

# PETRO MATAD

## OIL & GAS

2 May 2024

### MATD.L

3.1p

Market Cap: £34.5m

#### 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	£27.5m
Index/market	AIM
Next news	Finals, June
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

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## Renewables JV excites as frustrations persist

Petro Matad provided an operational update on 25 April. The company continues to be frustrated in its attempts to get central government to complete the certification process confirming the exploitation area for Block XX as State Special Purpose Land. However, local government approval shows signs of being attainable and would allow the company to start work on completing Heron-1 as a producing well. Petro Matad also announced that its renewables joint venture, SunSteppe Renewable Energy (SRE), is making good progress on two exciting new projects that could have a significant impact on earnings.

- SRE – making progress.** Petro Matad's renewable energy joint venture is making progress on two exciting projects. On the Oyu Tolgoi gold and copper mine (where Rio Tinto is the major shareholder), a MOU has been signed between the mine owners and the Japanese Overseas Environmental Cooperation Centre (OECC) for the supply of green hydrogen (which requires renewable energy) as a fuel for the mine and to help decarbonise operations. This MOU could see grant funding of up to 40% of the capital expenditure requirements for this part of the project. SRE has also secured approval of a feasibility study (from the Ministry of Energy) for a 50MW Battery Energy Storage System (BESS) at the town of Choir. This would help to cut the amount of coal used in power generation and reduce the need of importing high-cost power from China and Russia at peak hours. This is the second such BESS project in Mongolia, with the government looking at further projects around the country. SRE would be well placed to participate in other such projects. These developments amount to exciting progress for the JV, which was only formed in Q1 2023.
- Slow work on land access.** Petro Matad provided an update on obtaining formal approval for State Special Purpose certification of the exploitation area on Block XX. This process has been held up the Provincial Governor's refusal to sign off on the government's Tripartite Agreement. Little has changed since the last update in March 2024 and the local land use approvals are still being pursued. Once in hand, the local land use agreement will allow the company to complete the Heron-1 discovery well as an oil producer. The company has contracts in place with service providers and timing of mobilisation is under discussion. Management is in discussions with PetroChina about offtake arrangements (covering areas such as transportation, processing, export and sale) of oil produced once the well is ready to start production. This would be good news as it would allow Petro Matad to start generating cash flows that would be used to grow the business.
- Valuation.** Our RENAV (Risky Exploration Net Asset Value) stands at 23.6p/share. We believe that the resolution of the land access issue will be 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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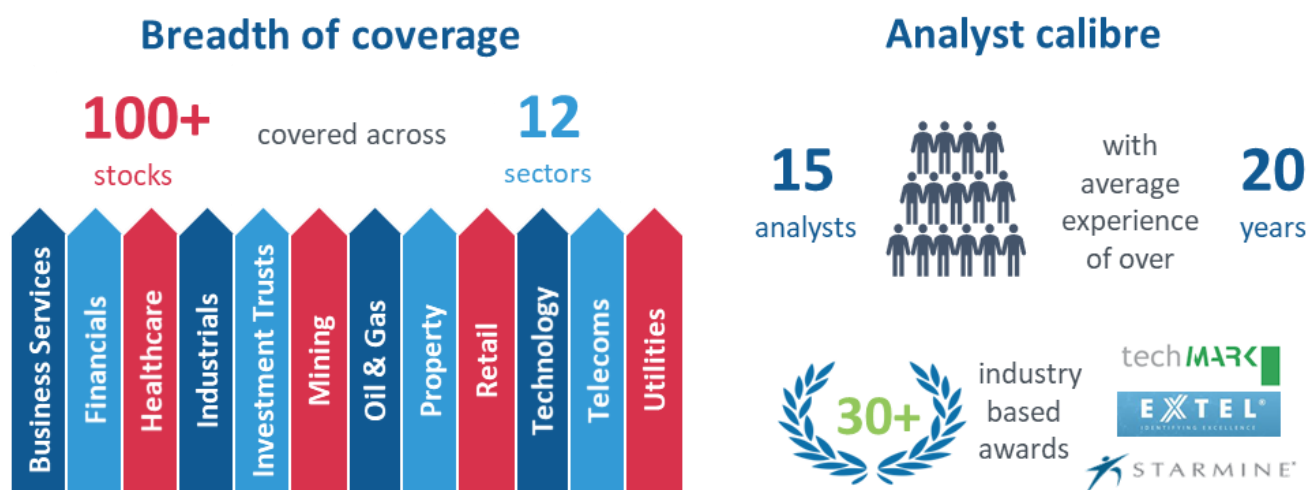
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