

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

Operational Update

LONDON, 30 July 2025: Petro Matad Limited, the AIM quoted Mongolian oil company is pleased to provide the following update.

Key updates

- Heron-1 production stable in the range of 150 to 160 barrels of oil per day (bopd) with less than 3% water cut - c. 46,000 barrels produced to date.
- Next oil sales payments expected in August. Discussions on tax treatment progressing.
- Busy 2025 work programme about to commence focusing on operating cost reduction and production enhancement.
- Farm out discussions ongoing.
- Renewable energy projects progressing offering significant value potential when ready-to-build status is achieved.

Production Operations

The Heron 1 well continues to produce at a stable rate in the range of 150 to 160 bopd with less than 3% water cut. To date, c. 46,000 barrels of Block XX crude have been transported to the neighbouring Block XIX facilities for processing storage and export under the oil sales agreement with PetroChina.

Oil sales

As previously reported, PetroChina made payment in June for production to end April and withheld 30% of the invoiced amount pending confirmation from the tax authorities that there would be no customs duties, VAT or other taxes levied on them under the oil sales agreement. PetroChina has asked Petro Matad to get this confirmation. The Company's tax experts have engaged with the tax authorities and submitted draft documentation for their review and are awaiting their feedback. We remain confident that customs duties and VAT are not applicable on oil sales as the law and precedent are clear on both. We are discussing with PetroChina a revision to the agreement that could remove the possibility that a small amount of VAT and tax may be levied on the handling fees. Our efforts are currently directed at removing the withholding as soon as possible.

Petro Matad has submitted invoices for May and June production as per the oil sales agreement but payment has not yet been received. PetroChina has said it will pay in August citing teething problems with a newly introduced online payment approval system that is delaying all their payments. We are aware that payments to other suppliers in Mongolia are also delayed but knowing it is not just Petro Matad that is affected does not make it any less frustrating.

Preparations for 2025 operational activities

With oil sales revenue sufficient to cover the running costs of the Company, the recently announced capital raise has given Petro Matad the funding needed to embark on a number of low-cost, low risk activities to reduce operating cost, increase production and so maximise revenue.

Heron-1 grid connection. A contractor has been chosen to install the equipment to connect Heron-1 to the national grid through the neighbouring Block XIX infrastructure and so reduce the need to burn diesel for power generation at the well site. PetroChina has provided the necessary support letter to the authorities to allow this work to go ahead. This work will realise a 15% reduction in operating cost. The contractor is ready to mobilise as soon as the province's power station issues the final approval and we are following up to expedite this.

Heron-2 acidisation and re-test. Studies on cuttings from the Heron-2 reservoir section have determined that a carbonate cement is present in greater amounts than seen in the Heron-1 reservoir so impacting the permeability and so producibility at Heron-2. Plans are in hand to mobilise a small workover rig to site in August to treat the perforated interval with acid to remove any debris and breakdown the cementation to improve near well bore permeability. The well will then be re-tested to see if it can sustain a commercial flow rate. Arrangements are being made for rapid hook up in the event of success.

Gazelle-1 perforation and test. The workover rig will then move the 5km from Heron-2 to the 2019 Gazelle-1 oil discovery well to perforate and test the pay zone identified in this well. The reservoir quality in the pay zone looks good on logs suggesting that permeability and so deliverability may be better than average for the basin. If successful in establishing commercial flow potential, Gazelle-1 will be put on stream during the 2025 operation season. Testing at Gazelle-1 will not only provide the opportunity to add to Block XX production in 2025 it will also provide useful information about the potential reserves upside in the Gazelle structure and how best to target these through future side-tracking or appraisal drilling operations.

Gobi Bear-1 perforation and test. It is also planned that the workover rig will move the 9km from Gazelle 1 to the 2024 Gobi Bear-1 exploration well to perforate and flow test the zone of interest identified on logs. The potential for oil pay being present in the well has been enhanced by the identification of migrated oil in cuttings samples but to be definitive a well test is required. A successful oil test at Gobi Bear-1 would be a significant result as the structure has substantial resource potential.

Block VII. Work on this 2025 addition to the portfolio continues to progress. The tapes of the 2D seismic survey acquired in 2015 have been found and are being evaluated for the potential to reprocess. Reports of the whereabouts of the cuttings from the well drilled by the previous operator are being followed up. Meanwhile all the necessary environmental studies including sign off by the governors of the districts within the block have been completed allowing the application for the formal Exploration Licence to be submitted to the Ministry of Industry and Mineral Resources.

Farm out

As previously reported, the Company has stepped up its efforts to find partners to join it in Block XX development and Block VII exploration. On Block XX one counterparty has reported that it is in the final stages of its evaluation and asked for a draft farmout agreement which has been provided. Petro Matad has focused its most recent efforts on potential Chinese partners including companies active in the producing basins in northern China that extend into Block VII. The Company's

partners including companies active in the producing basins in northern China that extend into Block VII. The Company's goal is to have partners fund a work programme in return for a working interest and in the case of Block XX is looking for an injection of capital to fund enough wells to allow production to reach a level that will sustain the ongoing development of the reserves.

Renewable Energy

As part of the recent fund raise, it was important to secure development funding for the two latest and largest additions to the Sunsteppe Joint Venture's portfolio, namely the 200MW Hybrid project and the 1.5GW Export to China project. With a power purchase agreement already in place and only requiring amendment to reflect the change from a coal fired to a renewable source, the 200MW solar and wind project has the potential to reach ready-to-build status rapidly. Sunsteppe needs to start gathering wind data to determine the best site for the wind farm. Interest from well funded potential investors has been expressed in this project. Meanwhile, the Mongolian government is keen to move forward on export to China projects. Sunsteppe, through its cooperation with leading Chinese utility the State Power Investment Company (SPIC), wants to increase its land bank with areas close to the border and to start gathering wind data.

In Mongolia, developers such as Sunsteppe have been able to attract development premia in the range of 50,000 to 100,000 per MW for ready-to-build projects that have good commercial potential. Sunsteppe's portfolio has three, near-term projects comprising a total of 274MW plus the longer term 1.5GW project with SPIC. This demonstrates the significant value proposition that these renewable energy projects offer to the company. Whilst Sunsteppe is looking to originate more projects and has been approached by many would-be partners, it is focusing efforts on getting projects to ready-to-build status in order to crystallise value.

Cost control

Recognising that cash is a precious resource, through 2025 Petro Matad has been carefully reviewing its cost base and seeking to make sure it is running as efficiently as it can. To this end cost saving measures have been introduced and will be maintained. Steps taken include a reduction of salary costs achieved thanks to the three expatriate staff members, including the CEO, agreeing to salary reductions of 70%. Opportunities to trim costs whilst maintaining the Company's operation capability and competitive advantage continue to be evaluated.

Mike Buck, CEO of Petro Matad, said:

"Stable production from Heron-1 is pleasing to see and resolving the remaining payment issues is a priority. Meanwhile we are putting our newly raised funds to good use on activities targeting opex reduction and revenue increases.

Our farm out efforts continue and we believe are enhanced by the ongoing production operations and our pursuit of low cost add-ons.

We look forward to advancing development operations on our two large renewable energy projects as they have the potential to add significant value to our portfolio."

Further operational updates will be provided in due course.

- Ends -

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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. The Company also holds a 100% working interest and operatorship of the Borzon Block VII Production Sharing Contract with an area of 41,141 square kilometres in southern central Mongolia.

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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