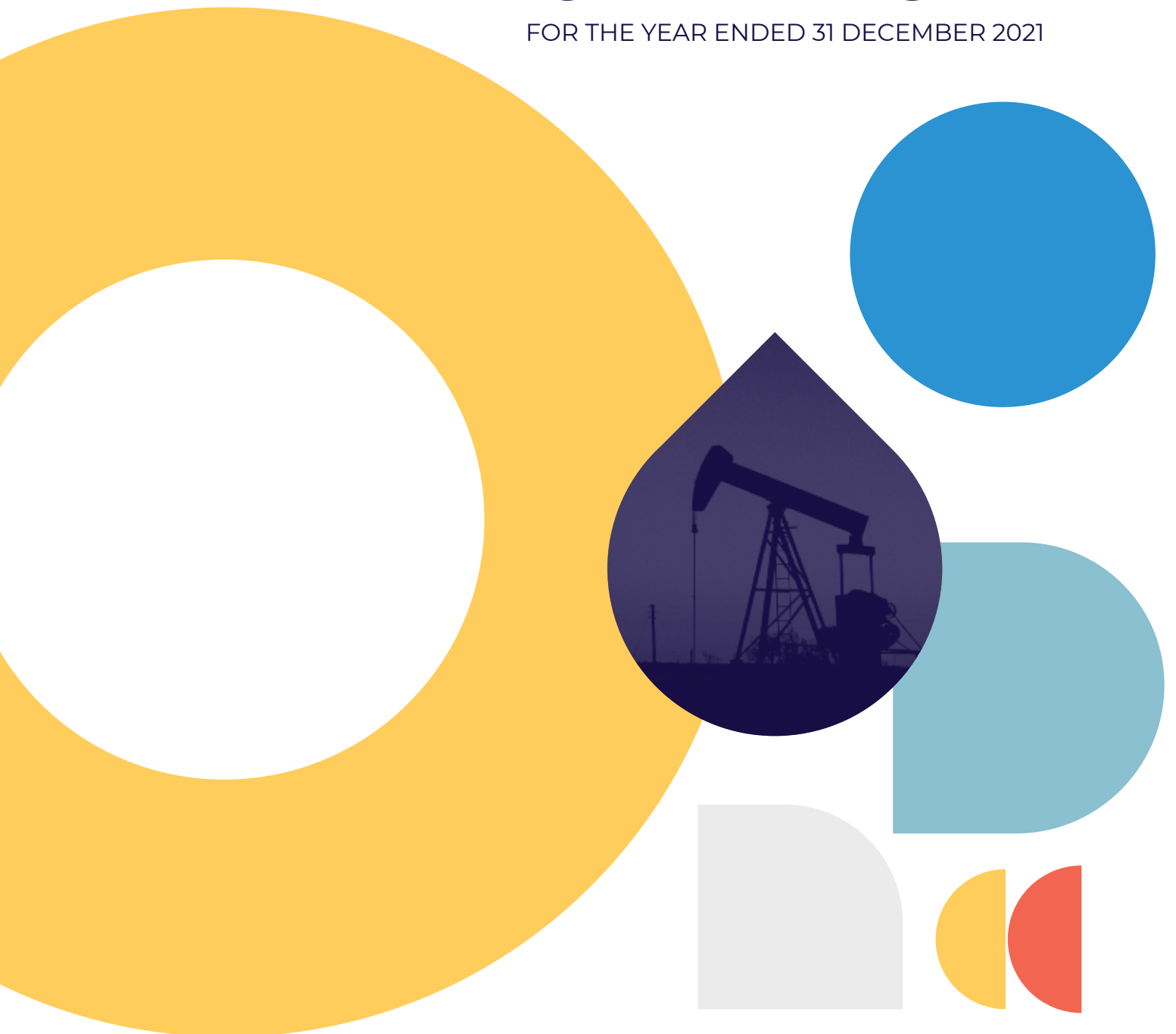




PETRO MATAD LIMITED  
**ANNUAL REPORT**  
FOR THE YEAR ENDED 31 DECEMBER 2021





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# **BOARD OF DIRECTORS**

**01**



## Enkhmaa Davaanyam

Chairperson

Ms. Enkhmaa is the CEO of Petrovis Group, Mongolia's largest fuel supplier. She 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, 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. 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 40 years' experience in the oil and gas industry. He has worked for British Gas, Ultramar, LASMO, and Paladin Resources. 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 Non-Executive Chairman of Wentworth Resources PLC and is also a Director of Redrock Energy Limited. Tim holds a BSc in Geology from the University of Liverpool and an MSc from the University of Reading.



# DIRECTORS' REPORT



02





Your Directors submit their report for the year ended 31 December 2021.

Petro Matad Limited (Company) incorporated in the Isle of Man on 30 August 2007 has five wholly owned subsidiaries, which are: Capcorp Mongolia LLC and Petro Matad LLC (both incorporated in Mongolia), Central Asian Petroleum Corporation Limited (Capcorp) and Petromatad Invest Limited (both incorporated in the Cayman Islands) and Petro Matad Singapore Pte. Ltd. (incorporated in Singapore). 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
- 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 2021 was \$2.12 million (31 December 2020: Loss \$3.25 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

The Company's largest and founding shareholder, Petrovis Matad Inc. (Petrovis) 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 4 May 2021, MRPAM approved an Exploitation Area of 218.2 sq km in Block XX. This area has been enshrined within the formal Exploitation Licence awarded by the Ministry of Mining and Heavy Industry on 5 July 2021.

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

On 5 July 2021, the Company was granted Exploitation License over Block XX (for a 25-year period, extendable for up to 10 years).

On 22 July 2021, the Company concluded a placing by issuing 89,988,470 shares at a price of GBP0.035 per share arranged through its nominated adviser and joint book runner and broker for the purposes of the Placing, Shore Capital.

On 22 July 2021, the Company concluded a placing by issuing 65,252,142 shares at a price of GBP0.035 per share arranged through its joint book runner for the purposes of the Placing, Arden.

On 22 July 2021, the Company concluded a placing by issuing 14,285,714 shares at a price of GBP0.035 per share through a retail offering via Primary Bid.

On 6 August 2021, the Company issued 45,384,218 shares through direct subscriptions at a price of GBP0.035 per share.

On 6 August 2021, the Company issued 2,169,649 shares through Open Offer to shareholders at a price of GBP0.035 per share.

On 20 December 2021, 259,150 shares were issued to Directors and employees upon exercise of

Conditional Share Awards under the Group's Long Term Equity Incentive Plan (Plan), with an exercise price per share of USD0.01.

### Significant Events after Reporting Date

None.

### Dividends

No dividends have been paid or are proposed in respect of the year 2021 (2020: 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

Hall Chadwick (WA) Pty Ltd (formerly Bentleys), 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  
27 June 2022





# DIRECTORS' STATEMENT

03

## SUMMARY

Against the backdrop of continuing global impacts of the Covid-19 pandemic, the Company's focus during early 2021 was securing the approval for the Plan of Development (PoD) for the Heron discovery and subsequently obtaining the Exploitation Licence for Block XX. The procedure under Mongolian law for securing an Exploitation Licence is long and complex and has only been followed through to award on two previous occasions. As a result, it was a major achievement during 2021 for the Company to secure only the third ever Exploitation Licence awarded in Mongolia when the Minister for Mining and Heavy Industry signed off in early July. When applying for the licence, the Company was insistent that the retained area should include not only the Heron discovery but also the nearby Gazelle discovery and the near field exploration potential. The Mongolian government was open to this and agreed to the retention of an area of 218km<sup>2</sup> in which further exploration and appraisal activity can occur, focused on significant additional resource potential, in parallel with development activities on the Heron field.

With the Exploitation Licence secured, a successful equity fundraise totalling \$10.4 million was completed by early August which allowed the Company to commence contract negotiations with infrastructure service providers and procurement of equipment for the Heron development that targets first oil from the completion of the Heron 1 well in 2022. Agreement was reached with the industry regulator, the Mineral Resources and Petroleum Authority of Mongolia (MRPAM), to pursue export of Heron crude through PetroChina's nearby processing and export facilities until Mongolia's new domestic oil refinery begins operations in the coming years. Meetings were subsequently held with PetroChina to commence commercial negotiations. The preparations for the Company's 2022 operational activities are progressing well although China's Covid-19 restrictions and Mongolian land law inconsistencies are impacting the timing of oil field programmes for a number of operators, including Petro Matad.

The 2021 moratorium on Block V continued to year-end, so extending the expiry of the Exploration

Period under the Production Sharing Contract (PSC) to July 2023. This allows the Company sufficient time to pursue further drilling opportunities in the acreage and, with success, time to secure an Exploitation Licence on any discovery made.

The Company continued in its efforts to partner with local and/or foreign companies on development and exploration activities in Mongolia and held several virtual data rooms during the year. It is also pursuing a strategy to work up and apply for new exploration/appraisal areas in Mongolia on technically high graded areas. The Company also took the decision to seek to expand its activities in Mongolia into the sustainable and renewable energy sector in addition to its ongoing work in the oil and gas sector.

## COVID-19

During 2021 the Covid-19 pandemic continued to have a significant impact on the Company's ability to operate but towards year end 2021 in-country travel restrictions eased. International travel remained problematic and border restrictions imposed by China severely impacted the activities of other operators in Mongolia during 2021. Most of the oilfield support contractors are Chinese companies and the zero Covid-19 policy in China has had a large knock on effect for the oil industry in Mongolia. The exact timing and execution of Petro Matad's planned 2022 operations will be impacted by these restrictions which have remained in place well into 2022. Preparations are well advanced for operations in the 2022 drilling season to be executed once the border restrictions are eased or lifted.

## LAND ACCESS

Petro Matad has been pushing for local and central government action on the conflicts in the land laws since they first impacted the Company's activities in 2019. Recent progress and the elevation of the issue to the highest level of government are positive but the matters have still not been resolved and until they are, the Company will not mobilise without legally valid permits in place. We continue to push.

## 2021 REVIEW

### HSSE

The Company's Health, Safety, Security and Environmental Management System (HSSE MS) continues in its improvement process which is structured to follow International Association of Oil and Gas Producers (IOGP) best practices and guidelines and has been updated and expanded to accommodate best practice in mitigating the impacts of the Covid-19 pandemic. The Company's efforts throughout the year have been very successful in this regard. As per national and international 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 pleased to report that Petro Matad along with its sub-contractors followed all Mongolian national standards in all aspects of the 2021 operations and that there were no environmental incidents, lost time incidents or recordable incidents during 2021.

