

PETRO MATAD

OIL & GAS

4 March 2024

MATD.L

3.7p

Market Cap: £41.2m

SHARE PRICE (p)



12m high/low

7.1p/2.6p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (debt)/cash	\$8.4m (at 30/06/23)
Enterprise value	£34.2m
Index/market	AIM
Next news	Finals, March
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

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Moving forward

Petro Matad, the Mongolia-focused E&P company, has announced that its application for land access for 2024 operations has been approved by the Matad District Committee. This means that a land use agreement can be prepared, which, once signed, will allow operations to proceed, including the completion of the Heron-1 discovery well as an oil production well. This will allow Petro Matad to start generating cash flow that can be used to grow the business and add shareholder value. Although this is a step forward, the company still faces a delay to the State Special Purpose Certification process.

- Land access has been an issue.** Petro Matad's proposed development of its Heron oil discovery, in Block XX, has been stymied by the issue of land access to its proposed development. While awaiting confirmation of its Exploitation Area's designation as State Special Purpose Land, management has been in negotiations with the local authorities. At a meeting of the Matad Citizens' Representatives Committee at the end of February, Petro Matad's application for land use in 2024 was approved, meaning an agreement can now be prepared and signed by the District authorities and the company. This will allow Petro Matad to start moving ahead with the development of the Heron Oil field once the winter hiatus is over and oil service contractors remobilise their crews. The company is in discussions with PetroChina over transport, processing, storage, export and sale of early Heron production. The first course of action will be to recompleat the Heron-1 discovery well as an oil producer, which will allow the company to start generating significant cash flow that can be used to accelerate the ramp-up of production at the field.
- State Special Purpose Certification required.** Although an agreement has been reached with the local authorities and Petro Matad is hopeful that its planned operational activities can commence, in the longer term the company still requires State Special Purpose Certification of the Exploitation Area, which entails a number of regulatory steps. The problem here is that the Governor of Dornod Province is withholding his signature on the basis that there is an overlap of the Block XX Exploitation Area with a provincial Protected Area, which he believes breaches the principle of no overlaps in areas for specific land use. Petro Matad notes that its PSC (production sharing contract) for Block XX was signed in 2006 while the Protected Area was not declared by the province until 2014, implying that the province should be seen as in breach of the no overlap principle. Although this is an issue for some of the licence, the areas where Petro Matad wants to work in 2024 are not in within this overlapped area, and management hopes that this dispute will not affect the proposed works at Heron.
- Valuation.** Our RENAV (Risky Exploration Net Asset Value) stands at 23.6p/share. We believe that the resolution of the land access issue is a step forward despite the delays to State Special Purpose Certification. As management starts its work programme, better clarity will emerge on the valuation. Management will provide further operational updates in due course.

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