

# PETRO MATAD

## OIL & 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](http://petromatadgroup.com)

PETRO MATAD IS A RESEARCH CLIENT OF  
PROGRESSIVE

### ANALYSTS

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## 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.

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