With the Exploration Period of the Block XX PSC due to expire in July 2021 and the relinquishment of all acreage not incorporated within the Exploitation Licence area, the technical and biological restoration of previous drilling sites and related camp sites were completed and inspected by officials from Ministry of Mining and Heavy Industry (MMHI) with participation from Ministry of Environment, MRPAM, and Aimag and Soum officials. Subsequently Petro Matad received the Handover Act which is the final environmental document required to formalize the relinquishment and return of the acreage to the State.

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.

### Operations

Following the approval of the Heron 1 Reserves Report by Mineral Resources Professional Council (MRPC) at 2020 year-end, the Company's focus during early 2021 was securing the approval for the

PoD and subsequently obtaining the Exploitation Licence over the Heron discovery in Block XX before the expiry of the Exploration Licence term. Navigation of this process was not without challenges given that nine years had passed since the last time this process was used. With the support of MRPAM and experts in the MMHI's Petroleum Division, the PoD was approved, and the Exploitation Licence was awarded in early July by resolution of the Minister of Mining and Heavy Industry. This is a significant milestone in the country's petroleum industry being only the third Exploitation Licence ever awarded.

With the proven reserves for the Heron field registered in the Mineral Reserve Fund of Mongolia, production from the Heron field is authorised by law within the defined proven area. This area will expand with further successful development and appraisal drilling and with the acquisition of additional 3D seismic. With the use of modern completion and stimulation technologies the Company aims to achieve a minimum recovery factor of c. 30% increasing the total recoverable potential of Heron from 33 MMbo as certified in Leap Energy's Competent Persons' Report to a value nearer 60 MMbo. Importantly, the Minister's resolution awarding the Exploitation Licence confirmed the exploitation area to be 218km<sup>2</sup>. This area includes the entirety of the extension of the proven Toson Uul sub-basin into Block XX and during the Exploitation Period, exploration and appraisal activity can occur in parallel with development activities on the Heron field. The Company assesses the near field exploration potential of the area to be significant with potential prospective recoverable resources in the range 100 MMbo to 200 MMbo. This potential can be targeted with new, low-cost exploration wells. Success will allow the rapid tie-in of any additional discoveries into the Heron processing and export facilities at low cost.

During the latter part of 2021 the Company embarked on the planning and procurement processes aimed at commencing production from Heron during 2022. This has entailed identifying all the equipment and services required for converting the Heron 1 discovery well into a production well and establishing the surface production and export facilities required. Drilling and 3D seismic acquisition contract negotiations were also initiated. In parallel, and as agreed with MRPAM, discussions

have been held with PetroChina Daqing Tamsag LLC on a cooperation agreement by which Petro Matad's crude can be processed and exported via PetroChina's infrastructure in Block XIX to exploit economies of scale and operating efficiencies. This cooperation is being pursued on the basis of the Memorandum of Understanding (MoU) previously signed between the companies.

### Production Sharing Contracts (PSCs)

Block XX: The award of the Exploitation Licence secured a 218km<sup>2</sup> area around the Heron discovery for 25 years (until 1 July 2046) with the option to extend for two periods of five years each. The residual area of the expired Exploration Licence (10,125 km<sup>2</sup>) was relinquished following the procedures set by the Mongolian government.

Block V: The 2021 moratorium on this acreage ended at the close of the year and extended the expiry of the Exploration Period of the PSC to 29 July 2023. The Company is confident that there remains sufficient time on the licence to drill at least one exploration well on the high graded Raptor trend and, if successful, to gather sufficient data to support an application for an Exploitation Licence to secure the acreage around a discovery for development. Discussions were held with drilling contractors to determine potential timing and costs of activities for drilling on the Raptor Trend, and the Company progressed submission of an Environmental Impact Assessment for drilling activities to the Ministry of Environment in order to operate in 2022 and beyond. This was subsequently approved.

New Areas: The Company is actively working on detailed technical studies of new exploration acreage where petroleum systems have been proven but also where little exploration activity has occurred to date. The aim is to re-load the acreage portfolio to create a balance of production, development, appraisal, near field and high impact exploration. Applications for new acreage will be lodged at the appropriate moment once the government's current plans to revise the Petroleum Law are unveiled.

### Sustainability opportunities

The Board of Petro Matad took the decision during 2021 for the Company to seek opportunities in the sustainable and renewable energy sector in

Mongolia, in addition to its ongoing work in the oil and gas sector. Work has been done this year to better understand the technical and commercial landscape of the renewable energy sector in country which clearly has substantial potential for both wind and solar power generation growth supported by a government imperative to reduce carbon emissions.

Petro Matad is looking at renewable energy possibilities to potentially deploy in its Heron oilfield development and also the use of alternative technologies to water injection for improving recovery factors, thereby reducing usage of water, a scarce and precious commodity in Mongolia.

### 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 focussed 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 2021, 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 in 2022. Meetings with local communities will be arranged well in advance of field operations.

## CONCLUSION

During 2021 the Company has made landmark progress in establishing itself as the first independent Mongolian oil exploration and production company with the award of the Block XX Exploitation Licence. The operational focus has now shifted to starting oil production and generating revenue as soon as possible. The entire Company's staff are motivated to move quickly and efficiently to the next stage of the Company's development.

## ACKNOWLEDGEMENTS

The global pandemic continued to have a major impact on the ability to perform operational activities in Mongolia in 2021. Petro Matad used this time to secure the Company's future with the award of the Exploitation Licence over the Heron discovery and progressed plans to achieve first oil in 2022.

The Directors would like to reiterate 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. Members of staff and Directors willingly took significant pay cuts during the Covid-19 pandemic to ensure that cash resources were sufficient to see the Company through to the award of the Block XX Exploitation Licence and this underlines the loyalty and dedication of the Petro Matad team. The Board looks forward to an exciting period ahead as the Company transitions into an exploration and production company.

The Board is fully committed to creating shareholder value through both existing and potentially new opportunities and would like to express its gratitude to shareholders for their continued support of the Company.

### Board of Directors



# ТУЗ-ИЙН ГИШҮҮДИЙН МЭДЭГДЭЛ

/АЛБАН БУС ОРЧУУЛГА/

## ТОВЧ АГУУЛГА

Дэлхий даяар Ковид-19 цар тахлын үзүүлэх нөлөөлөл үргэлжилсээр байсан нөхцөлд тус компанийн гол зорилго нь 2021 оны эхээр “Цэн тогоруу” ордын Газрын тосны орд ашиглах, үйл ажиллагааны төлөвлөгөө (ГТОВАТ)-г батлуулах, улмаар ХХ талбайд ашиглалтын тусгай зөвшөөрөл авах явдал байв. Монгол Улсын хууль тогтоомжийн дагуу газрын тосны ашиглалтын тусгай зөвшөөрөл авах нь удаан, нарийн төвөгтэй процесс байдаг бөгөөд өмнө нь хоёр удаа л ашиглалтын тусгай зөвшөөрөл олгогдож байсан түүхтэй. Тийм чучраас Уулуурхай, хүнд үйлдвэрийн сайд 2021 оны 7 дугаар сарын эхээр ашиглалтын тусгай зөвшөөрөл олгох шийдвэрт гарын үсэг зурснаар Монгол Улсад 3 дахь ашиглалтын тусгай зөвшөөрлийг авсан нь тус компанийн хувьд 2021 оны томоохон амжилт байлаа. Тус компани тусгай зөвшөөрөл авах хүсэлтээ гаргахдаа

ашиглалтын талбайд “Цэн тогоруу” цооног төдийгүй түүний ойролцоо орших “Цагаан зээр” нээлтийн цооног болон хайгуулын потенциал бүхий ойролцоо талбайг багтаан оруулах талаар ихээхэн хүчин чармайлт гаргасны үр дүнд Монгол Улсын Засгийн газар энэ асуудлыг нааштайгаар хүлээн авч, “Цэн тогоруу” цооногийн ашиглалтын үйл ажиллагаатай зэрэгцэн, нөөцийг цаашид үлэмж хэмжээгээр нэмэгдүүлэх зорилгоор нэмэлт хайгуул, үнэлгээний ажил гүйцэтгэх боломжтой 218 км<sup>2</sup> талбайг авч үлдэхийг зөвшөөрсөн билээ.

Ашиглалтын тусгай зөвшөөрөл авснаар 8 дугаар сарын эхээр нийт 10.4 сая ам долларын хөрөнгө оруулалтыг амжилттай босгож, улмаар тус компани нь дэд бүтцийн ажил гүйцэтгэгч компаниудтай гэрээ, хэлцэл байгуулах, “Цэн тогоруу-1” цооногийг гүйцээн, газрын тос олборлоход шаардагдах тоног төхөөрөмжүүдийг худалдан авах ажлыг эхлүүлэх боломж бүрдсэн

юм. Монгол Улсын дотоодын газрын тос боловсруулах үйлдвэрийг ойрын хэдэн жилийн хугацаанд ашиглалтанд оруулах хүртэл “Цэн тогоруу-1” цооноогоос олборлосон газрын тосыг ойролцоо байрлах “Петрочайна” компанийн тос цэвэршүүлэх, экспортлох байгууламжуудаар дамжуулан экспортод гаргахаар газрын тосны асуудал хариуцсан төрийн захиргааны байгууллага буюу Ашигт малтмал, газрын тосны газар (АМГТГ)-тай тохиролцоонд хүрсэн. Түүний дараа “Петрочайна” компанитай хэлэлцээг эхлүүлэхээр удаа дараа уулзалт хийсэн.

Компанийн 2022 оны үйл ажиллагааны бэлтгэл ажил амжилттай явагдаж байгаа боловч Хятад улс дахь Ковид-19-ийн хязгаарлалт болон Монгол улсын газрын тухай хуулийн хийдэл нь Петро Матад зэрэг хэд хэдэн оператор компаниудын газрын тосны талбайд явуулах хөтөлбөрүүдийг хэрэгжүүлэх цаг хугацаанд нөлөөлж байна.

V талбайн үйл ажиллагааг 2021 онд түр зогсоосон нь он дуустал үргэлжилсэн тул “Бүтээгдэхүүн хуваах гэрээ” (БХГ)-ний дагуу хайгуулын ажил дуусах хугацааг 2023 оны 7 дугаар сар хүртэл сунгалаа. Ингэснээр тус компанийн хувьд талбайн өрөмдлөгийн ажлыг цаашид үргэлжлүүлэх, хайгуулын ажил амжилттай болж нөөц тогтоогдвол ашиглалтын тусгай зөвшөөрөл авахад хангалттай хугацаа үлдсэн гэдэгт итгэлтэй байна.

