.

Other Conditional Share Awards have service conditions tied to employment continuity and are available for vesting in three equal annual instalments on various dates.

(b) Option pricing model

The fair value of Options granted is estimated as at the date of grant using the Black Scholes model, taking into account the terms and conditions upon which the Options were granted.

No Options have been issued during 2019 and 2020.

(c) Movement in Share Options

The weighted average fair value for all Options in existence as at 31 December 2020 is 0.91 (2019: 0.85).

Consolidated	Opening balance at 1 Jan 2019	Granted during the year	Forfeited during the year	Exercised during the year	Closing balance as at 31 Dec 2019	Exercisable as at 31 Dec 2019
Grant of Options on 8 April 2009	18,750	-	(18,750)	-	-	-
Grant of Options on 9 July 2010	476,400	-	(225,000)	-	251,400	251,400
Grant of Options on 6 April 2011	75,000	-	-	-	75,000	75,000
Grant of Options on 5 July 2011	150,000	-	-	-	150,000	150,000
Grant of Options on 22 Nov 2011	120,000	-	-	-	120,000	120,000
Grant of Options on 5 Dec 2011	23,600	-	-	-	23,600	23,600
Grant of Options on 25 Apr 2012	100,000	-	-	-	100,000	100,000
Grant of Options on 16 Jul 2012	24,000	-	-	-	24,000	24,000
Grant of Options on 4 Dec 2012	6,000	-	-	-	6,000	6,000
Grant of Options on 9 July 2013	50,000	-	-	-	50,000	50,000
	1,043,750	-	(243,750)	-	800,000	800,000
Weighted Average Exercise Price (cents per option)	89.36	-	65.86	-	96.52	96.52

Consolidated	Opening balance at 1 Jan 2020	Granted during the year	Forfeited during the year	Exercised during the year	Closing balance as at 31 Dec 2020	Exercisable as at 31 Dec 2020
Grant of Options on 9 July 2010	251,400	-	(251,400)	-	-	-
Grant of Options on 6 April 2011	75,000	-	-	-	75,000	75,000
Grant of Options on 5 July 2011	150,000	-	-	-	150,000	150,000
Grant of Options on 22 Nov 2011	120,000	-	-	-	120,000	120,000
Grant of Options on 5 Dec 2011	23,600	-	-	-	23,600	23,600
Grant of Options on 25 Apr 2012	100,000	-	-	-	100,000	100,000
Grant of Options on 16 Jul 2012	24,000	-	-	-	24,000	24,000
Grant of Options on 4 Dec 2012	6,000	-	-	-	6,000	6,000
Grant of options on 9 July 2013	50,000	-	-	-	50,000	50,000
	800,000	-	(251,400)	-	548,600	548,600
Weighted Average Exercise Price (cents per option)	96.52	-	70.00	-	108.67	108.67

(d) Share Options contractual life

The weighted average remaining contractual life of outstanding share Options is 1 year (2019: 1.5 years).

(e) Conditional Share Awards pricing model

The fair value of Conditional Share Awards granted is estimated as at the date of grant using the Black Scholes model, taking into account the terms and conditions upon which the Awards were granted.

The following Table summarizes Conditional Share Awards granted during 2019 and 2020, along with relevant details in relation to the grant.

	(1) 18 Dec 19	(1) 4 May 20
Conditional Share Awards granted	14,926,000	4,300,000
Share price at grant date	\$0.0425	\$0.0300
Expected Volatility (%)	57	51
Risk-free interest rates (%)	0.75	0.10
Expected life (years)	10	10
Exercise Price	\$0.01	\$0.01
Estimated fair value of each Conditional Share Award at the grant date	\$0.0364	\$0.0237

Items (1) and (2): Conditional Share Awards vested immediately.

(f) Movement in Conditional Share Awards

The weighted average fair value for all Awards in existence as at 31 December 2020 is 0.85 (2019: 0.15)

