

PETRO MATAD

OIL & GAS

16 January 2025

MATD.L

1.45p

Market Cap: £21.5m

SHARE PRICE (p)



12m high/low 4.5p/1.4p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (debt)/cash	\$2.5m (at 31/12/24)
Enterprise value	£19.4m
Index/market	AIM
Next news	AGM, April 2025
Shares in issue (m)	1,483.9
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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Exciting start to 2025

Petro Matad has released a positive operational update this morning. The company has seen solid production from its Heron-1 well, which continues to flow to surface without the need for pumping. The negotiations on cooperation, which covers the processing and sale of crude produced at the Heron field, are now complete and awaiting sign-off. This will allow Petro Matad to sell the crude produced, including the current oil in storage. Additionally, Petro Matad has been officially awarded a new exploration licence, Borzon Block VII, and hopes to obtain a further licence soon. 2025 appears to have started well for Petro Matad, and its shareholders.

- Heron-1 – still doing well.** The Heron-1 well continues to perform well and is producing stable production of over 200 bbl/day on natural flow. Should the well continue to flow well, management believes that it can ramp up production. Although these higher rates have led to reservoir sands being produced, this can be remediated with the installation of sand screens, which is a cheap action and could be installed in the spring. Petro Matad is looking at other modifications of surface equipment to capture and use the associated gas.
- Cooperation agreement.** The crude produced at Heron-1 is transported to PetroChina's facilities in Block XIX, where it is processed. The commercial terms of the cooperation agreement have been agreed and are awaiting sign-off by PetroChina, expected in February, after which revenue will start to be received. On a sales price of US\$70/bbl, Petro Matad should receive a handsome netback of more than US\$40/bbl. At current oil prices, the crude already in storage should generate net revenue to Petro Matad of approximately US\$0.6m.
- New exploration PSC signed – another to come.** Petro Matad has been officially awarded the Borzon Block VII PSC (Production Sharing Contract). This is in the south of Mongolia and close to other basins in China where oil and gas have been found in several plays. There is the potential of plays in the Jurassic/Cretaceous, which is well known in Mongolia. On top of this, there is potential in the older Triassic and Permian reservoirs, which have not been explored in Mongolia. Petro Matad has an eight-year exploration term with relatively benign fiscal commitment. The company has a second PSC that is awaiting Cabinet approval of the coordinates of a small, reserved area within the block. These two PSCs ensure significant exploration running room for Petro Matad, while the company is also looking at the potential of bringing in a partner.
- Overview.** Today's update is positive. The performance of Heron is encouraging, and once the cooperation agreement is signed, Petro Matad should start to receive cash flow and enjoy the healthy netback from its production, which can be utilised in ramping up production further. The award of a PSC (with another to come) adds exciting exploration running room, with some new plays. As highlighted in our recent note (*On the way up in 2025*, 18 December), we achieve a RENAV (Risky Exploration Net Asset Value) of 12.0p/share for Petro Matad. This does not represent a target price and investors should view any valuation in the context of their own assessment of the relevant risks.

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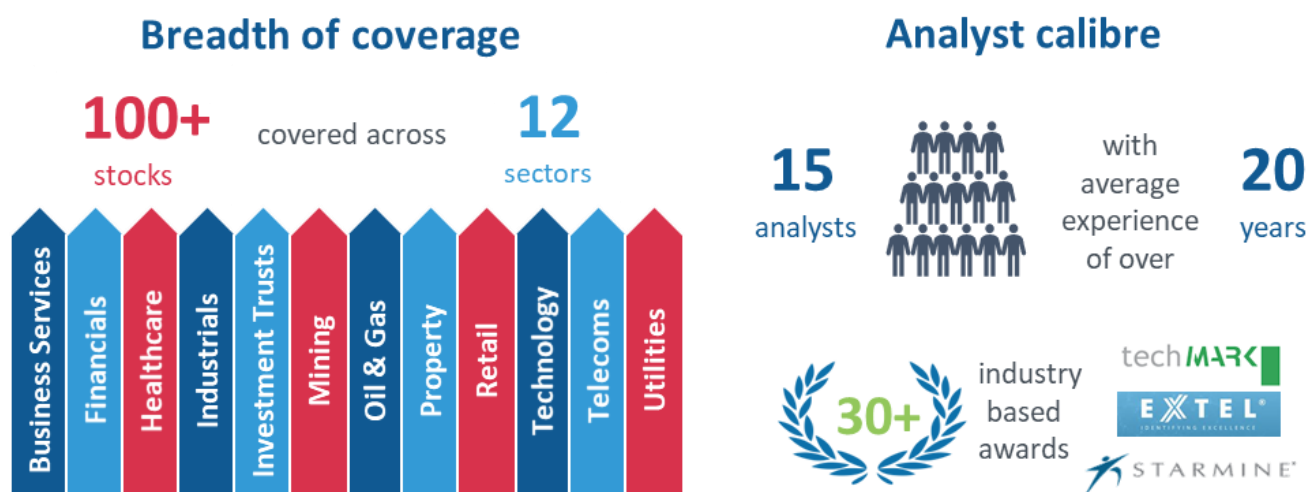
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