Тус компани нь Монгол Улсад газрын тосны хайгуул болон хөгжүүлэлт дээр хамтрах гадаад, дотоодын компаниудыг эрэлхийлсээр байгаа бөгөөд жилийн турш хэд хэдэн виртуаль өгөгдлийн өрөөг ажиллуулсан. Тус компани нь Монгол Улсын өндөр ирээдүйтэй байж болох хайгуул/туршилтын талбайнуудыг судлан, шинээр авах өргөдөл гаргах бодлогыг баримтлан ажиллаж байна. Түүнчлэн, тус компани Монгол Улсад одоо явуулж байгаа үйл ажиллагаагаа өргөжүүлэн газрын тос, байгалийн хийн салбараас гадна тогтвортой, сэргээгдэх эрчим хүчний салбарт мөн үйл ажиллагаа явуулахаар шийдвэрлэсэн.

## КОВИД-19

2021 онд Ковид-19 цар тахал нь компанийн үйл ажиллагаа явуулах бололцоог нэлээдгүй хязгаарлаж байсан ч 2021 оны эцэс гэхэд улс доторх зорчих хөдөлгөөний хязгаарлалтыг сулруулсан. Олон улсын зорчих хөдөлгөөний асуудал хүндрэлтэй хэвээр байсан бөгөөд БНХАУ-ын талаас тогтоосон хилийн хязгаарлалт нь 2021 оны туршид Монгол Улс дахь бусад оператор компаниудын үйл ажиллагаанд хүчтэй нөлөөлсөн. Газрын тосны талбайд үйлчилгээ үзүүлэх туслан гүйцэтгэгчдийн ихэнх нь БНХАУ-ын компаниуд бөгөөд тус улсад хэрэгжүүлж байсан Ковид-19 цар тахлыг тэглэх бодлого нь Монгол Улсын газрын тосны салбарт том цохилт болж байв. Петро Матад компанийн 2022 онд хэрэгжүүлэхээр төлөвлөсөн үйл ажиллагааны тодорхой цаг хугацаа, гүйцэтгэлд 2022 онд ч гэсэн байсаар байгаа эдгээр хязгаарлалтууд нөлөөлсөөр байна. Хилийн хязгаарлалт сулрах эсвэл цуцлагдсаны дараа 2022 оны өрөмдлөгийн улиралд гүйцэтгэх бэлтгэл ажлыг хангалттай түвшинд хийгээд байна.

## ГАЗРЫН ЗӨВШӨӨРӨЛ

2019 онд компанийн үйл ажиллагаанд анх нөлөөлснөөс хойш Петро Матад компани газрын тухай хуулийн хийдэл, зөрчилтэй холбоотой асуудлаар орон нутгийн болон төв засгийн газраас арга хэмжээ авахыг шаардаж ирсэн. Сүүлийн үед ахиц дэвшил гарч байгаа болон асуудлыг засгийн газрын дээд түвшинд хүртэл авч үзэх болсон нь нааштай боловч асуудал бүрэн шийдэгдээгүй хэвээр байна. Энэ асуудал шийдэгдэх хүртэл Компани хууль ёсны зөвшөөрөлгүйгээр үйл ажиллагаагаа эхлэх боломжгүй бөгөөд бид үргэлжлүүлэн асуудлыг хөөцөлдөж байна.

## 2021 ОНЫ ТОЙМ

### Хөдөлмөрийн аюулгүй байдал, эрүүл ахуй, байгаль орчин

Компанийн Хөдөлмөрийн аюулгүй байдал, эрүүл ахуй, байгаль орчин (ХАБЭАБО)-ны удирдлагын системийг Олон улсын газрын тос, байгалийн хий үйлдвэрлэгчдийн холбоо (IOGP)-ны шилдэг туршлага, удирдамжид нийцүүлэн боловсруулж, хөгжүүлж байгаа бөгөөд Ковид-19 цар тахлын нөлөөллийг бууруулах шилдэг туршлагыг нэвтрүүлэхээр уг системийг шинэчилсэн. Энэ чиглэлээр компанийн жилийн турш явуулсан үйл ажиллагаа маш амжилттай хэрэгжсэн. Үндэсний болон олон улсын стандартуудын практикийн дагуу ХАБЭА-н мэдээлэгдсэн бүх тохиолдлуудыг IOGP удирдамжийн дагуу бүрэн судлан бүртгэж, ангилдаг байгаа бөгөөд тухайн тохиолдлоос үүдсэн сургамжийг менежментийн хяналтын явцад нээлттэй хуваалцдаг.

Петро Матад нь туслан гүйцэтгэгч компаниудынхаа хамт 2021 онд бүхий л үйл ажиллагаандаа Монгол Улсын стандартуудыг мөрдөж ажилласан бөгөөд 2021 онд байгаль орчны зөрчил, хөдөлмөрийн чадвараа алдсан болон аливаа бүртгэгдсэн осол гараагүйг мэдэгдэхэд таатай байна.

Бүтээгдэхүүн хуваах гэрээт ХХ талбайн хайгуулын хугацаа 2021 оны 7 дугаар сард дуусаж, ашиглалтын тусгай зөвшөөрлийн талбайд хамрагдаагүй бүх талбайг буцааж хүлээлгэн өгөхтэй холбоотойгоор хуучин өрөмдлөгийн талбайнууд болон холбогдох кемпийн талбайнуудын техникийн болон биологийн нөхөн сэргээлтийн ажлыг гүйцэтгэж, УУХҮЯ, БОАЖЯ, АМГТГ болон аймаг, сумын холбогдох албан тушаалтнууд оролцсон ажлын хэсгээр шалгуулсан. Улмаар талбайг улсад албан ёсоор буцааж өгөхөд шаардагдах хамгийн сүүлчийн байгаль орчны баримт бичиг болох нөхөн сэргээлтийг хүлээн авсан тухай актыг Петро Матадын ирүүлсэн.

Тус компани нь байгаль орчныг хамгаалахын төлөө тууштай ажилладаг бөгөөд ISO 14001 стандартыг жишиг болгон үндэсний болон олон

улсын стандартуудын дагуу зохих бүхий л арга хэмжээг авч хэрэгжүүлж байна.

### Үйл ажиллагаа

Эрдэс баялгийн мэргэжлийн зөвлөл (ЭБМЗ)-өөр “Цэн тогоруу-1” цооногийн нөөцийн тайланг 2020 оны эцсээр хэлэлцүүлж батлуулсны дараа 2021 оны эхээр тус компани ГТОАҮАТ-г батлуулах, улмаар хайгуулын тусгай зөвшөөрлийн хугацаа дуусахаас өмнө ХХ талбай дахь “Цэн тогоруу” ордын ашиглалтын тусгай зөвшөөрлийг авах асуудалд гол анхаарлаа хандуулж ажилласан. Газрын тосны ашиглалтын тусгай зөвшөөрлийг хамгийн сүүлд олгосноос хойш 9 жил болсон байсан тул ашиглалтын тусгай зөвшөөрөл авах үйл явц амар байгаагүй. АМГТГ, УУХҮЯ-ны Газрын тосны бодлогын газрын мэргэжилтнүүдийн дэмжлэгтэйгээр орд ашиглалтын төлөвлөгөөг батлуулж, Уул уурхай, хүнд үйлдвэрийн сайдын тогтоолоор 7 дугаар сарын эхээр ашиглалтын тусгай зөвшөөрөл олгогдсон. Энэ нь Монгол Улсын газрын тосны салбарт гурав дахь удаагаа ашиглалтын тусгай зөвшөөрөл олгосон онцгой үйл явдал юм.

“Цэн тогоруу-1” цооногийн батлагдсан нөөцийг Монгол Улсын ашигт малтмалын нөөцийн санд бүртгэсэн тул батлагдсан нөөц бүхий талбайд олборлолт явуулах эрх хуулиар нээгдсэн. Тус талбайд хөгжүүлэлтийг амжилттай гүйцэтгэж, үнэлгээний өрөмдлөг хийж, 3 хэмжээт чичирхийллийн судалгааг нэмж хийснээр энэ талбай өргөжинө. Компани цооногийг гүйцээх, стимуляц хийх орчин үеийн технологийг ашиглан газрын тос өгөлтийн итгэлцүүрийг 30% орчим хувьд хүргэж, “Цэн тогоруу” талбайгаас олборлох боломжтой нийт нөөцийг “Lear Energy” компанийн мэргэшсэн шинжээчийн тайланд баталгаажуулсан 33 сая баррелиас 60 сая баррель хүртэл нэмэгдүүлэхээр зорьж байна. Хамгийн гол нь ашиглалтын тусгай зөвшөөрөл олгох тухай сайдын тушаалаар ашиглалтын талбайг 218 км<sup>2</sup> гэж баталгаажуулсан. Энэ талбайд батлагдсан Тосон уул дэд бассейн ХХ талбай хүртэл үргэлжилсэн хэсэг бүхэлдээ багтсан бөгөөд ашиглалтын хугацаанд “Цэн тогоруу” ордын олборлолтын үйл ажиллагаатай зэрэгцэн

хайгуул, үнэлгээний ажлууд хийх боломжтой. Тус компани нь тус талбайн зэргэлдээ орших хайгуулын талбайнуудыг 100-200 сая баррель хүртэлх боломжит ашиглалтын нөөцтэй гэж үнэлж байгаа. Энэхүү боломжит нөөцийг шинээр, бага зардлаар хайгуулын цооногууд өрөмдөн илрүүлэх боломжтой бөгөөд амжилттай болсон нөхцөлд нэмж тогтоогдсон нөөцүүдийг “Цэн тогоруу” ордын газрын тос цэвэршүүлэх, экспортлох байгууламжаар дамжуулж бага зардлаар, шуурхай олборлох боломж бүрдэх юм.