Consolidated	Opening balance at 1 January 2019	Granted during the year	Exercised during the year	Forfeited during the year	Closing balance as at 31 Dec 2019	Exercisable as at 31 Dec 2019
Grant of Conditional Share Awards on 3 Jun 2008	515,000	-	-	-	515,000	-
Grant of Conditional Share Awards on 8 Apr 2009	80,000	-	-	-	80,000	-
Grant of Conditional Share Awards on 9 Jul 2010	647,000	-	-	-	647,000	-
Grant of Conditional Share Awards on 6 Apr 2011	144,000	-	-	-	144,000	-
Grant of Conditional Share Awards on 5 Jul 2011	180,000	-	-	-	180,000	-
Grant of Conditional Share Awards on 22 Nov 2011	50,000	-	-	-	50,000	-
Grant of Conditional Share Awards on 5 Dec 2011	39,600	-	-	-	39,600	-
Grant of Conditional Share Awards on 25 Apr 2012	550,000	-	-	-	550,000	-
Grant of Conditional Share Awards on 5 Oct 2012	150,000	-	-	-	150,000	-
Grant of Conditional Share Awards on 4 Dec 2012	3,000	-	-	-	3,000	-
Grant of Conditional Share Awards on 9 Jul 2013	120,000	-	-	-	120,000	-
Grant of Conditional Share Awards on 18 Dec 2019	-	14,926,000	-	-	14,926,000	14,926,000
	2,478,600	14,926,000	-	-	17,404,600	14,926,000
Weighted Average Exercise Price (cents per award)	1.00	1.00	1.00	1.00	1.00	-

	Opening balance at 1 January 2020	Granted during the year	Exercised during the year	Lapsed during the year	Closing balance as at 31 Dec 2020	Exercisable as at 31 Dec 2020
Consolidated						
Grant of Conditional Share Awards on 3 Jun 2008	515,000	-	-	(250,000)	265,000	-
Grant of Conditional Share Awards on 8 Apr 2009	80,000	-	-	-	80,000	-
Grant of Conditional Share Awards on 9 Jul 2010	647,000	-	-	(225,000)	422,000	-
Grant of Conditional Share Awards on 6 Apr 2011	144,000	-	-	-	144,000	-
Grant of Conditional Share Awards on 5 Jul 2011	180,000	-	-	-	180,000	-
Grant of Conditional Share Awards on 22 Nov 2011	50,000	-	-	-	50,000	-
Grant of Conditional Share Awards on 5 Dec 2011	39,600	-	-	-	39,600	-
Grant of Conditional Share Awards on 25 Apr 2012	550,000	-	-	(150,000)	400,000	-
Grant of Conditional Share Awards on 5 Oct 2012	150,000	-	-	-	150,000	-
Grant of Conditional Share Awards on 4 Dec 2012	3,000	-	-	-	3,000	-
Grant of Conditional Share Awards on 9 Jul 2013	120,000	-	-	-	120,000	-
Grant of Conditional Share Awards on 18 Dec 2019	14,926,000	-	(14,926,000)	-	-	-
Grant of Conditional Share Awards on 4 May 2020	-	4,300,000	(4,300,000)	-	-	14,926,000
	17,404,600	4,300,000	(19,226,000)	(625,000)	1,853,600	-
Weighted Average Exercise Price (cents per award)	1.00	1.00	1.00	1.00	1.00	-

(g) Conditional Share Awards contractual life

The weighted average remaining contractual life of outstanding Conditional Share Awards is 7.5 years (2019: 9.8 years).

(h) Summary of Share Based Payments

A reconciliation of all share-based payments made during the year is as follows:

	Note	Consolidated	
		31 Dec 2020 \$'000	31 Dec 2019 \$'000
Vesting of Awards and Options	17	(220)	585
		(220)	585
Lapsed Options	17	(789)	-
		(789)	-

18 COMMITMENTS AND CONTINGENCIES

(a) Operating lease commitments

Operating leases relate to premises used by the Group in its operations, generally with terms between 2 and 5 years. Some of the operating leases contain options to extend for further periods and an adjustment to bring the lease payments into line with market rates prevailing at that time. The leases do not contain an option to purchase the leased property.

The Group has committed to office and warehouse lease in Mongolia in the amount of \$58,000 for 2020.

	Consolidated	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Operating Leases:		
Within one year	58	-
After one year but not more than five years	-	-
Greater than five years	-	-
	58	-

(b) Exploration expenditure commitments

Petromatad Invest Limited and Capcorp have minimum spending obligations, under the terms of their PSCs on Blocks V and XX with MRPAM.

The amounts set out below do not include general and administrative expenses.

	Consolidated	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Production Sharing Contract Fees:		
Within one year	184	273
After one year but not more than five years	112	112
Greater than five years	-	-
	296	385
Minimum Exploration Work Obligations:		
Within one year	-	7,427
Greater than one year but no more than five years	-	-
Greater than five years	6,956	-
	6,956	7,427

(c) Contingencies

On 5 August 2016, Shell through its Affiliate company announced it would be withdrawing from Blocks IV and V in West/Central Mongolia. As part of the negotiations leading to formal Mongolian Government approval of the reassignment of interest from Shell's Affiliate to the Company's Affiliate, Shell agreed to a payment of \$5 million to be remitted to the Company's Affiliate upon such government approval being received. A condition to the payment by Shell is that the proceeds are required to be repaid to Shell by the Company in the event a farmout is concluded in future prior to the development of either Block IV or V (Block IV has since been relinquished by the Company in its entirety). There is no certainty that such farmout will be concluded in future in which case funds would not be repaid. The \$5 million payment was received on 1 February 2017.

