

PETRO MATAD

OIL & GAS

1 July 2024

MATD.L

2.35p

Market Cap: £26.2m

SHARE PRICE (p)



12m high/low

5.7p/2.3p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (debt)/cash \$4.5m (at 31/12/23)

Enterprise value £22.4m

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
PROGRESSIVE

ANALYSTS

Peter Hitchens

+44 (0) 20 7781 5304

phitchens@progressive-research.com



Placing to fund operational growth

Petro Matad has announced that it has completed a capital raising providing gross proceeds of approximately US\$9m. On top of the US\$4.5m cash at the year-end, this will give Petro Matad sufficient funds to grow the business. The immediate task will be to commence the development of the Heron Oil discovery, which will allow the group to start generating cash flows. Management will also look to drill the high-impact Gobi-Bear prospect and invest in its developing renewables business. We believe that this fundraise will allow management to grow the business at a faster rate than we had originally expected, potentially adding significant value for shareholders.

- Heron oil discovery.** Following the recent approvals for land access from local authorities, Petro Matad is now in a position where it can complete the Heron-1 oil discovery well as a production well (funded from cash on hand). This will allow the group to start producing oil and hence cash flow. Discussions are underway with DQE, the leading oil service provider in Mongolia, about timing of operations, with work expected to start in July. The fundraise will also give the group the ability to drill and complete the Heron-2 well. Assuming the well proves successful, this should allow the group to accelerate the development at a faster rate than we had previously expected.
- Gobi-Bear.** The fundraise gives management the ability to drill the Gobi-Bear 1 exploration well. The well is located in the southern end of the prolific Tosun Uul sub-basin, close to the Heron discovery, and could have potential recoverable resources of approximately 100 mmbbl of oil. It should be a relatively cheap well to drill and success would open up additional exploration targets in Block XX, which could add up to 200 mmbbl to the reserves at the Heron field.
- Renewables.** Petro Matad has been building up SRE (SunSteppe Renewable Energy), its renewable energy joint venture. Two projects – Oyu Tolgoi gold and copper mine and Choir Battery Energy Storage System – are moving ahead. The additional funds will help to move these projects forward to a stage where they are internationally bankable and at a build-ready status. SRE also has other projects in its portfolio. Management hopes to carry out additional work to allow these to be ranked and then move forward with the more exciting projects.
- Conclusion.** Prior to the fundraise Petro Matad had net cash (including financial assets) of US\$4.5m at the end of 2023. This was sufficient to move ahead with the Heron-1 completion. This fundraise, of c.US\$9m gross, will allow the group to accelerate its growth. On the Heron field, the group is looking at drilling an additional well, which should accelerate cash generation. There is now money to start high-impact near-field exploration. The additional funds will also allow management to further develop its renewable energy projects. We believe that this increases the potential to add significantly to shareholder value.

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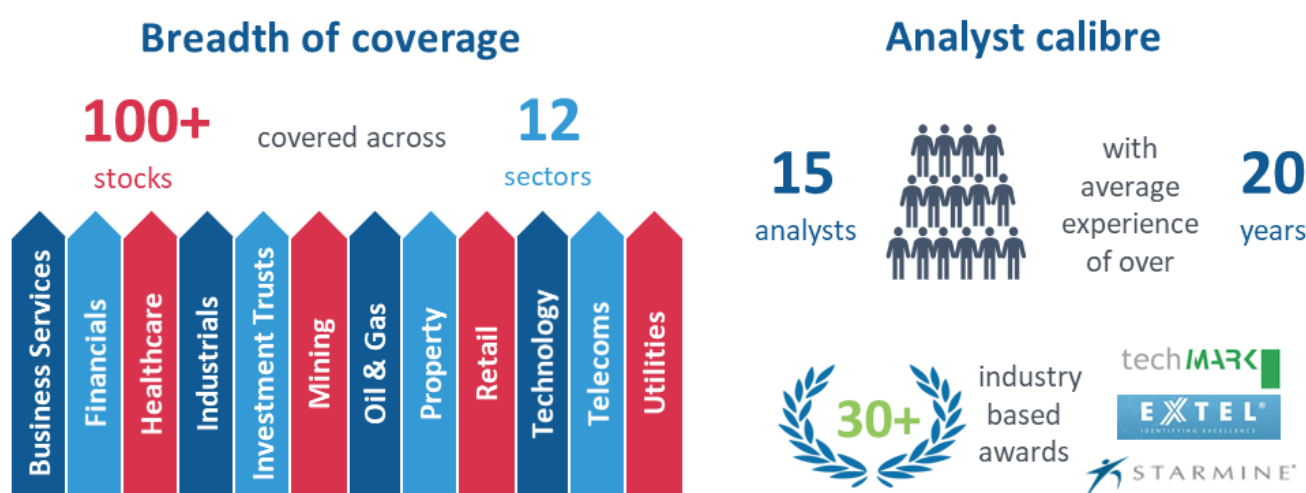
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To arrange a meeting with the management team, or for further information about Progressive, please contact us at:
+44 (0) 20 7781 5300
info@progressive-research.com