2021 оны сүүлчээр компани нь 2022 онд “Цэн тогоруу”-н цооногт олборлолт эхлүүлэх зорилгоор төлөвлөлт, худалдан авах ажиллагааг эхлүүлсэн. Энэ ажлын хүрээнд “Цэн тогоруу-1” цооногийг олборлолтод шилжүүлэхэд шаардлагатай бүх тоног төхөөрөмж, ажил үйлчилгээ, мөн олборлолт, экспорт хийхэд шаардагдах байгууламжуудыг тодорхойлох ажлууд багтсан. Мөн өрөмдлөг, 3 хэмжээт чичирхийллийн судалгааны ажил гүйцэтгэх гэрээнүүдийг байгуулахаар хэлэлцээ хийж эхэлсэн. Үүний сацуу үйл ажиллагааны үр ашгийг нэмэгдүүлэхийн тулд АМГТГ-тай зөвшилцсөний дагуу Петро Матадын газрын тосыг “Петрочайна” компанийн XIX талбай дахь дэд бүтцийн байгууламжуудаар дамжуулан цэвэршүүлж, экспортлох талаар тус компанитай хамтран ажиллах гэрээ байгуулахаар хэлэлцээ хийж байна. Энэхүү хамтын ажиллагааг хоёр компанийн хооронд өмнө нь байгуулсан харилцан ойлголцлын санамж бичгийн үндсэн дээр хэрэгжүүлж байна.

### Бүтээгдэхүүн хуваах гэрээнүүд (БХГ)

ХХ талбай: Ашиглалтын тусгай зөвшөөрлөөр “Цэн тогоруу” ордыг хүрээлсэн 218 км<sup>2</sup> талбайг 25 жилийн хугацаа (2046 оны 7 дугаар сарын 1 хүртэл)-гаар ашиглах эрхийг баталгаажуулсан бөгөөд ашиглалтын тусгай зөвшөөрлийг тус бүр 5 жилээр хоёр удаа сунгах боломжтой. Монгол Улсын Засгийн газраас баталсан журмын дагуу хугацаа нь дууссан хайгуулын тусгай зөвшөөрлийн үлдсэн талбай (10,125 км<sup>2</sup>)-г буцааж хүлээлгэж өгсөн.

V талбай: Энэ талбайд 2021 онд үйл ажиллагаа явуулахыг түр зогсоосон байсан нь оны төгсгөлд дуусч, БХГ-нд заасан хайгуулын дуусах хугацааг 2023 оны 7 дугаар сарын 29-ний өдрийг хүртэл сунгасан. Тус компани тусгай зөвшөөрлийн хугацаа дуусахаас өмнө өндөр магадлалтай “Раптор” тренд дээр хамгийн багадаа нэг хайгуулын цооног өрөмдөх, хэрэв өрөмдлөгийн ажил амжилттай болвол нээлт болон түүнийг хүрээлсэн талбайг хөгжүүлэх боломж олгох ашиглалтын тусгай зөвшөөрлийг авахад шаардлагатай өгөгдлүүдийг цуглуулах хангалттай хугацаа үлдсэн гэдэгт итгэлтэй байна. “Раптор” тренд дээр өрөмдлөг хийх боломжит хугацаа, зардлыг тодорхойлох зорилгоор өрөмдлөгийн гэрээт компаниудтай яриа хэлэлцээ хийсэн бөгөөд тус компани 2022 онд болон түүнээс хойшхи хугацаанд үйл ажиллагаа явуулахын тулд өрөмдлөгийн үйл ажиллагааны байгаль орчинд нөлөөлөх байдлын үнэлгээг Байгаль орчны яаманд хүргүүлж батлуулсан.

Шинэ талбай: Компани нь газрын тосны илэрцтэй нь батлагдсан боловч өнөөг хүртэл хайгуулын үйл ажиллагаа бага явагдсан шинэ талбайд нарийвчилсан техникийн судалгааг идэвхтэй хийж байна. Энэ нь компанийн портофолионд газрын тосны олборлолт, хөгжүүлэлт, үнэлгээний, болон өндөр нөлөө бүхий хайгуулын тайлбайнууд нэмж, шинэчлэх зорилготой юм. Засгийн газар Газрын тосны тухай хуульд нэмэлт, өөрчлөлт оруулах төлөвлөгөөгөө танилцуулсны дараа зохимжтой үед нь шинээр талбай авахаар өргөдөл гаргана.

### Тогтвортой хөгжлийн боломжууд

Газрын тос, байгалийн хийн салбарт одоо явуулж байгаа үйл ажиллагаанаас гадна Монгол Улсад тогтвортой, сэргээгдэх эрчим хүчний чиглэлээр ажиллах боломжуудыг судлах шийдвэрийг Петро Матад-ийн ТУЗ-өөс 2021 онд гаргасан. Нүүрстөрөгчийн ялгарлыг бууруулах Засгийн газрын шийдвэрийн дагуу салхины болон нарны эрчим хүчний үйлдвэрлэлийг нэмэгдүүлэх асар их нөөц бололцоотой тус улсын сэргээгдэх эрчим хүчний салбарын техникийн болон бизнесийн суурь нөхцөлийг нарийвчлан судлах зорилгоор энэ жил тодорхой ажлуудыг хийсэн.

Петро Матад нь “Цэн тогоруу”-н ашиглалтад сэргээгдэх эрчим хүчийг ашиглах боломжуудыг төдийгүй газрын тосны олборлолт нэмэгдүүлэх, үүний тулд ус шахах технологийг орлох өөр технологийг ашиглах замаар Монгол Улсад ховор, нандин түүхий эд болох усны хэрэглээг бууруулах боломжийг судалж байна.

### Олон нийтийн харилцаа

Тус компани нь орон нутгийн иргэдийн оролцоог хангах, орон нутагтай харилцах талаар хүлээсэн үүрэг хариуцлагаа маш нухацтай авч үздэг. Аливаа төсөл, хөтөлбөрийг хэрэгжүүлэхийн өмнө компани нь АМГТГ болон холбогдох эрх бүхий бүхий л байгууллагуудаас шаардлагатай зөвшөөрлүүдийг авдаг. Компанийн ажилтнууд холбогдох эрх бүхий байгууллагууд болон орон нутгийн иргэдтэй хамтарсан уулзалт хийж, төлөвлөсөн ажлуудаа танилцуулж, хэлэлцүүлдэг. Мөн орон нутгийн захиргааны албан тушаалтнуудтай уулзалт хийхээс гадна орон нутгийн иргэдийг цуглуулж уулзалт зохион байгуулан тэдний сонирхсон асуултуудад хариулт өгдөг. Бүх талын саналыг сонсохын тулд компанийн төлөөлөгчид үйл ажиллагаа явуулах газрын ойр орчимд амьдардаг малчидтай уулзалт хийдэг. Орон нутагтай харилцах багийн төлөөллийг бүхий л үйл ажиллагааны явцад төслийн талбайд байрлуулдаг.

Үйл ажиллагаа явуулж буй тухайн орон нутаг чиглэсэн төсөл, хөтөлбөрүүдийг орон нутгийн захиргаатай хамтран хэрэгжүүлдэг. Тус компани нь орон нутгийн иргэдийн оролцоог хангах нь үйл ажиллагаагаа аюулгүй, амжилттай хэрэгжүүлэхэд чухал ач холбогдолтой төдийгүй энэ нь эргээд тухайн орон нутагт ашиг тусаа өгнө гэж үздэг.

Ковид-19 цар тахлын улмаас 2021 онд хээрийн үйл ажиллагаа явуулаагүй тул тус компани өнгөрсөн жилийн хугацаанд орон нутагт томоохон төсөл, хөтөлбөрүүд хэрэгжүүлээгүй. Тус компани 2022 онд хээрийн үйл ажиллагаагаа дахин эхэлмэгц

орон нутагт дэмжлэг үзүүлэх зорилгоор хэрэгжүүлэх боломжтой төсөл, хөтөлбөрүүдийн талаар сайтар судалж үзнэ. Орон нутгийн иргэдтэй хийх уулзалтуудыг хээрийн ажил эхлэхээс өмнө зохион байгуулна.

### ДҮГНЭЛТ

Тус компани нь 2021 онд ХХ талбайд ашиглалтын тусгай зөвшөөрөл авснаар Монгол Улсын газрын тосны хайгуул, олборлолтын анхны бие даасан компани болж томоохон амжилт гаргалаа. Ийнхүү компанийн үйл ажиллагаа нь газрын тосны олборлолтоо даруй эхлүүлж, орлого олж эхлэх ажилруу шилжэж байна. Компанийн нийт ажилтнуудын хувьд компаниа хөгжлийн дараагийн шат руу хурдтай, амжилттай урагшлуулахаар урам зоригтой ажиллаж байна.

### ТАЛАРХАЛ

Дэлхий нийтийг хамарсан цар тахлын нөлөө 2021 онд ч үргэлжилж Монгол Улс дахь тус компанийн үйл ажиллагаанд ихээхэн нөлөөлсөн билээ. Петро Матадын хувьд энэ цаг хугацааг ашиглан ашиглалтын тусгай зөвшөөрөл авч ирээдүйгээ баталгаажуулсан бөгөөд 2022 онд анхны газрын тосоо олборлох төлөвлөгөөтэй ажиллаж байна.

Энэ хүнд хэцүү цаг үед урам зориг дүүрэн, хичээл зүтгэл, сэтгэл гаргаж ажилласан Петро Матадын нийт ажилтнуудад талархаж байгаагаа тус компанийн захирлуудын зүгээс дахин илэрхийлмээр байна. Ковид-19 цар тахлын үед компанийг ХХ талбайд ашиглалтын тусгай зөвшөөрөл авах хүртэл шаардагдах санхүүгийн нөөцтэй байлгах үүднээс цалинг ихээхэн хэмжээгээр бууруулах шийдвэрийг компанийн ажилтнууд болон захирлууд хүлээцтэйгээр хүлээн авсан нь Петро Матадын хамт олон компанидаа үнэнчээр зүтгэдгийг нотлон харуулж байна. Компани маань хайгуул, олборлолтын компани болж өргөжснөөр үйл ажиллагаа нь цаашид улам хөгжиж дэвжинэ гэдэгт ТУЗ-ийн зүгээс бүрэн итгэлтэй байна.

ТУЗ нь аливаа таатай, одоо байгаа болон шинэ боломжуудыг бүрэн дүүрэн ашиглаж хувьцаа эзэмшигч нартаа үнэ цэнийг бий болгохын төлөө идэвхийлэн ажиллаж байгаа бөгөөд компанийг үргэлж дэмжиж ирсэнд хувьцаа эзэмшигч нартаа талархал илэрхийлж байна.

