

**Petro Matad Limited**

**('Petro Matad' or the 'Company' or the 'Group')**

**Operational Update**

LONDON, 25 April 2024: Petro Matad Limited, the AIM quoted Mongolian oil company provides the following operational update.

**Key Company Updates**

- The Company is working with the local government agencies to secure the remaining approvals necessary from Matad District to allow the 2024 operational programme to commence. Preparations are being made to complete the Heron 1 well for production once approvals are in hand and when contractor crews return to Mongolia.
- Petro Matad continues to push the central government to complete the certification process and confirm Block XX as State Special Purpose land to streamline the permitting process in future years and reduce the risk of interference or obstruction.
- SunSteppe Renewable Energy (SRE), the Company's renewable energy Joint Venture, continues to make good progress. An exclusive MoU with Oyu Tolgoi mine to develop a Green Hydrogen project has been signed and grant funding from the Japanese government has been secured. SRE's 50MW Battery Energy Storage System project has now received technical approval.

**Operational Update**

Block XX land access and Heron 1 completion

Following the approval of land access from the Matad Citizens' Representatives Committee, the Company has been liaising with the local authorities to secure the Matad Governor's resolution and the land use agreement. Petro Matad has been working to correct misinformation about the Company from local activists and protesters that have been critical of oil production operations in the area for some time, protesting online and in person against the committee's decision. The execution of the aforementioned documents will allow work in the areas chosen for 2024 operations to go ahead irrespective of the slow progress of the central government process to complete the certification of the Block XX Exploitation Area as State Special Purpose Land.

Petro Matad is also standing-by to pay compensation to the herders whose registered pastures were impacted by the award of the 214km<sup>2</sup> Block XX Exploitation Area. These payments, set out in law, should be paid from the State budget but recognising that the process could be very slow, Petro Matad had proposed paying the herders directly itself. Payments of c.\$5,000 per family were due to the 10 families affected. Petro Matad had previously proposed making payment via industry regulator, the Mineral Resources and Petroleum Authority of Mongolia (MRPAM), but this was ultimately not accepted by the Ministry of Finance. Changes in the procedures to allow non-State entities to pay are now working through the Mongolian government's system but, having requested and received a letter supporting direct payment by the Company from MRPAM, Petro Matad is ready to pay as soon as the 2024 land use agreement is signed with the Matad authorities.

With local land use approvals progressing for 2024, Petro Matad is making preparations to complete the Heron 1 well. Contracts are in place with service providers and timing of mobilisation is under discussion. Talks with PetroChina Mongolia are continuing in order to have offtake arrangements including transport, processing, export and sale of oil in place once the well is ready to produce.

Certification of Block XX as State Special Purpose Land

This process is still being held up by the Provincial Governor's refusal to sign off on the government's key Tripartite Agreement and whilst completion of the District level approvals will allow 2024 operations to go ahead, the Company is still pushing for the long-delayed certification process to be completed. Certification will simplify future permitting and reduce the chances of interference. The Ministry for Economic Development, which is in charge of stimulating foreign investment in Mongolia has been very active on this issue and is preparing a submission to Cabinet to attempt to remove the obstacles to completing the process. The Company continues to cooperate with all relevant agencies to make sure this process is completed but, at the same time, is looking at any legal recourse it may have if the central government fails to rectify the situation and so delays operational activities in future years.

Renewable Energy Projects

Our renewable energy Joint Venture has had a very active period at the start of 2024, with its two high-graded projects having taken important steps forward.

The first project involves the provision of Green Hydrogen to Mongolia's major Oyu Tolgoi copper and gold mine in which Rio Tinto is the major investor. An exclusive Memorandum of Understanding has been signed with Oyu Tolgoi and the Japanese Overseas Environmental Cooperation Centre (OECC) to develop the project and supply Green Hydrogen (which is hydrogen produced from renewable energy) which will be used to provide heat to facilities at the mine. Through the involvement in the venture of OECC, the partnership has already secured some Japanese Government grant funding to

intervention in the venture of SRE, the partnership has already secured some Japanese government grant funding to support this ground-breaking green energy initiative. An application for further grant funding is expected to be made in due course. The total grant funding for a project such as this could be up to 40% of the capital expenditure requirement. Oyu Tolgoi, in the South Gobi region of Mongolia, is one of the largest known copper and gold deposits in the world and Oyu Tolgoi LLC is a Mongolian company, jointly owned by Erdenes Oyu Tolgoi LLC on behalf of the Government of Mongolia (34 per cent) and Rio Tinto (66 per cent). Rio Tinto also manages Oyu Tolgoi on behalf of the partnership. Petro Matad is delighted to see SRE cooperating on this exciting project which is designed to demonstrate the potential for Green Hydrogen to be used as a fuel in large scale mining and so to contribute to the decarbonisation of such operations.

SRE's second high graded project is the Choir 50MW Battery Energy Storage System (BESS). Choir is a town in central Mongolia and the site of the largest electricity substation in the central portion of the Mongolian national grid. The government has identified the need for a substantial BESS at Choir to help stabilise the grid and reduce high-cost import of power from China and Russia at peak hours, when Mongolia cannot meet domestic demand, and the economically wasteful export of power during off peak periods when the country's base load exceeds domestic demand.

SRE has secured approval of the feasibility study from the Ministry of Energy for a 50MW BESS project at Choir and is now preparing the application for the licence to construct. This project could be online as early as 2025 and will help to stabilise the Mongolian electricity grid, reduce the amount of coal used in power generation and increase the dispatch of existing renewable energy producers. SRE is keen to move this project ahead as quickly as possible. Mongolia has recently commissioned its first BESS, an 80MW project funded by the Asian Development Bank, and this has had a positive impact through what was a very hard winter in Mongolia. The Ministry of Energy has identified a significant need for BESS projects around the country and SRE is well positioned as an early entrant to be a major player in this sector.

Mike Buck, CEO of Petro Matad, said:

*"We are pushing to secure approval from Matad Soum for the land access required to execute our 2024 work programme and we are gearing up for operations during the summer. The negative reactions to the committee's decision and misinformation spread by activists were not unexpected and underline why the central government certification process is so important for the long term and is our preferred solution.*

*However, with 2024 parliamentary elections looming and central government moving slowly, we are pursuing the local solution as a priority. We are also pushing the central government hard to resolve its internal issues which have created the frustrating obstruction of the state special purpose certification process for Block XX. We will buy ourselves a long-delayed operating window with the local approval for 2024 if we can get it, but we do not want to go through such a process every year.*

*Separately, the progress made by our renewable energy joint venture is very pleasing and to see it so quickly in partnership with Japan's OEEC and involved with the decarbonisation of the globally significant Oyu Tolgoi mine is testament to the credibility, professionalism and motivation of the team."*

Further operational updates will be provided in due course.

- Ends -

**Further information please contact:**

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**About Petro Matad**

Petro Matad is the parent company of a group focussed on oil exploration, as well as future development and production in Mongolia. At the current time, Petro Matad holds 100% working interest and the operatorship of two Production Sharing Contracts with the Government of Mongolia. Block XX has an area of 214 square kilometres in the far eastern part of the country and Block V has an area of 7,937 square kilometres in the central western part of the country.

Petro Matad Limited is incorporated in the Isle of Man under company number 1483V. Its registered office is at Victory House, Prospect Hill, Douglas, Isle of Man, IM1 1EQ.

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