

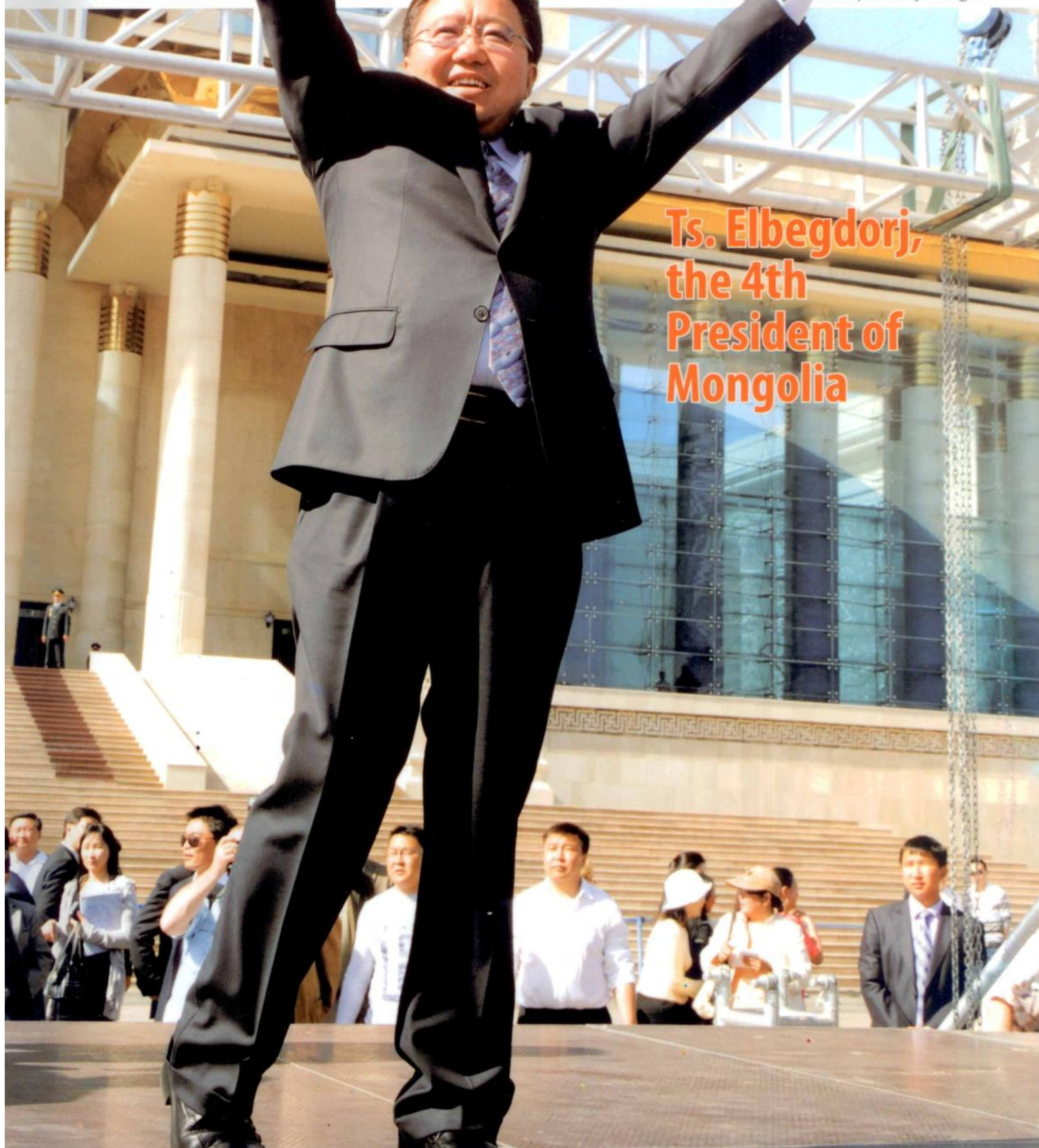
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**Ts. Elbegdorj,  
the 4th  
President of  
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From the left: Douglas G. McGay, Petro Matad's Chief Executive Officer; B. Dendevchuluun, General Manager; T. Amarzul, Executive Director and Ch. Davaanyam, Petrovis LLC Board of Directors' member - talking to journalists about oil prospecting at Block 20 in the Tamsag Basin at Dornod Aimag and the proposed summer drilling.