19 RELATED PARTY DISCLOSURES

The immediate parent and ultimate controlling party of the Group is Petro Matad Limited.

The consolidated financial statements include the financial statements of Petro Matad Limited and the subsidiaries listed in the following table:

	Country of Incorporation	Equity Interest	
		2020 %	2019 %
Central Asian Petroleum Corporation Limited	Cayman Islands	100	100
Capcorp Mongolia LLC	Mongolia	100	100
Petromatad Invest Limited	Cayman Islands	100	100
Petro Matad LLC	Mongolia	100	100

Subsidiary Details

Central Asian Petroleum Corporation Limited (Capcorp) was acquired on 12 November 2007. Petro Matad Limited holds 43,340,000 ordinary shares of \$0.01 each.

Capcorp Mongolia LLC is 100% owned by Capcorp. Capcorp holds 1,000,000 ordinary shares of MNT150 each.

Petromatad Invest Limited was acquired on 12 November 2007. 25,000 shares of \$1 each held by Capcorp was transferred to Petro Matad Limited on 25 November 2019 resulting in Petro Matad Limited holding 50,000 shares of \$1 each.

Petro Matad LLC is 100% owned by Petromatad Invest Limited. Petromatad Invest Limited holds 15,000 ordinary shares of MNT10,000 each.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Petrovis Matad Inc. (Petrovis) is a major shareholder of the Company, holding approximately 21.44% of the shareholding at year end of 2020.

20 KEY MANAGEMENT PERSONNEL

(a) Details of Directors

The names of the Company's Directors, having authority and responsibility for planning, directing and controlling the activities of the Group, in office during 2019 and 2020, are as below:

The Directors were in office until the date of this report and for this entire period unless otherwise stated.

Directors

Enkhmaa Davaanyam	Non-Executive Chairperson
John Rene Henriksen	Chief Financial Officer (Retired 31 December 2020)
Timothy Paul Bushell	Non-Executive Director
Michael James Buck	Chief Executive Officer
Shinezaya Batbold	Non-Executive Director

(b) Compensation of Directors

	Consolidated	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Short-term employee benefits	681	1,257
Post-employment benefits	-	-
Share based payment expense	6	102
	687	1,359

(c) Other key management personnel transactions

There were no other key management personnel transactions during the year (2019: Nil).

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and short-term deposits classified as loans and receivables financial assets.

The main purpose of these financial instruments is to raise capital for the Group's operations.

The Group also has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

The Board is responsible for identification and control of financial risks. The Board reviews and agrees policies for managing each of these risks as summarised below.

Risk Exposures and Responses

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flow associated with the instrument will fluctuate due to changes in market interest rate. Interest rate risk arises from fluctuations in interest bearing financial assets and liabilities that the Group uses. Interest bearing assets comprise cash and cash equivalents which are considered to be short-term liquid assets. It is the Group's policy to settle trade payables within the credit terms allowed and the Group does therefore not incur interest on overdue balances.

The following table sets out the carrying amount of the financial instruments that are exposed to interest rate risk:

	Weighted Average Int. rate	Consolidated	
		31 Dec 2020 \$'000	31 Dec 2019 \$'000
Financial Assets			
Cash and cash equivalents	0.33%	939	2,815
*Other financial assets	1.51%	11	1,510
		950	4,325
Trade and other receivables	0%	10	23
		960	4,348
Financial Liabilities			
Trade and other payables	0%	364	502
		364	502
Net exposure		596	3,846

*Other financial assets are comprised of cash deposits placed in the banks for terms exceeding 90 days.

Sensitivity Analysis

If the interest rate on cash balances at 31 December 2019 and 2020 weakened/strengthened by 1%, there would be no material impact on profit or loss. There would be no effect on the equity reserves other than those directly related to other comprehensive income movements.

Foreign currency risk

As a result of operations overseas, the Group's statement of financial position can be affected by movements in various exchange rates.

The functional currency of Petro Matad Limited and presentational currency of the Group is deemed to be USD because the future revenue from the sale of oil will be denominated in USD and the costs of the Group are likewise predominately in USD. Some transactions are however dominated in currencies other than USD. These transactions comprise operating costs and capital expenditure in the local currencies of the countries where the Group operates. These currencies have a close relationship to the USD and management believes that changes in the exchange rates will not have a significant effect on the Group's financial statements.

