

PETRO MATAD

OIL & GAS

6 December 2022

MATD.L

2.18p

Market Cap: £19.5m

SHARE PRICE (p)



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

Peter Hitchens

+44 (0) 20 7781 5304

phitchens@progressive-research.com



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.

Disclaimers and Disclosures

Copyright 2022 Progressive Equity Research Limited ("PERL"). All rights reserved. Progressive's research is commissioned by the subject company under contract and is freely available to the public and all institutional investors. Progressive does not offer investors the ability to trade securities. Our publications should not, therefore, be considered an inducement under MiFID II regulations. PERL provides professional equity research services, and the companies researched pay a fee in order for this research to be made available. This report has been commissioned by the subject company and prepared and issued by PERL for publication in the United Kingdom only. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable; however, PERL does not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of PERL at the time of publication, and any estimates are those of PERL and not of the companies concerned unless specifically sourced otherwise. PERL is authorised and regulated by the Financial Conduct Authority (FCA) of the United Kingdom (registration number 697355).

This document is provided for information purposes only, and is not a solicitation or inducement to buy, sell, subscribe, or underwrite securities or units. Investors should seek advice from an Independent Financial Adviser or regulated stockbroker before making any investment decisions. PERL does not make investment recommendations. Any valuation given in a research note is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. PERL does not undertake to provide updates to any opinions or views expressed in this document.

This document has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom. It has not been prepared in accordance with the legal requirements designed to promote the independence of investment research. It is not subject to any prohibition on dealing ahead of the dissemination of investment research.

PERL does not hold any positions in the securities mentioned in this report. However, PERL's directors, officers, employees and contractors may have a position in any or related securities mentioned in this report. PERL or its affiliates may perform services or solicit business from any of the companies mentioned in this report.

The value of securities mentioned in this report can fall as well as rise and may be subject to large and sudden swings. In addition, the level of marketability of the shares mentioned in this report may result in significant trading spreads and sometimes may lead to difficulties in opening and/or closing positions. It may be difficult to obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance.

