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14 November 2024

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

Operational Update: Heron-1 production and Heron-2 well test results

Petro Matad Limited (AIM: MATD), the AIM quoted Mongolian oil company, provides the following update on production operations at the Heron-1 well and the well test results from Heron-2 in its Block XX Production Sharing Contract area in eastern Mongolia.

Highlights

- Heron-1 is producing well with maximum deliverability estimated to be similar to or greater than the 821 bopd achieved on drill stem testing in 2019.
- The oil has more associated gas than expected which improves the flow potential but is also causing pressure fluctuations at surface and so production is currently choked back in the 200 to 300 bpd range.
- Production is being trucked to the neighbouring Block XIX TA-1 facilities and stored. The commercial terms of the Cooperation Agreement with Block XIX operator have been agreed and the final wording is being prepared for sign off by MRPAM. Once approved, export paperwork for Block XX crude can be prepared and sales will then commence.
- Heron-2 has been stimulated and tested with oil recovered together with stimulation fluid at a low flow rate. The well is being suspended and the stimulation and pressure data will be reviewed to determine the forward programme.

Heron-1 production

As previously reported, the Heron-1 well was brought onstream on 24 October and it continues to produce oil to surface under natural flow without the need for pumping. The well is producing with higher amounts of associated gas and at higher pressures than are generally observed in the basin giving the well high initial flow potential. Rate tests have achieved flow rates similar to, and in some tests, higher than the maximum 821 barrels of oil per day (bopd) rate recorded during the well testing operations in 2019. Given the high pressures observed at surface, the flow rate is being monitored carefully to ensure that casing and production tubing pressures remain within safety tolerances and production is currently choked back to a range between 200 and 300 bpd. Whilst this is in line with our pre-production aspiration for an initial stabilised rate, the indications of sustained potential for the well to produce at higher rates are under review, to see if modifications at surface can be made to increase the stabilised flow rate.

Regular transfer of oil to the TA-1 production facilities in Block XIX is ongoing. Meanwhile, all the commercial terms have now been agreed and the final wording of the Cooperation Agreement is being prepared to include details of exactly how the produced volumes will be offloaded, measured and confirmed by the relevant parties. Once agreed with the Block XIX operator the Cooperation Agreement will be presented to the industry regulator, the Mineral Resources and Petroleum Authority of Mongolia (MRPAM) for their approval. The Company is pushing to expedite these final steps after which export paperwork will be prepared and sales of Block XX oil to the buyer in China will commence. In the meantime, large storage capacity is available in Block XIX so Block XX production can continue uninterrupted.

Heron-2 testing

Heron-2 well testing operations commenced on 25 October following completion of a stimulation

heron-2 well testing operations commenced on 23 October following completion of a stimulation programme. Seven days were subsequently lost after the test rig suffered a major engine problem but repairs were completed and operations resumed. By end of the test, the well was producing a mixture of oil and what is interpreted to be stimulation fluids with productive potential estimated to be around 30 bpd. This is significantly lower than the rates observed in Heron-1 although it is in line with flow rates reported from some other wells in the basin. Pressure data recorded during the test and the details of the stimulation operation will be reviewed to determine if the flow rate is an indication of low reservoir permeability or some other down-hole issue. Heron-2 is now being suspended and once the data evaluation is complete, the forward programme for the well will be determined.

Mike Buck, CEO of Petro Matad, said:

"We are very pleased with the performance of the Heron-1 well so far and we are encouraged that higher than expected stabilised flow rates may be achievable. We are looking into this as a matter of some urgency, although if surface modifications are needed, these will likely have to wait until after the winter operational shut down. The transfer of production to Block XIX is settling into a routine and we are pushing to be able to export and sell Block XX crude as soon as possible.

The Heron-2 well testing has not achieved the flow rates we were hoping for given the enthusiasm with which Heron-1 produces, but the presence and recovery of oil is encouraging and we have some work ahead to understand the outcome so far and determine the forward programme for the well. This work will be done over the next few months as we finalise our operational programme for 2025."

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 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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