### ТУЗ-ийн гишүүд



# PETRO MATAD TEAM

04





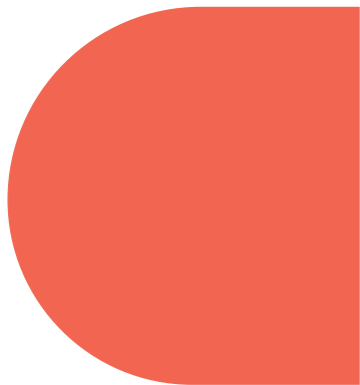
## Exploration and Production Team



**Jeremy Smart**  
Technical and Subsurface  
Manager



**B. Dendevchuluun**  
Consultant



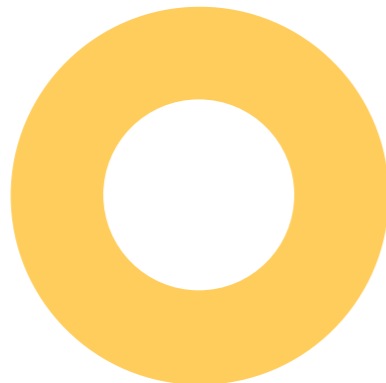
**B. Ochirbat**  
Senior Reservoir Engineer



**E. Bolor**  
Senior Geophysicist



**E. Batgerel**  
Senior Drilling Engineer

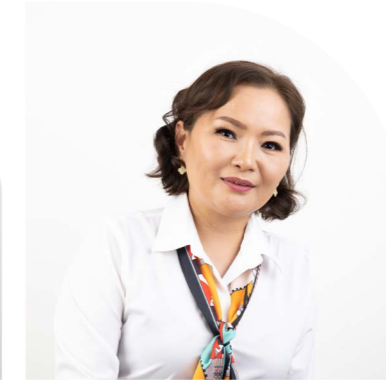


**T. Batbileg**  
Geologist

## Finance Team



**B. Tamir**  
Financial Accounting  
Specialist



**B. Enkhzaya**  
Acting Chief Accountant



**B. Oyunchimeg**  
Senior Accountant



**N. Solongo**  
Senior Accountant



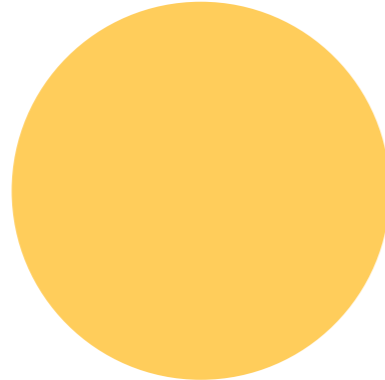
**Sh. Munkhnaran**  
Junior Accountant



## HSSE Team



**Gary Neale**  
HSSE Manager



**S. Naranjargal**  
Health and Safety Officer

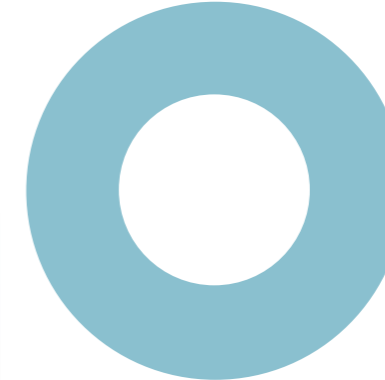


**D. Buyanzul**  
Environmental Officer

## Relations and Legal Affairs Team



**A. Gerelt-Od**  
Executive Director



**G. Gantulga**  
Legal Counsel



**D. Amarjargal**  
Relations Officer



**O. Tamir**  
Relations Officer



**D. Burmaa**  
Relations Officer

## Support Functions Team



**T. Khongorzul**  
Corporate Manager



**B. Purevkhoo**  
Senior IT Supervisor



**S. Byambasuren**  
Journey Manager /  
Logistics Supervisor



**S. Batgerel**  
Driver



**B. Ider**  
Procurement Coordinator



**E. Munkhbolor**  
Office Manager



**B. Otgonbayar**  
Driver



**T. Shinebayar**  
Front Desk Officer



**Ch. Oyuntsetseg**  
Cleaner





# ENVIRONMENT, SOCIAL, GOVERNANCE (ESG) STATEMENT

05

As an active oil explorer soon to transition to a producer based in Mongolia, we are aware that our activities may impact the communities where we operate and we have a responsibility to lead by example when it comes to operating to the highest environment, social and governance standards.

We are proud of our track record of engaging with local communities and protecting the environment. With a majority of our staff being Mongolian nationals, we have an acute awareness of the sensitivities of the local culture, including a unique nomadic component. The fragile environment of Mongolia, comprising vast grass deserts and rugged mountains with very low rainfall and a huge range of temperature through the seasons, makes it imperative that we concentrate efforts on protecting the areas in which we work. We also continue to improve our corporate governance in line with the QCA Corporate Governance Guidelines for AIM Companies (QCA Code) and to bring the highly developed governance regime of the UK market into the Mongolian business community.

## ENVIRONMENTAL

Petro Matad's assets are located in remote frontier locations of Mongolia. In this operating environment, it is essential to have a fit for purpose environmental strategy that cultivates and implements an environmental awareness culture not only within the Company but with the contractors involved with our projects and activities.

**The preservation and protection of the environment where we operate is a top priority for us.**

### Commitment to Environment

We address environment protection proactively through all of our operations. Within our Environmental Management Plan, we implement site monitoring prior to the commencement of any field programmes and we implement the recommendations of the Detailed Environmental Impact Assessment which must be approved by

the Ministry of Environment prior to any major operational activity.

Detailed environmental and cultural sensitivity field studies by specialist consultants have been commissioned in our areas of operations to address the concerns of local communities, to ensure legal compliance when working near protected areas and also to minimize all adverse environmental impacts.

The results of these studies are used to finalize the operational Environmental Management Plan which includes interactive constraints maps. In areas of potential sensitivity, sites are revisited and surveyed to manage any potential environmental, archaeological or cultural conflicts. These visits involve environmental and cultural specialists, together with local environmental inspectors and a senior member of our technical team. We strive to remediate all operational areas wherever necessary.

We continue to review new technologies that will reduce our overall operational carbon footprint which will improve both operational performance and reduce potential harmful emissions into land, water and air. We also pay 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.

### Environmental Activity

The Board of Petro Matad in 2021 took the decision to expand the Company's activities in Mongolia into sustainable and renewable energy in addition to

its ongoing work in the oil and gas sector. Work in 2021 included studies to determine the status of the Mongolian renewable energy sector. Mongolia has a substantial potential for both wind and solar power generation.

**A number of projects have been identified and are being evaluated for accessibility and commercial potential.**

In addition, Petro Matad is looking at renewable energy possibilities to deploy in its Heron oilfield development. The area around Heron is well suited to both wind and solar power generation.

Petro Matad is also studying the potential to use CO<sub>2</sub> injection as an enhanced oil recovery mechanism for the Heron development. This technique has been widely used around the world for many years and has proven particularly successful in some of the larger oil field developments onshore in northern China. It has not been deployed in Mongolia where water injection has traditionally been used for reservoir pressure maintenance. Southern Mongolia is effectively covered by desert steppe and water is an increasingly precious resource. As such, an alternative to large scale water usage in oil production operations is considered a goal worth pursuing. Technical studies are now underway to determine the potential effectiveness of CO<sub>2</sub> injection into the reservoirs of the Tamsag Basin.

Upon the award of the Exploitation Licence over Block XX in July 2021, the Company followed the process to relinquish the exploration area outside the Exploitation Area. 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), local government officials 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 including the completion of biological restoration of plugged and abandoned well sites. The working group determined that there was full compliance with applicable Environmental

laws and there were no remaining issues and the processes for the partial relinquishments of Block XX were concluded.

### Land and Environmental Restoration

The Company executed the necessary environmental work in order to hand back to the government Production Sharing Contract (PSC) Block IV (Bogd) in its entirety and to facilitate the partial relinquishment of the Block V (Ongi) PSC in 2020. A working group similar to the one described as above 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 return the drilling lease area to the local authorities with the province's Handover Committee signing off on the formal 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. Necessary biological restoration was carried around the wellsites 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 Licence in Block XX.

## SOCIAL

Part of our commitment to the local environment and communities in which we operate is to ensure that we operate in accordance with concerns of the local communities and all relevant laws and regulations. We continually meet and speak with communities and local governments to understand the issues they face and to address these through the development of supportive and engaging principles and policies.

**Wherever we operate, we seek to reduce negative impacts by understanding the social, environmental and economic conditions of the local communities.**

### Social Performance Plan

Petro Matad 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 Plan (SPP) based on socio-economic and social impact assessments. This plan sets out stakeholder identification mechanisms, consultation processes, community grievance management mechanisms and social investment strategies.

Petro Matad's SPP supports the businesses needs through managing social risks and building broad based stakeholder support for its projects to enable on-time and within budget project delivery. Ensuring local community and Government support for Petro Matad's activities is crucial to the Company's success.

The strategic SPP objectives are to:

- Manage on the ground social concerns, potential impacts and engage closely with local communities on the management of these risks
- Ensure community access to timely and accurate information on the projects;
- Maintain an effective community grievance mechanism to resolve complaints promptly and appropriately;
- Support contractors to avoid, minimise or mitigate adverse social and cultural impacts on surrounding communities; and

- Support contractors to optimise local participation in the project through direct employment or procurement of goods/services.

### Stakeholder Engagement

The core objective of Petro Matad's stakeholder engagement strategy within the SPP is to build relationships, strengthen trust and gain broad-based support for operational activity. In addition, broadening Petro Matad's understanding of the communities' key concerns and history is critical for the Company to effectively manage social risk. Petro Matad conducts community and stakeholder engagement ahead of operations with the objectives of:

- Introducing the project, its background and status, current and planned activities to community members in the areas where exploration and forward production activities are being conducted;
- Gaining the support of herders and other stakeholders for the exploration and forward production programme;
- Building trust between the project and affected community members;
- Building a constructive working relationship with local authorities;
- Obtaining a better understanding of community concerns about work programme and other issues; and
- Managing stakeholders' expectations related to the project and its benefits.

### Stakeholder Engagement Progress

In 2021, the worldwide pandemic continued which impacted operational oil exploration and production activities in Mongolia. Whilst Petro Matad was focused on securing its Exploitation Licence, the pandemic impacted the work of other operators in the petroleum and other industry sectors, in Mongolia. Movements of personnel, equipment and supplies across borders were significantly impacted due to stringent measures undertaken by the government of People's Republic of China. With the award of the Exploitation Licence over Block XX by

MMHI, the Company began preparations to achieve first oil in 2022 advancing contract negotiations with service providers.

After a commendable effort by the government of Mongolia in 2020 to control the spread of the Covid-19 virus, outbreaks were recorded at the end of 2020 and in the first half of 2021, the virus had spread in the community. The Company at its own initiative donated PPE and medical equipment to the hospitals in Matad Soum and Dornod Aimag to assist the local governments in their fight against the spread and impact of the virus in local communities. The Company continued to focus on disseminating accurate information about Petro Matad and its forward planned operations. The local community and government were frequently engaged to review best practices going forward as well as on land access matters.

