

PETRO MATAD

OIL & GAS

30 May 2024

MATD.L

4.15p

Market Cap: £46.2m

SHARE PRICE (p)



12m high/low 5.7p/2.6p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (debt)/cash	\$8.4m (at 30/06/23)
Enterprise value	£39.2m
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

PETRO MATAD IS A RESEARCH CLIENT OF
PROGRESSIVE

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Local approvals received – ready to roll

Petro Matad released an operational update on 29 May. The key message is that local approvals for land rights have been approved to allow the 2024 operational programme to start. This will allow Petro Matad to move ahead with the initial development of the Heron oil discovery. Management is in discussions with DQE, the leading oil service provider, to mobilise a completion crew to the Heron-1 well. Although Mongolia's parliamentary elections could cause a delay, it is hoped that the crew will be on site in the next month. This is good news for Petro Matad and its shareholders as it will allow the company to complete the Heron-1 oil discovery well as a producer and be in a position to start generating cash flow.

- Remaining approvals from Matad District.** Petro Matad announced that it has received the remaining approvals of land use by the local authorities. This covers three areas selected by the company and is valid for five years. Although the central government has still to approve Block XX as State Special Purpose Land, this local approval gives the company the ability to move ahead with the development of the Heron oil discovery and to be in a position to start generating cash flow.
- Lining up logistics.** With the approvals, management is now moving ahead on the development. Petro Matad is in discussion with DQE, the leading Chinese oil service provider in Mongolia, about the timing of a completion crew on the Heron-1 field. Although the parliamentary elections on 28 June could prove to be disruptive, it is hoped that this could happen in the next month. This would see the initial discovery well completed into a production well, and be in a position to start oil production and generating cash flows. The company is in discussions with PetroChina over details on oil processing, export and sales through the adjacent facilities. Management wants the well to be ready to produce once these agreements with PetroChina are finalised.
- State certification slow.** Petro Matad would still like to have certification of Block XX as State Special Purpose Land, which would allow a long-term resolution of the land access issue. MRPAM (Mineral Resources and Petroleum Authority of Mongolia) has written to the provincial authorities instructing them to revise co-ordinates in disputed areas. The Ministry for Economic Development has advised that it is preparing a submission to Cabinet to remove any obstacles to the certification progress. Although the rhetoric is positive, progress is slow. Petro Matad does not expect that there will be any major progress on this issue until after the elections.
- Renewables moving ahead.** As in the trading update of 25 April (see [Renewables JV excites as frustrations persist](#), 2 May) the renewables joint venture SRE (SunSteppe Renewable Energy) is progressing well. At the Oyu Tolgoi gold and copper mine, Wood Group is now conducting a technical and commercial evaluation, which is expected to be completed in Q3 2024. On the Choir Battery Energy Storage System, environmental studies have started in preparation to submit an application to start construction. SRE is now advancing a third project, which, following the signing of an exclusive cooperation agreement, is looking at the potential of exporting 1.5 GW of renewable energy to China.

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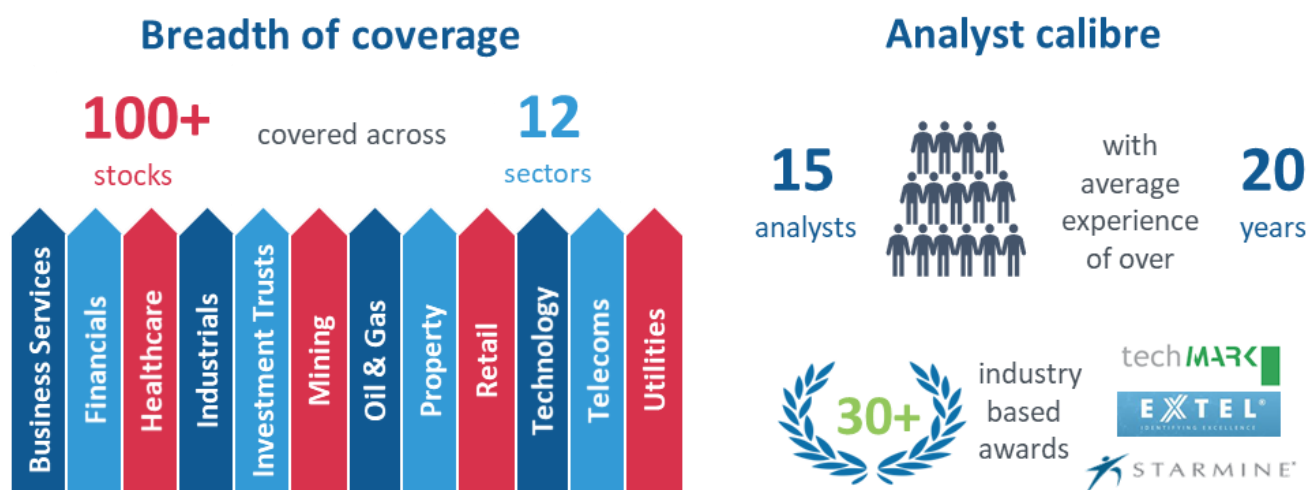
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