

# PETRO MATAD

OIL & GAS

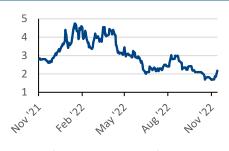
6 December 2022

### MATD.L

2.18p

Market Cap: £19.5m

# SHARE PRICE (p)



12m high/low

4.8p/1.7p

Source: LSE Data (priced as at prior close)

| KEY DATA            |                      |
|---------------------|----------------------|
| Net (Debt)/Cash     | \$6.6m (at 22/09/22) |
| Enterprise value    | £14.9m               |
| Index/market        | AIM                  |
| Next news           | Finals, June 2023    |
| Shares in Issue (m) | 898.5                |
| Chairman            | Enkhmaa Davaanyam    |
| Chief Executive     | Mike Buck            |
| Head of Finance     | Tamir Battogtokh     |

## **COMPANY DESCRIPTION**

Petro Matad is a UK-listed exploration company that is focused on Mongolia.

petromatadgroup.com

PETRO MATAD IS A RESEARCH CLIENT OF PROGRESSIVE

## **ANALYSTS**

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# **Recent operational update**

Petro Matad yesterday released an operational update. As was flagged at the interim results, the company is seeing progress impacted by China's Covid lockdowns and local disputes. However, the company is preparing for a stage where it can start to move its operation forward when these restrictions end. This will encompass bringing the Heron field in Block XX on stream and the drilling of the Velociraptor prospect in Block V. These have the ability to add cash flow and a potential substantial increase in group resources. With numerous signs that China is (in deeds, even if not in words) slowly relaxing its Covid policies, we see these as logical and positive developments for the group.

- Block XX land access. Management is working to arrange land access rights to allow it to complete the Heron-1 oil discovery well as a production well. Although there were objections from local authorities, the Mineral and Petroleum Authority of Mongolia (MRPAM) has written the Ministry of Mining and Heavy Industry (MMHI) recommending certification of the exploitation licence despite local objections. Petro Matad is now supporting the MMHI in getting a cabinet resolution as quickly as possible. However, it would appear unlikely that the Heron development can start until Spring 2023.
- Block XX production. Although the land access row is delaying the development, Petro Matad is positioning all the equipment into place to move this project forward. Pumping, downhole completion and power generation equipment is now all in country. Production tanks and other surface equipment have been sourced from Petro China. Management is now in discussions with Petro China over oil processing, exports and sales for the crude produced. The company is also in the final stages of negotiation with DQE Drilling (the main drilling services provider in Mongolia) for a multi-well drilling programme. This will, hopefully, see a reduction in drilling costs and deferral of some of the costs to allow some of the drilling expenditure to be paid by future production. This will be beneficial in terms of both cash flow and shareholder value. This all leaves management in a good position to move the project forward when it becomes possible.
- Block V. On Block V, where the company has a 100% working interest, Petro Matad has, through positive engagement with the local communities, been able to secure all the required permits to allow work on the land covering the highly prospective Raptor trend of prospects. Management is now looking at options and availability of equipment to drill the Velociraptor prospect in 2023 which could contain prospective recoverable resources of 200 mmbbl. If the well was successful, it would materially de-risk adjacent prospects. The exploration period on this licence has been extended to July 2024.
- Other. MRPAM has announced a new exploration licensing round covering 14 blocks. Petro Matad, with its extensive knowledge, is looking at participating in this. The company is also looking at potential renewable projects in the country and is in negotiation with a partner to allow these plans to move forward.

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