### Social Investment Activities

Petro Matad has developed and adopted a Social Development Policy to contribute to the social developments of communities located near and impacted by our exploration activities in Blocks IV, V and XX.

Through meaningful engagement with communities and stakeholders, we identify opportunities to aim to make contributions that are beneficial to as many people as possible and crucially, accessible to the community. Our social development policies are focused on the quality and comfort of local community life through supporting long and short-term developments in local regions and provinces.

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.

## GOVERNANCE

### Our Corporate Governance

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

Following the changes to the Alternative Investment Market (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.

### Key Governance Principles

Delivering Growth

- Petro Matad prioritises growth by developing an exploration-focused strategy in Mongolia, considering social and environmental impact for sustainable long-term operations, and continually evaluating points of risk.

Maintaining a Dynamic Management Framework

- Petro Matad maintains an experienced, balanced, and well-functioning board; the performance of all Directors is evaluated on an ongoing basis.
- 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, to promote a corporate culture based on our shared ethical values and behaviours.

Building Trust

- Petro Matad establishes trust with investors by encouraging two-way communication with both institutional and private investors and responding quickly to all queries received.



## 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. If and when a fifth Director is added, 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 5 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 continuing Covid-19 pandemic and restrictions in travel, all 2021 Board meetings and discussions were held virtually. Board meetings and discussions in 2021 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 2021 and to the date of this report, are as follows:

<i>Chair</i>	Enkhmaa Davaanyam
<i>Members</i>	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 2021 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 49 to 55.

#### Corporate Governance, Social Action and Environmental (CGSAE) Committee

The members of the CGSAE Committee in 2021 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 2021, 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 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. The Company has taken measures at the recent AGMs to enable shareholders to dial-in and observe the proceedings of the meeting and submit

questions to be responded which has enabled greater engagement with shareholders. 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](mailto: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. FTI responds to general enquiries on behalf of the company, recognising that price sensitive information will not be divulged. 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.

### Health, Safety, Security and Environment (HSSE)

Petro Matad remains demonstrably committed to best practices in health and safety management for the benefit of its workers, contractors and all stakeholders.

Petro Matad's assets are located in remote locations in Mongolia. In this operating environment, it is essential to have fit for purpose health and safety protocols in place to operate safely. The safety of our people, our communities and the environment is our priority on all our activities.

**Petro Matad cultivates and implements a safety and environmental awareness culture not only within the Company but with the contractors involved with our projects and activities.**

#### HSSE Policies

Petro Matad has established and maintains documented health and safety policies which are central in guiding all our activities. These policies are appropriate to the nature and scale of Petro Matad Group's health, safety and security hazards.

Our policies include explicit commitments to operate in a way which is proactive in continual improvement in HSSE management performance particularly in the prevention of injury, maintaining good health of all people who may be affected by our activities. We are also committed to comply with applicable legal requirements and strive to implement relevant industry best practices in all our activities. Our policies provide the framework for setting and reviewing HSSE objectives and is actively communicated to all persons working under the control of the organization with the intent that they use the principles of the policies to guide all decision making.

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

### 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.

### Health and Safety Record

Petro Matad concluded 2021 with zero Lost Time Injuries (LTI) and a total of 40,248 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 analyze 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 sixth consecutive year of zero LTIs.

### HSSE Management System

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 practices 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, ISO 45001 Occupational Health and Safety Management System Guidelines, International Association of Drilling Contractors (IADC), and International Association of Geophysical Contractors (IAGC).

To implement the commitments of our HSSE policies, Petro Matad has established and maintains a standards based HSSE Management System (HSSE MS) and is structured according to International Association of Oil and Gas Producers (IOGP) 510 Operating Management System Framework supported in the Supplement Report 511 Operational Management System. As revised policies and procedures are released by IOGP, the Company's HSSE MS is updated to reflect changes accordingly.

The HSSE MS is designed to provide practical and real time support for our operations by enabling quick and reliable access to Mongolian legislations and industry standards. The HSSE MS is explicitly aligned with ISO14001 Environmental Management System Guidelines, ISO 45001 Occupational Health and Safety Management System Guidelines, the International Association of Geophysical Contractors (IAGC), the International Association of Drilling Contractors (IADC) and American Petroleum Institute (API) guidance where appropriate.

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

### Operations

Petro Matad is committed to supporting the building of industry capacity for hydrocarbon exploration and exploitation in Mongolia. We are currently working with Government on bolstering the legal mechanisms that are in place for future projects and developments in the country.

We manage our seismic, drilling and other field-based exploration and exploitation operations using *IOGP 423 Contracting Model Guidelines* and work with all successful contractors to ensure that our HSSE standards are maintained. Seismic programmes operate under the minimum requirements of *IOGP 432 Managing HSE In A Geophysical Contract* and drilling programmes to the *IADC HSE Land Drilling Case*. The final report and HSSE management review of all projects is seen as central to organizational learning and continual improvement.

We operate a proactive HSSE observation programme not only to identify unsafe acts and conditions but also to identify best practice in all our operations. Information from the observation programmes is actively combined with monitoring and learnings from incidents. The process ensures that effective and quick corrective actions are taken as well as root cause preventative measures are identified. All incidents are investigated, recorded and classified according to IOGP guidelines and learnings are shared through the management review process.

### 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.

# REMUNERATION REPORT (UNAUDITED)



06



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 2020 and 2021, 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 2021 \$'000	31 Dec 2020 \$'000
Short-term employee benefits	478	681
Post-employment benefits	-	-
Share based payment expense	23	6
	501	687

Directors	Consolidated	
	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Enkhmaa Davaanyam	39	32
John Rene Henriksen	-	265
Timothy Paul Bushell	58	45
Michael James Buck	357	320
Shinezaya Batbold	24	19
Total	478	681

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 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
<b>Directors</b>				
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

Balance at 31 December 2021 or if applicable at the date of resignation	Balance as at 01-Jan-21	Acquired and (Disposed)	Options & Awards Exercised	Balance as at 31-Dec-21
<b>Directors</b>				
Enkhmaa Davaanyam	6,387,175	-	37,500	6,424,675
Timothy Paul Bushell	1,476,538	-	-	1,476,538
Michael James Buck	8,725,006	2,062,919	-	10,787,925
Shinezaya Batbold	2,151,000	-	-	2,151,000
Total	18,739,719	2,062,919	37,500	20,840,138

\*John Henriksen retired from the Board of Petro Matad Limited on 31 December 2020 and his shareholding information is up to and as of the retirement date.

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 2020	Balance as at 01-Jan-20	Granted as Remuneration	Options Exercised	Options Lapsed	Balance as at 31-Dec-20	Not Vested & Not Exercisable	Vested & Exercisable
<b>Directors</b>							
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	-	-	-	-	-	-	-
<b>Total</b>	<b>250,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>250,000</b>	<b>-</b>	<b>250,000</b>

For the year ended 31 December 2021	Balance as at 01-Jan-21	Granted as Remuneration	Options Exercised	Options Lapsed	Balance as at 31-Dec-21	Not Vested & Not Exercisable	Vested & Exercisable
<b>Directors</b>							
Enkhmaa Davaanyam	150,000	-	-	(150,000)	-	-	-
Timothy Paul Bushell	-	-	-	-	-	-	-
Michael James Buck	-	-	-	-	-	-	-
Shinezaya Batbold	-	-	-	-	-	-	-
<b>Total</b>	<b>150,000</b>	<b>-</b>	<b>-</b>	<b>(150,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>

\*John Henriksen retired from the Board of Petro Matad Limited on 31 December 2020.

**(e) Conditional Share Awards holdings of Directors**

For the year ended 31 December 2020	Balance as at 01-Jan-20	Granted as Remuneration	Awards Exercised	Awards Lapsed	Balance as at 31-Dec-20	Not Vested & Not Exercisable	Vested & Exercisable
<b>Directors</b>							
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	-	-	-	-
<b>Total</b>	<b>7,259,000</b>	<b>-</b>	<b>7,009,000</b>	<b>-</b>	<b>250,000</b>	<b>250,000</b>	<b>-</b>

For the year ended 31 December 2021	Balance as at 01-Jan-21	Granted as Remuneration	Awards Exercised	Awards Lapsed	Balance as at 31-Dec-21	Not Vested & Not Exercisable	Vested & Exercisable
<b>Directors</b>							
Enkhmaa Davaanyam	150,000	-	37,500	-	112,500	112,500	-
Timothy Paul Bushell	-	-	-	-	-	-	-
Michael James Buck	-	-	-	-	-	-	-
Shinezaya Batbold	-	-	-	-	-	-	-
<b>Total</b>	<b>150,000</b>	<b>-</b>	<b>37,500</b>	<b>-</b>	<b>112,500</b>	<b>112,500</b>	<b>-</b>

\*John Henriksen retired from the Board of Petro Matad Limited on 31 December 2020.