# Petro Matad Limited

## Mongolia's first oil venture



by S. Otgontsetseg

**O**il exploration differs largely from mineral exploration but a global model has been set. Although Mongolia has 4 or 5 companies engaged in oil exploration, only one of these, Petro Matad Limited, has been listed on the London Stock Exchange.

Oil prospecting and exploration and areas with potential oil reserves had not attracted attention in

Mongolia until 2005. The per-barrel price for oil at that time was USD 40 and this was when the Chinese Dachin Company purchased the Tamsag site from the American Soko Company. Since 2005 Petrovis LLC has successfully imported oil to meet Mongolia's needs but has since then followed recommendations from B. Dendevchuluun, its geologist and experienced expert in Mongolia's search for oil, by acquiring an exploration licence in respect of Matad Block 20 in Dornod Aimag, subsequently forming and setting up its subsidiary company, Petro Matad Ltd.

After Petro Matad, joined by Australian oil investors, started exploration in 2006 on Block 20 in the Tamsag Basin, a more detailed feasibility study was undertaken in 2007 relying on previous studies by the American Soko Company. These results were optimistic but Petro Matad needed funds for extensive exploration and research that required a lot more in-depth exploratory drilling to accurately determine the resource potential. Many options were considered - entering world stock exchange markets, finding new partners, borrowing money, establishing joint ventures - with capital finally being raised by listing on the London Stock Exchange, quite a new experience for a Mongolian oil exploration venture. Notwith-





standing Petro Matad's listing in 2008 with some 100 investors from the USA, Britain, Europe, Australia, and Mongolia, today it has more than 200 investors. This enabled Petro Matad to follow-up with detailed geological and feasibility studies in 2008, in addition to spending USD 6 million on a 3-year exploration program. It is believed that further exploratory drilling (following 2D and 3D seismic surveys in 2008), proposed this summer will confirm oil reserves and, according to Petro Matad, the most likely site is the Davsantolgoi territory.

By listing on the London Stock Exchange Petro Matad anticipates accumulating adequate funding from its investment partners to start its first drilling on Block 20 this year.

In compliance with its stock exchange status and shareholders' demands, Petro Matad's environmental and health and safety standards must be internationally accepted. According to a number of international business and mineral laws, as well as London Stock Exchange regulations, Petro Matad must be very open, transparent and accountable. Its shares must be easily bought and sold via qualified stockbrokers and small investors, even individuals, including Mongolians, must be able to invest directly in the company.

Due to the high risks and significant costs involved in oil-venture investments, before starting prospecting, exploration and eventual business operations, companies talk to and negotiate with governments and also conclude investigatory contracts to draw up plans for prospecting, exploration, proposed operational, as well as environmental rehabilitation

programs together with the detailed and substantiated costs required for which financial guarantees must also be provided. All the sides then negotiate and agree on production-sharing before concluding operational agreements. Companies carry full responsibilities and costs for prospecting and exploration, and governments are entitled to share proceeds from the oil extracted where found to be economically viable. Mongolia's oil authority operates according to international standards and the International Business Community has confirmed that laws and regulations followed in Mongolia are just, fair and meet the interests of both sides. Petro Matad had concluded a Production-sharing Agreement with the Mongolian Government in July 2006.

Today Petro Matad has 14 employees and 12 are Mongolians, including the Executive Director, T.Amarzul and the General Manager, B. Dendevchuluun, with more than 30 years' mining experience, the last 20 years in oil, in describing these oil reserves' prospecting and exploration results said that, although inferred reserves on Block 20's 12,000m2 site had been estimated at 726 million barrels, according to the latest detailed feasibility study, actual reserves were estimated at 83 million barrels."

'PetroChina Dachin Tamsag', China's 100 percent private-investment company, works side by side with Petro Matad Ltd-extracting oil in the Tamsag Basin and transports it from Dornod Aimag to China.

