

PETRO MATAD

OIL & GAS

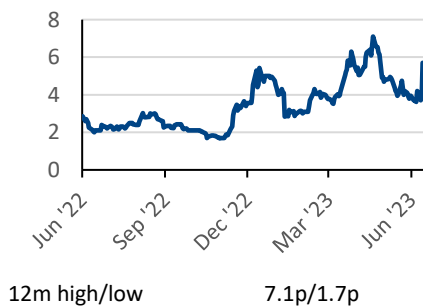
10 July 2023

MATD.L

4.85p

Market Cap: £54m

SHARE PRICE (p)



Source: LSE Data (priced as at prior close)

KEY DATA

Net (Debt)/Cash	\$12.0m (at 03/02/23)
Enterprise value	£44m
Index/market	AIM
Next news	Interims, September
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
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Block XX land access granted

Petro Matad has announced that the Cabinet of the Mongolian Government has approved the certification of the Block XX Exploitation Area as special purpose land. This is good news as it should allow the company to move ahead with the completion of the Heron-1 well as an oil producer and start generating cash flow. The company has also announced that its Velociraptor exploration well found water rather than oil. Although this is disappointing, it was a high-risk well, and in our view is outweighed by the positive news that Petro Matad can now start to plan the Heron development.

- **Land approval.** Petro Matad announced that on 5 July the Cabinet of the Mongolian Government approved the certification of the Block XX exploitation area as special purpose land. This is the next step, albeit an important one, for Petro Matad to get land access to its Heron discovery. Problems with land access have delayed the project for several years. The company will now work with the Central Land Agency and local authorities to complete the registration of the area. Assuming no other major issues, Petro Matad can move ahead with completing the Heron-1 discovery well as an oil producer and start generating cash flows.
- **Moving Heron forward.** With the land access issue appearing closer to resolution, Petro Matad will restart discussions with the service providers to determine a timeframe for bringing in crews and equipment. Petro Matad would initially like to bring the Heron-1 well on stream to start generating cash flow. The company has finalised a contract (although not yet signed) with DQE Drilling, the main provider of drilling services in Mongolia, for a multi-well programme that would see drilling of further development wells on the Heron field as well as some exciting near-field exploration targets.
- **Velociraptor unsuccessful.** Petro Matad has also announced that the Velociraptor-1 well failed to find oil, with the reservoir proving to be water wet. Although this is disappointing, investors should be aware that this was high risk, with management ascribing a 20% chance of success. The company will analyse the data obtained from this well before deciding on the next action. One minor positive is that the well was cheap to drill.
- **Valuation.** Our RENAV (Risky Exploration Net Asset Value) is reduced from 58.7p/share to 26.7p/share to reflect the unsuccessful well result at Velociraptor-1, which was a high-impact well. Although this is a major reduction, the certification of Block XX as special purpose land should provide investors with more confidence in the core valuation. For further details, please see our recent note '[Activity set to pick up in 2023](#)'.

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