# CONSOLIDATED FINANCIAL STATEMENTS



07

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Note	Consolidated	
		31 Dec 2021 \$'000	31 Dec 2020 \$'000
<b>Continuing operations</b>			
<b>Revenue</b>			
Interest income	4(a)	33	25
Other income	4(a)	13	39
		46	64
<b>Expenditure</b>			
Consultancy fees		(98)	(80)
Depreciation and amortisation		(181)	(224)
Employee benefits expense	4(b)	(1,010)	(1,598)
Exploration and evaluation expenditure	4(c)	(114)	(433)
Other expenses	4(d)	(759)	(974)
<b>(Loss)/Profit from continuing operations before income tax</b>		<b>(2,116)</b>	<b>(3,245)</b>
Income tax expense	5	-	-
<b>(Loss)/Profit from continuing operations after income tax</b>		<b>(2,116)</b>	<b>(3,245)</b>
<b>Net (loss)/profit for the year</b>		<b>(2,116)</b>	<b>(3,245)</b>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of income tax of \$Nil (2020: \$Nil)		-	(16)
<b>Other comprehensive (loss)/income for the year, net of income tax</b>		<b>-</b>	<b>(16)</b>
<b>Total comprehensive (loss)/income for the year</b>		<b>(2,116)</b>	<b>(3,261)</b>
(Loss)/Profit attributable to owners of the parent		(2,116)	(3,261)
Total comprehensive (loss)/income attributable to owners of the parent		(2,116)	(3,261)
<b>(Loss)/Earnings per share (cents per share)</b>			
Basic (loss)/earnings per share	6	(0.3)	(0.5)
Diluted (loss)/earnings per share	6	(0.3)	(0.5)

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 2021

	Note	Consolidated	
		31 Dec 2021 \$'000	31 Dec 2020 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	1,162	939
Trade and other receivables	8	21	10
Prepayments	9	176	222
Financial assets	10	7,045	11
Inventory	11	221	224
<b>Total Current Assets</b>		<b>8,625</b>	<b>1,406</b>
<b>Non-Current Assets</b>			
Exploration and evaluation assets	12	15,275	15,275
Property, plant and equipment	13	99	145
Right-of-Use asset	13	93	36
<b>Total Non-Current Assets</b>		<b>15,467</b>	<b>15,456</b>
<b>TOTAL ASSETS</b>		<b>24,092</b>	<b>16,862</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	14	371	364
Lease liability	14	6	25
<b>Total Current Liabilities</b>		<b>377</b>	<b>389</b>
<b>TOTAL LIABILITIES</b>		<b>377</b>	<b>389</b>
<b>NET ASSETS</b>		<b>23,715</b>	<b>16,473</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	15	154,057	144,011
Reserves	16	182	1,392
Accumulated losses		(130,524)	(128,930)
<b>TOTAL EQUITY</b>		<b>23,715</b>	<b>16,473</b>

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 2021

	Note	Consolidated	
		31 Dec 2021 \$'000	31 Dec 2020 \$'000
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(2,424)	(3,340)
Interest received		33	25
Other income		13	52
<b>Net cash flows (used in)/provided by operating activities</b>	7	(2,378)	(3,263)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(16)	(13)
Proceeds from the sale of financial assets		(7,034)	1,499
Proceeds from the sale of property, plant and equipment		-	-
<b>Net cash flows used in investing activities</b>		(7,050)	1,486
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		10,491	31
Capital raising cost		(664)	-
Payments of lease liability principal		(176)	(114)
<b>Net cash flows from financing activities</b>		9,651	(83)
<b>Net (decrease)/increase in cash and cash equivalents</b>		223	(1,860)
Cash and cash equivalents at beginning of the year		939	2,815
Net foreign exchange differences		-	(16)
<b>Cash and cash equivalents at the end of the year</b>	7	1,162	939

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 2021

	Note	Consolidated			
		Attributable to equity holders of the parent			
		Issued capital \$'000	Accumulated Losses \$'000	Other Reserves Note 16 \$'000	Total \$'000
<b>As at 1 January 2020</b>		143,174	(126,474)	3,062	19,762
Net loss for the year		-	(3,245)	-	(3,245)
Other comprehensive income		-	-	(16)	(16)
<b>Total comprehensive gain/(loss) for the year</b>		-	(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)	-
					16,473
<b>As at 31 December 2020</b>		144,011	(128,930)	1,392	16,473
Net loss for the year		-	(2,116)	-	(2,116)
Other comprehensive income		-	-	-	-
<b>Total comprehensive gain/(loss) for the year</b>		-	(2,116)	-	(2,116)
Issue of share capital	15	10,491	-	-	10,491
Cost of capital raising	15	(664)	-	-	(664)
Share-based payments	15 & 16	-	-	(469)	(469)
Exercise of Conditional Share Awards	15, 16 & 17	219	-	(219)	-
Expiry of Options	16 & 17	-	522	(522)	-
<b>As at 31 December 2021</b>		154,057	(130,524)	182	23,715

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

08

## 1 CORPORATE INFORMATION

The financial report of Petro Matad Limited (Company) for the year ended 31 December 2021 was authorised for issue in accordance with a resolution of the Directors dated 24 June 2022, which was approved on 27 June 2022.

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 five wholly owned subsidiaries, including Capcorp Mongolia LLC and Petro Matad LLC (both incorporated in Mongolia), Central Asian Petroleum Corporation Limited (Capcorp) and Petromatad Invest Limited (both incorporated in the Cayman Islands) and Petro Matad Singapore Pte Ltd. 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 and development in Mongolia.

Petrovis Matad Inc. (Petrovis) is a major shareholder of the Company, holding approximately 21.08% of the shareholding at the year end of 2021.

## 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 \$2.12 million for year 2021 (2020 Loss: \$3.25 million) and experienced net cash outflows from operating activities of \$2.38 million (2020 Outflow: \$3.26 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 \$6.5 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 Company's application for a 25-year Exploitation Licence (EL) for Block XX has been approved. The approval of the EL enabled the Company to conclude a \$10.4 million fundraise in August 2021. The proceeds of this fundraise will enable the Company to further appraise the Heron discovery and commence production operations in 2022.

The Company believes that the current cash balance is sufficient to continue operations until at least July 2023. This expectation is enhanced by the impact of the planned commencement of production in the second half of 2022.

Cumulative expenditures to end 2021 in Block V exceed financial commitments by \$3.0 million. 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.

### (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.

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, interpretations 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 Islands and Singaporean 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 2021 \$'000	31 Dec 2020 \$'000
<b>(a) Revenue</b>		
Interest Income	33	25
Other income:		
Other income	13	39
	46	64

#### (b) Employee benefits expense

Included in employee benefits expense are the following:

Wages and salaries	1,253	1,471
Bonuses	75	-
Non-Executive Directors' fees (including Directors of affiliates)	121	96
Consultancy fees	30	251
Share-based payments	(469)	(220)
	1,010	1,598

#### (c) Exploration and evaluation expenditure

Exploration and evaluation expenditure relates to the following PSCs:

Block XX	114	404
Blocks IV and V	-	29
	114	433

#### (d) Other expenses

Included in other expenses are the following:

Administration costs	371	494
PSC administration costs	316	345
Audit fees	64	84
Travel expenses	8	51
	759	974

### 5 INCOME TAX

	Consolidated	
	31 Dec 2021 \$'000	31 Dec 2020 \$'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 2021 \$'000	31 Dec 2020 \$'000
Net (loss)/profit for the year		(2,116)	(3,245)
Income tax benefit calculated at 10%	(i)	212	325
Effect of different tax rates on entities in different jurisdictions	(ii)	(16)	(95)
Change in unrecognised deferred tax assets		(196)	(230)
		-	-

(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 2021 cents per share	31 Dec 2020 cents per share
Basic (loss)/earnings per share	(0.3)	(0.5)
Diluted (loss)/earnings per share	(0.3)	(0.5)
	\$'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	(2,116)	(3,245)
Weighted average number of ordinary shares for the purposes of diluted (loss)/earnings per share (in thousands)	776,419	675,284
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share (in thousands)	776,419	675,284

## 7 CASH AND CASH EQUIVALENTS

	Consolidated	
	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Cash at bank and in hand	1,162	939
	1,162	939

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 \$1,162,000 (2020: \$939,000) 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 2021 \$'000	31 Dec 2020 \$'000
Net (loss)/gain after tax	(2,116)	(3,245)
<i>Adjustments for:</i>		
Depreciation and amortisation	181	224
Consultancy fee	-	161
Share based payments	(469)	(220)
Unrealised foreign exchange (gains)/ losses	-	7
<i>Changes in assets and liabilities</i>		
Decrease/(increase) in trade and other receivables	(11)	13
Decrease/(increase) in prepayments	46	(67)
Decrease/(increase) in inventory	3	2
Increase/(decrease) in trade and other payables	(12)	(138)
Net cash flows used in operating activities	(2,378)	(3,263)

### Non-cash investing and financing activities

There were no non-cash investing or financing activities undertaken in the 2021 financial year or prior year, other than the exercise of Conditional Share Awards of \$0.003 million (2020: \$0.838).

## 8 TRADE AND OTHER RECEIVABLES

	Consolidated	
	31 Dec 2021 \$'000	31 Dec 2020 \$'000
<b>Current</b>		
Other debtors	21	10
	21	10

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



## 9 PREPAYMENTS

	Consolidated	
	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Prepayments	176	222
	176	222

## 10 FINANCIAL ASSETS

	Consolidated	
	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Long Term Deposits	7,045	11
	7,045	11

The Group holds term deposits with an average weighted interest rate of 3.1%. 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 2021 \$'000	31 Dec 2020 \$'000
Raw materials	221	224
	221	224

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

## 12 EXPLORATION AND EVALUATION ASSETS

	Consolidated	
	31 Dec 2021 \$'000	31 Dec 2020 \$'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. The Exploitation Licence was approved on 5 July 2021, which allows the Company to be able to appraise, develop and produce oil from the area for a 25-year term, extendable by up to 10-years (two times 5-years)

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

	Consolidated	
	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Plant and equipment at cost	816	831
Accumulated depreciation and impairment	(717)	(686)
	99	145
Right-of-Use asset	176	139
Accumulated depreciation – Right-of-Use asset	(83)	(103)
	93	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 2020 (net of accumulated depreciation)	260	-	260
Additions	13	139	152
Disposals	-	-	-
Foreign exchange	(7)	-	(7)
Depreciation charge for the year	(121)	(103)	(224)
As at 31 December 2020 (net of accumulated depreciation)	145	36	181
Additions	16	176	192
Foreign exchange	-	-	-
Depreciation charge for the year	(62)	(119)	(181)
As at 31 December 2021 (net of accumulated depreciation)	99	93	192

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 2021 \$'000	31 Dec 2020 \$'000
Trade payables	371	364
Lease liability	6	25
	377	389

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

## 15 ISSUED CAPITAL

	Consolidated	
	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Ordinary Shares 898,761,649 shares issued and fully paid (2020: 681,422,306)	154,057	144,011
	154,057	144,011

### Movements in ordinary shares on issue:

	Number of Shares	Issue Price \$	\$'000
As at 1 January 2020	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
Placement shares through Shore Capital on 22 July 2021 (note (g))	89,988,470	\$0.048	4,332
Placement shares through Arden on 22 July 2021 (note (h))	65,252,142	\$0.048	3,163
Placement shares through Primary Bid on 22 July 2021 (note (i))	14,285,714	\$0.048	689
Direct subscription shares on 6 August 2021 (note (j))	45,384,218	\$0.048	2,200
Open Offer shares on 6 August 2021 (note (k))	2,169,649	\$0.048	104
Exercise of Conditional Share Awards on 20 December 2021 (note (l))	259,150	\$0.010	3
Capital raising cost			(664)
Exercise of Awards			219
As at 31 December 2021	898,761,649		154,057

(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.

(g) On 22 July 2021, the Company concluded a placing by issuing 89,988,470 shares at a price of GBP0.035 per share arranged through its nominated adviser and joint book runner and broker for the purposes of the Placing, Shore Capital.