The Group does not use forward currency contracts to eliminate the currency exposures on any individual transactions.

The following significant exchange rates applied during the year:

	Average rate		Spot rate at the balance date	
	2020	2019	2020	2019
USD				
Mongolian Tugrug (MNT) 1	2,813.05	2,663.31	2,849.51	2,733.52
Australian Dollar (AUD) 1	1.466224	1.438632	1.305016	1.425832
Great British Pound (GBP) 1	0.780108	0.783349	0.736474	0.758392

Sensitivity Analysis

A 5% strengthening/weakening of the MNT against USD at 31 December 2019 and 2020 would not have a material effect on profit and loss or on equity.

Price risk

The Group's exposure to price risk is minimal as the Group is currently not revenue producing other than from interest income.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk on its cash and cash equivalents and other receivables as set out in Notes 7 and 8 which also represent the maximum exposure to credit risk. The Group only deposits surplus cash with well-established financial institutions of high quality credit standing.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Group.

Maximum exposure to credit risk at reporting date:

	Note	Consolidated	
		31 Dec 2020 \$'000	31 Dec 2019 \$'000
Financial Assets			
Trade and other receivables	8	10	23
Net exposure		10	23

Impairment Losses

None of the Group's receivables are past due at 31 December 2020 (2019: Nil)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's objective is to ensure that sufficient funds are available to allow it to continue its exploration activities.

The following table details the Group's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted maturities of the financial assets including interest that will be earned on those assets.

	Weighted average interest rate	6 months or less \$'000	6-12 months \$'000	1-5 years \$'000	over 5 years \$'000	Total \$'000
Cash and cash equivalents	0.33%	939	-	-	-	939
Trade and other receivables	-	10	-	-	-	10
Financial Assets	1.51%	11	-	-	-	11
As at 31 December 2020		960	-	-	-	960
Cash and cash equivalents	0.18%	2,815	-	-	-	2,815
Trade and other receivables	-	23	-	-	-	23
Financial Assets	4.05%	1,510	-	-	-	1,510
As at 31 December 2019		4,348	-	-	-	4,348

The remaining contractual maturities of the Group's and parent entity's financial liabilities are:

	Note	Consolidated	
		31 Dec 2020 \$'000	31 Dec 2019 \$'000
6 months or less		364	502
6-12 months		-	-
1-5 years		-	-
over 5 years		-	-
		364	502

All of the Group's amounts payable and receivable are current.

Further, the Group has exploration expenditure commitments on its PSCs as disclosed in Note 18(b).

Fair Value of Financial Assets and Liabilities

The fair value of cash and cash equivalents and non-interest bearing financial assets and financial liabilities of the Group approximate their carrying value due to their short term duration.

	Fair Value Hierarchy as at 31 December 2020			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Trade and other receivables	-	10	-	10
Total	-	10	-	10

Financial Liabilities				
	Level 1	Level 2	Level 3	Total
Trade and other payables	-	364	-	364
Total	-	364	-	364

	Fair Value Hierarchy as at 31 December 2019			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Trade and other receivables	-	23	-	23
Total	-	23	-	23

Financial Liabilities				
	Level 1	Level 2	Level 3	Total
Trade and other payables	-	502	-	502
Total	-	502	-	502

The fair values of the financial assets and financial liabilities included in the level 2 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

22 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The management of the Group and the Group's capital is regularly reviewed by the Board. The capital structure of the Group consists of cash and bank balances (Note 7) and equity of the Group (comprising issued capital, reserves and retained earnings as detailed in Notes 15 and 16). This is reviewed by the Board of Directors as part of their regular Board meetings.

The Group monitors its capital requirements based on the funding required for its exploration activities in Mongolia and operations of the Company.

The Group is not subject to externally imposed capital requirements.

23 EVENTS AFTER THE REPORTING DATE

The Company's largest and founding shareholder, Petrovis Matad Inc. (Petrovis) has agreed to make available to the Company a loan facility of up to \$1.5 million, against which the Company can draw funds as required.

On 16 March 2021, MRPAM's Technical Committee approved an Exploitation Area of 218.2 sq km in Block XX. This area will be enshrined within the formal Exploitation Licence when awarded by the Mongolian Government.

On 17 June 2021, Petro Matad Singapore Pte. Ltd a wholly owned subsidiary of the Company was incorporated in Singapore.

