

Petro Matad

Well result

Snow Leopard – potential breached fault seal

The Snow Leopard-1 well (100% Petro Matad) was drilled to total depth of 2,930m in granitic basement. No sands were encountered in the shallow target, although gases (C₁ to C₅) and an oil sheen were observed in the drilling mud. The deeper objective encountered an overall gross interval of more than 400m. However, no oil or gas shows were observed and the interval was found to be water-bearing. Once operations to plug and abandon the well are complete, the rig will move to the Wild Horse prospect, targeting 480mmbo of unrisked prospective resource in the Baatsagaan Basin. Our valuation included 4.2p/share risked for the Snow Leopard prospect, which we expect to remove from [our RENA of 30.8p/share](#), reducing it by 13.6% to 26.6p/share.

Year end	Operating cash flow (\$m)	PBT* (\$m)	Net debt/(cash) (\$m)	Capex (\$m)	EBITDA (\$m)
12/16	1.8	10.8	(6.5)	(0.6)	11.1
12/17	(2.5)	(9.9)	(5.1)	(3.1)	(9.7)
12/18e	(5.4)	(5.4)	(16.7)	(16.0)	(5.5)
12/19e	(5.4)	(5.4)	1.5	(12.7)	(5.5)

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, share-based payments

Evidence of active petroleum system: management believes that gases in the shallower horizon indicate an active petroleum system in the Taats basin and oil may have entered the well from one of the Snow Leopard prospect's bounding faults. Deeper sections of the well contained well-developed source and reservoir intervals, confirming source and reservoir out-crops on the basin flanks. Management believes that the lack of hydrocarbons in the deeper objective is likely due to a breach of the prospect's bounding fault seal.

Wild Horse next: Wild Horse sits in the Baatsagaan Basin in Block IV, updip of the two largest and deepest identified potential kitchen areas mapped in Petro Matad's acreage. The prospect is estimated to hold mid-case recoverable resources of 480mmbo across three targets. Success here will rely on the migration of hydrocarbons into the structural high. Wild Horse has a closure area of 22km² and a simple focused migration pathway has been identified from the south-west.

Oil & gas

20 September 2018

Price **6.2p**
Market cap **£41m**

Net cash (\$m) at 30 December 2017 before \$33m net fund-raise	5.1
Shares in issue	662m
Free float	75%
Code	MATD
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



Business description

Petro Matad is a pure-play Mongolian exploration company with a 100% equity interest in Blocks IV, V and XX. Management plans to drill four exploration wells in 2018, targeting multiple basins and a mid-case prospective resource of over 400mmbo.

Analysts

Sanjeev Bahl	+44 (0)20 3077 5742
Elaine Reynolds	+44 (0)20 3077 5713

oilandgas@edisongroup.com

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