(h) On 22 July 2021, the Company concluded a placing by issuing 65,252,142 shares at a price of GBP0.035 per share arranged through its joint book runner for the purposes of the Placing, Arden.

(i) On 22 July 2021, the Company concluded a placing by issuing 14,285,714 shares at a price of GBP0.035 per share through a retail offering via Primary Bid.

(j) On 6 August 2021, the Company issued 45,384,218 shares through direct subscriptions at a price of GBP0.035 per share.

(k) On 6 August 2021, the Company issued 2,169,649 shares through Open Offer to shareholders at a price of GBP0.035 per share.

(l) On 20 December 2021, 259,150 shares were allotted to Director and employees upon exercise of Conditional Share Awards under the Group's Plan, with an exercise price per share of USD0.01.

## 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 2020	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
Currency translation differences	-	-	-	-
Expiry of Options	-	(522)	-	(522)
Exercise of Awards	-	(219)	-	(219)
Share based payments	-	(469)	-	(469)
As at 31 December 2021	831	570	(1,219)	182

### 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 5 July 2021 upon the award of the Exploitation License;
- 25% vest on the first production of oil on a commercial scale, estimated by management as to be achieved prior to 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 2020 and 2021.

### (c) Movement in Share Options

The weighted average fair value for all Options in existence as at 31 December 2021 is 0.19 (2020: 0.91).

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

Consolidated	Opening balance at 1 Jan 2021	Granted during the year	Forfeited during the year	Exercised during the year	Closing balance as at 31 Dec 2021	Exercisable as at 31 Dec 2021
Grant of Options on 6 April 2011	75,000	-	(75,000)	-	-	-
Grant of Options on 5 July 2011	150,000	-	(150,000)	-	-	-
Grant of Options on 22 Nov 2011	120,000	-	(120,000)	-	-	-
Grant of Options on 5 Dec 2011	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
	548,600	-	(368,600)	-	180,000	180,000
Weighted Average Exercise Price (cents per option)	108.67	-	149.92	-	24.2	24.2

### (d) Share Options contractual life

The weighted average remaining contractual life of outstanding share Options is 0.7 year (2020: 1 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 2020, along with relevant details in relation to the grant.

No awards were granted in 2021.

	(1) 4 May 20
Conditional Share Awards granted	4,300,000
Share price at grant date	\$0.0300
Expected Volatility (%)	51
Risk-free interest rates (%)	0.10
Expected life (years)	10
Exercise Price	\$0.01
<b>Estimated fair value of each Conditional Share Award at the grant date</b>	<b>\$0.0237</b>

Items (1): 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 2021 is 0.84 (2020: 0.85)

Consolidated	Opening balance at 1 January 2020	Granted during the year	Exercised during the year	Forfeited during the year	Closing balance as at 31 Dec 2020	Exercisable as at 31 Dec 2020
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)	-	-	-
	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	-

Consolidated	Opening balance at 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	Closing balance as at 31 Dec 2021	Exercisable as at 31 Dec 2021
Grant of Conditional Share Awards on 3 Jun 2008	265,000	-	(41,250)	(100,000)	123,750	-
Grant of Conditional Share Awards on 8 Apr 2009	80,000	-	(20,000)	-	60,000	-
Grant of Conditional Share Awards on 9 Jul 2010	422,000	-	(71,500)	(136,000)	214,500	-
Grant of Conditional Share Awards on 6 Apr 2011	144,000	-	(6,000)	(120,000)	18,000	-
Grant of Conditional Share Awards on 5 Jul 2011	180,000	-	(45,000)	-	135,000	-
Grant of Conditional Share Awards on 22 Nov 2011	50,000	-	(12,500)	-	37,500	-
Grant of Conditional Share Awards on 5 Dec 2011	39,600	-	(7,150)	(11,000)	21,450	-
Grant of Conditional Share Awards on 25 Apr 2012	400,000	-	(25,000)	(300,000)	75,000	-
Grant of Conditional Share Awards on 5 Oct 2012	150,000	-	-	(150,000)	-	-
Grant of Conditional Share Awards on 4 Dec 2012	3,000	-	(750)	-	2,250	-
Grant of Conditional Share Awards on 9 Jul 2013	120,000	-	(30,000)	-	90,000	-
	1,853,600	-	(259,150)	(817,000)	777,450	-
Weighted Average Exercise Price (cents per award)	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 6.5 years (2020: 7.5 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 2021 \$'000	31 Dec 2020 \$'000
Vesting of Awards and Options	17	(469)	(220)
		(469)	(220)
Lapsed Options	17	(522)	(789)
		(522)	(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 warehouse lease in Mongolia in the amount of \$6,000 for 2021.

	Consolidated	
	31 Dec 2021 \$'000	31 Dec 2020 \$'000
<b>Operating Leases:</b>		
Within one year	6	58
After one year but not more than five years	-	-
Greater than five years	-	-
	6	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 2021 \$'000	31 Dec 2020 \$'000
<b>Production Sharing Contract Fees:</b>		
Within one year	286	184
After one year but not more than five years	548	112
Greater than five years	1,606	-
	2,439	296
<b>Minimum Exploration Work Obligations:</b>		
Within one year	-	-
Greater than one year but no more than five years	-	-
Greater than five years	6,499	6,956
	6,499	6,956

### (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	
		2021 %	2020 %
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
Petro Matad Singapore Pte Ltd	Singapore	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 21.08% of the shareholding at year end of 2021.

## 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 2020 and 2021, 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 2021 \$'000	31 Dec 2020 \$'000
Short-term employee benefits	478	681
Post-employment benefits	-	-
Share based payment expense	23	6
	501	687

### (c) Other key management personnel transactions

There were no other key management personnel transactions during the year (2020: 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 2021 \$'000	31 Dec 2020 \$'000
<b>Financial Assets</b>			
Cash and cash equivalents	0.17%	1,162	939
*Other financial assets	2.90%	7,045	11
		8,207	950
Trade and other receivables	0%	21	10
		8,228	960
<b>Financial Liabilities</b>			
Trade and other payables	0%	371	364
		371	364
Net exposure		7,857	596

\*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 2020 and 2021 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	
	2021	2020	2021	2020
USD				
Mongolian Tugrug (MNT) 1	2,849.26	2,813.05	2,848.80	2,849.51
Australian Dollar (AUD) 1	1.332058	1.466224	1.378034	1.305016
Great British Pound (GBP) 1	0.727108	0.780108	0.741266	0.736474

#### Sensitivity Analysis

A 5% strengthening/weakening of the MNT against USD at 31 December 2020 and 2021 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 2021 \$'000	31 Dec 2020 \$'000
<b>Financial Assets</b>			
Trade and other receivables	8	21	10
<b>Net exposure</b>		21	10

#### Impairment Losses

None of the Group's receivables are past due at 31 December 2021 (2020: 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 and development 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	0.17%	1,162	-	-	-	1,162
Trade and other receivables	-	21	-	-	-	21
Financial Assets	2.90%	7,045	-	-	-	7,045
As at 31 December 2021		8,225	-	-	-	8,225
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		4,348	-	-	-	4,348

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

	Note	Consolidated	
		31 Dec 2021 \$'000	31 Dec 2020 \$'000
6 months or less		371	364
6-12 months		-	-
1-5 years		-	-
over 5 years		-	-
		371	364

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 2021			
	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Trade and other receivables	-	21	-	21
Total	-	21	-	21
<b>Financial Liabilities</b>				
Trade and other payables	-	371	-	371
Total	-	371	-	371

	Fair Value Hierarchy as at 31 December 2020			
	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Trade and other receivables	-	10	-	10
Total	-	10	-	10
<b>Financial Liabilities</b>				
Trade and other payables	-	364	-	364
Total	-	364	-	364

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 and development activities in Mongolia and operations of the Company.

The Group is not subject to externally imposed capital requirements.

## 23 EVENTS AFTER THE REPORTING DATE

None.



## 24 AUDITORS' REMUNERATION

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

	Consolidated	
	31 Dec 2021 \$'000	31 Dec 2020 \$'000
<b>Amounts received or due and receivable by Hall Chadwick (WA) Pty Ltd:</b>		
- an audit or review of the financial report of the entity and any other entity in the Group	44	43
- other services in relation to the entity and any other entity in the Group	-	-
	44	43
<b>Amounts received or due and receivable by Deloitte Onch Audit LLC for:</b>		
- an audit or review of the financial report of subsidiary entities	20	41
- other services in relation to the subsidiary entities	-	-
	20	41
	64	84

## 25 OTHER INFORMATION

*Registered Office:*

*Victory House  
Douglas  
Isle of Man  
IM1 1EQ*

# DIRECTORS' DECLARATION

09

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 2021 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  
27 June 2022*



# **INDEPENDENT AUDITOR'S REPORT**

**10**

**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 2021, 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 2021 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.

**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><b>Exploration and evaluation \$15.28 million</b></p> <p>(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 2021) 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"> <li>• For Block XX, we assessed the Consolidated Entity's rights to tenure by corroborating to government registries.</li> <li>• Reviewed budgeted exploration expenditure on Block XX to ensure it will satisfy the capital commitment required under the Production Sharing Agreement;</li> <li>• 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"> <li>○ the licenses for the right to explore expiring in the near future or are not expected to be renewed;</li> <li>○ substantive expenditure for further exploration in the specific area is neither budgeted or planned'</li> <li>○ 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</li> <li>○ 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.</li> </ul> </li> </ul>

## HALL CHADWICK

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Exploration and Expenditure Commitments</b></p> <p>Production Sharing Contract Fee: \$2.44 million</p> <p>Minimum Exploration Work Obligations: \$6.50 million</p> <p>(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"> <li>• Obtaining the Petroleum Sharing Agreements for each block and agreeing the contract fees and work obligations to the relevant calculations.</li> <li>• Recalculating the disaggregation of total amounts due and comparing to the breakdown disclosed of amounts due in each subsequent period.</li> <li>• Ensuring amounts disclosed represent future obligations and that no present obligations at year end are included.</li> <li>• Cross referencing of internal budgets and forecasts to ensure they are consistent with the obligations disclosed.</li> </ul>

### 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 2021, 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.

### 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.

## HALL CHADWICK

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.
- 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.



## HALL CHADWICK

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.

*Hall Chadwick*  
HALL CHADWICK WA AUDIT PTY LTD

  
CHRIS NICOLOFF CA  
Director

Dated Perth, Western Australia this 27th day of June 2022



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