24 AUDITORS' REMUNERATION

The auditor of Petro Matad Limited is Bentleys (WA) Pty Ltd.

	Consolidated	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Amounts received or due and receivable by Bentleys (WA) Pty Ltd :		
- an audit or review of the financial report of the entity and any other entity in the Group	43	43
- other services in relation to the entity and any other entity in the Group	-	-
	43	43
Amounts received or due and receivable by Deloitte Onch Audit LLC:		
- an audit or review of the financial report of subsidiary entities	40	40
- other services in relation to the subsidiary entities	-	-
	41	40
	84	83

25 OTHER INFORMATION

Registered Office:

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DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Petro Matad Limited, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Group give a true and fair view of the Group's financial position as at 31 December 2020 and of its performance and cash flows for the year ended on that date in accordance with International Financial Reporting Standards as adopted by the European Union; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Mike Buck
Director
22 June 2020



INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

To the Members of Petro Matad Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Petro Matad Limited ("the Company") and its subsidiaries ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

This report is made solely to the company's members, as a body, in accordance with Section 80C of the Isle of Man Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report or for the opinions we have formed.

In our opinion, the consolidated financial report gives a true and fair view of the consolidated entity's financial position as at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of the Isle of Man Companies Act 2006.

Material Uncertainty Regarding Continuation as a Going Concern

We draw attention to Note 2(c) in the financial report, which indicates that the Consolidated Entity incurred a net loss of \$3.25 million during the year ended 31 December 2020. As stated in Note 2(c), these events or conditions, along with other matters as set forth in Note 2(c), indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our opinion is not modified in this respect of this matter.



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Independent Auditor's Report

To the Members of Petro Matad Limited (Continued)



Basis for Opinion

We conducted our audit in accordance with International Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the *Isle of Man Companies Act 2006* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Exploration and evaluation \$15.28 million (Refer to Note 12 Exploration and evaluation assets)</p> <p>The balance is in relation to the exploration and evaluation asset of PSC block XX in Mongolia.</p> <p>We focused on this area due to the size of the exploration and evaluation balance (\$15.28 million as at 31 December 2020) and to determine whether there are any indicators that the asset is impaired and therefore not recoverable under <i>IFRS 6 "Exploration for and Evaluation of Mineral Resources"</i>.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> ▶ For Block XX, we assessed the Consolidated Entity's rights to tenure by corroborating to government registries. ▶ Reviewed budgeted exploration expenditure on Block XX to ensure it will satisfy the capital commitment required under the Production Sharing Agreement; ▶ We assessed Block XX for one or more of the following circumstances that may indicate impairment of the capitalised expenditure and concluded no issues: <ul style="list-style-type: none"> ▶ the licenses for the right to explore expiring in the near future or are not expected to be renewed; ▶ substantive expenditure for further exploration in the specific area is neither budgeted or planned'

Independent Auditor's Report

To the Members of Petro Matad Limited (Continued)



Key audit matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> ➤ decision or intent by the Consolidated Entity to discontinue activities in the specific area of interest due to lack of commercially viable quantities of resources; and ➤ data indicating that, although a development in the specific area is likely to proceed, the carrying amount of the exploration asset is unlikely to be recorded in full from successful development or sale.
<p>Exploration and Expenditure Commitments Production Sharing Contract Fee: \$0.30 million Minimum Exploration Work Obligations: \$6.96 million (Refer Note 18b Exploration Expenditure Commitments)</p> <p>As disclosed in Note 18b Petro Matad Limited has minimum spend obligations under the terms of its Petroleum Sharing Contracts with the Petroleum Authority of Mongolia. This has been determined a Key Audit Matter as adherence to these requirements is required for Petro Matad Limited to maintain the rights for exploration and thus its principal activity.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> ➤ Obtaining the Petroleum Sharing Agreements for each block and agreeing the contract fees and work obligations to the relevant calculations. ➤ Recalculating the disaggregation of total amounts due and comparing to the breakdown disclosed of amounts due in each subsequent period. ➤ Ensuring amounts disclosed represent future obligations and that no present obligations at year end are included. ➤ Cross referencing of internal budgets and forecasts to ensure they are consistent with the obligations disclosed.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 31 December 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

To the Members of Petro Matad Limited (Continued)



Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the Isle of Man Companies Act 2006 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state in accordance with International Accounting Standard *IAS 1 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Consolidated Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the International Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.

Independent Auditor's Report

To the Members of Petro Matad Limited (Continued)



- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BENTLEYS
Chartered Accountants

CHRIS NICOLOFF CA
Partner

Dated at Perth this 22nd day of June 2021







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