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7 October 2024

Petro Matad Limited
("Petro Matad" or the "Company")

Operational Update: Status of Heron-1 and 2. Gobi Bear-1 drilling results.

Petro Matad Limited (AIM: MATD), the AIM quoted Mongolian oil company, provides the following operational update on activities in its Block XX Production Sharing Contract area in eastern Mongolia.

Highlights

- The Ministry of Industry and Mineral Resources (MIMR) and the Ministry of Construction and Urban Development (MCUD) have approved the Company's proposal to reclassify oil production well pads such that they do not require construction permitting. MIMR has issued instructions to the Company to start production. Construction of long-term production facilities at Heron-1 has commenced and production startup during October is expected.
- Commercial details for the cooperation agreement between the Company and the operator of Block XIX facilities have been provided and are in line with expectations. As soon as the agreement is in final form it will be shared with industry regulator the Mineral Resources and Petroleum Authority of Mongolia (MRPAM) for approval.
- Preparations to test the Heron-2 well are underway with results expected in early November. Now that construction permitting is not required, the Company is progressing plans to be ready to bring the well onstream in November in the event of a good test.
- The Gobi Bear-1 exploration well has been drilled and logged. Casing has now been run to bottom and the well will be suspended pending further evaluation prior to likely well testing.

Heron-1 construction operations and production startup

Whilst mobilising to put temporary facilities on the Heron-1 well pad in order to start production and avoid further delays in the construction permitting procedure, the Company was delighted to be informed by MIMR that its proposed reclassification of oil production well pads had been approved. MIMR also issued instruction to Petro Matad to start oil production operations. The contractor, DQE Construction, is now installing the long-term production facilities with the expectation that these will be ready for production startup from Heron-1 within the month of October.

The cooperation agreement with the operator of Block XIX is progressing well and commercial terms are near final. They are in line with our expectation and understanding of the costs of the ongoing transport, processing and export operations. MRPAM has been kept informed of the negotiations and is standing by to review the agreement once it is in final form.

Heron-2 well testing

The drilling rig will be stored for the winter by contractor DQE Drilling at the Heron-2 location, making it readily available for any 2025 drilling activities the Company may decide to perform. The equipment is being stacked to avoid any impact on testing and subsequent construction operations. Well test contractor, DQE Testing, will mobilise to site once the rig is clear of the well head. Petro Matad is finalising the test programme and will perform a reservoir stimulation operation on Heron-2 prior to the well test with a view to completing the well for production provided a commercial flow rate is achieved.

Now that the lengthy construction permitting process is no longer required the chances of getting Heron-2 on stream this year have improved, and plans are being made to be ready to do so in the event of a positive well

test. Suppliers of the necessary equipment have been contacted and discussions are also ongoing with the Block XIX operator with a view to borrowing spare equipment that may be available locally. The Heron-2 stimulation and testing operation is now forecast to be complete in early November, giving a short window in which to put the well on production before operational activity is suspended for the winter.

Gobi Bear-1 drilling results

The Gobi Bear-1 exploration well located in the southern part of Block XX in the Tamsag Basin has been drilled a total depth (TD) of 1,805m and wireline logging has been completed. The primary objective Lower Tsagaantsav Formation was penetrated at 1,425m and good sand development was seen. Basement was encountered at 1,741m. Drilling gas shows were seen throughout the Tsagaantsav formation and faint oil shows were also observed. Wireline logging confirmed a total of 34m of reservoir quality sandstones within a gross interval of 70m between 1,558m and 1,628m. From logs, the sands are computed to have 13% average porosity which is consistent with the productive reservoirs in the basin. Detailed log interpretation has been conducted and the resistivity profile suggests the sands may contain a hydrocarbon charge but the absence of good oil shows whilst drilling leads to some uncertainty. Without better knowledge of rock properties, water salinity and temperature at this depth, reservoir fluid determination from cuttings and logs in this well is not definitive.

In light of the ambiguous results from drilling and logging, the well has been cased to bottom and will be suspended whilst the Company gathers relevant information from well samples and regional data in the Tamsag Basin in order to refine the interpretation. The Company will then determine the forward programme, which is anticipated to involve a well test, likely being the best way to definitively determine the fluid content of the reservoirs in Gobi Bear-1.

Mike Buck, CEO of Petro Matad, said:

"The last few weeks have seen a lot of activity and some significant progress. We are extremely grateful to the recently appointed Ministers of Mining and Construction for their support in reclassifying oil production well pads to avoid the unnecessary burden of construction permitting regulations that were not designed for works of this kind. Our focus continues to be getting Heron-1 on stream as soon as possible and hopefully Heron-2 can also be brought onstream during the 2024 operational season.

The Gobi Bear-1 result is a teaser but if oil is present in these well-developed reservoirs at such easily and cheaply drillable depth that could be a very significant result for the Company. As such, suspending the well allows us to gather data to refine our understanding and determine how best to get a definitive answer."

Further operational updates will be provided in due course.

- Ends -

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Technical information in this news release has been reviewed by the Company's Technical Manager, Mr. Jerry Smart. He has over 40 years of industry experience in oil and gas exploration and production with LASMO, Eni, Salamander Energy and Ophir Energy. He holds a B.Sc. in Geology from King's College, London.

About Petro Matad

Petro Matad is the parent company of a group focused on oil exploration, development and production in Mongolia. Currently, Petro Matad holds a 100% working interest and the operatorship of the Matad Block XX

Mongolian currency, Petro Matad holds a 100% working interest and the operating of the Matad Block XX Production Sharing Contract with the government of Mongolia. Block XX has an area of 214 square kilometres in the far eastern 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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