

PETRO MATADOIL & GAS

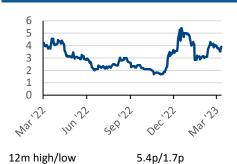
3 April 2023

MATD.L

3.9p

Market Cap: £43.4m

SHARE PRICE (p)



Source: LSE Data (priced as at prior close)

KEY DATA	
Net (Debt)/Cash	\$12.0m (at 03/02/23)
Enterprise value	£33.4m
Index/market	AIM
Next news	Finals, June 2023
Shares in Issue (m)	1,113.9
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

Operational update shows progress

Petro Matad has issued an operational update showing that the company's operations are progressing well on several fronts. The Velociraptor-1 well on Block V is scheduled to spud in June. Management is advanced in the process of obtaining the required permitting on Block XX, which should allow the company to start developing the Heron discovery. On top of this, the company is in negotiations with the Mongolian government for a new licence in the current exploration tender round. After the frustrations of 2022, it is good to see that Petro Matad is now moving forward with multiple projects.

- Block V spudding in June. Petro Matad has reached an agreement with Major Drilling to spud an exploration well on the Velociraptor exploration prospect in Block V, where it has a 100% working interest. All the required equipment is now in country and field work has started. This is a significant prospect, with management estimating that potential recoverable resources could be 200 mmbbl. Success in this prospect would prove transformational to Petro Matad's resource base and would unlock additional adjacent exploration prospects. Management believes that the chance of success is approximately one in five, which is very promising for a wildcat exploration well.
- Block XX documentation prepared. The Mongolian Ministry of Mining and Heavy Industry has prepared the necessary documentation to submit to cabinet in order to certify the Block XX Exploitation Area as a Special Purpose Area, on the basis that the Heron development is of national importance. If approved, management will be able to start work to complete the Heron-1 discovery well as a producer, allowing Petro Matad to start generating cash flow, which in turn will allow more wells to be drilled. These developments are welcome after delays in the project caused by issues surrounding land access rights.
- 2023 exploration round block identified in Phase 1. Petro Matad has submitted an application for one exploration block in the first phase of a new licencing round. This is encouraging as it would provide momentum to the company's operations. Petro Marad has built up significant expertise in Mongolia, so should enjoy a competitive advantage over other players. A further two phases of licencing is planned, and we would expect the company to look to acquire additional exploration permits.
- 2023 a positive start. 2022 was a frustrating year for Petro Matad as its operations were stalled by the lack of land access for Block XX. China's Covid lockdowns also stopped the company getting the required oil-field services in place. However, 2023 has started in a far more positive manner (see our recent note, Activity set to pick up in 2023). The lockdowns have eased and Petro Matad has been able to secure the equipment and oil services required to carry out its proposed operations. In addition, the company raised US\$6m in Q1, which provides management with sufficient funds to carry out its planned activities.

Disclaimers and Disclosures

Copyright 2023 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.

Breadth of coverage

Financials Financials Healthcare Industrials Industrials Industrials Oil & Gas Property Retail Technology Telecoms Utilities

Analyst calibre

15 analysts

with average experience of over

20 years

