

Press Release

13 April 2022

Enwell Energy plc
("Enwell" or the "Company")

Quarterly Operations Update

Enwell Energy plc (AIM: ENW), the AIM-quoted oil and gas exploration and production group, provides an update on its operational activities in Ukraine, where it operates the Mekhediviska-Golotvshinska (MEX-GOL), Svyrydivske (SV) and Vasyschevskoye (VAS) gas and condensate fields, as well as the Svystunivsko-Chervonolutskyi (SC) exploration licence.

In light of the Russian military action in Ukraine, on 24 February 2022, Enwell shut-in and made safe its production and drilling operations at all of its fields. Subsequently, on 11 March 2022, having taken a number of measures to ensure safe operations, Enwell commenced the partial restart of production operations at its MEX-GOL and SV fields. Further details can be found in the Company's announcements dated 24 February 2022 and 15 March 2022.

The Company continues to be cautious and vigilant in continuing these partial production operations and is taking all measures available to protect and safeguard its personnel and business. The safety and wellbeing of its personnel and contractors is paramount and the Company will continue to take all possible steps to ensure their safety.

Production – Q1 2022

The average daily production of gas, condensate and LPG for the 76 days that the MEX-GOL and SV fields were producing and for the 55 days that the VAS field was producing, during the period from 1 January 2022 to 31 March 2022, was as follows:-



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Field	Gas (MMcf/d)		Condensate (bbl/d)		LPG (bbl/d)		Aggregate boepd	
	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021
MEX-GOL & SV	11.6	18.2	487	635	286	336	2,730	4,079
VAS	2.2	2.5	24	27	-	-	434	497
Total	13.8	20.7	511	662	286	336	3,164	4,576

The average daily production of gas, condensate and LPG from the MEX-GOL, SV and VAS fields over the entire period from 1 January 2022 to 31 March 2022 (inclusive of shut-in periods) was as follows:-

Field	Gas (MMcf/d)		Condensate (bbl/d)		LPG (bbl/d)		Aggregate boepd	
	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021
MEX-GOL & SV	9.8	18.2	412	635	241	336	2,305	4,079
VAS	1.3	2.5	15	27	-	-	265	497
Total	11.1	20.7	427	662	241	336	2,570	4,576

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The disruption to production operations and the shut-in of the fields during Q1 2022 meant that production volumes were materially lower, both compared with Q1 2021 and the previous quarter. In addition, drilling and remedial work on existing wells has been stopped until there is an improvement in the situation in Ukraine.

Notwithstanding the disruption to production operations, the continuing high gas prices in Europe have fed through to Ukrainian gas prices, which has benefited the sales prices being achieved by the Company for its gas, as well as condensate and LPG. These continued high hydrocarbons sales prices have helped to offset the impact on revenues during the quarter due to the lower production volumes.

Operations

Partial production operations are ongoing at the MEX-GOL and SV fields, where a proportion of the wells have been put on production, and currently the production rate is approximately 2,500 boepd. Other field operations, including the testing of the SV-29 development well, the drilling of the SV-31 development well and the workovers of the SV-2 and MEX-109 wells have been suspended. In addition, construction work on the upgrades to the gas processing facilities at the MEX-GOL and SV fields has also been suspended.

Drilling of the SC-4 appraisal well at the SC licence and all field operations at the VAS field have also been suspended.

Gas Price Regulation to Support Social Initiatives

The temporary and partial gas price regulation imposed by the Ukrainian Government to support the production of certain food products through the supply of gas at regulated prices to the producers of such products is continuing to operate. Under this scheme, all independent gas producers in Ukraine are required to sell up to 20% of their natural gas production for the period until 30 April 2022 at a price set as the cost of sales of the relevant gas producer (based on established accounting rules) for such gas, plus a margin of 24%, plus existing subsoil production taxes (the "Regulated Price"). This gas is then sold to specified producers of designated socially important food products at the Regulated Price, so as to reduce the energy costs of such producers during the period through to 30 April 2022. The designated products are certain types of flour, milk (with up to 2.5% fat), bread, eggs, chicken and sunflower oil, for sale in the Ukrainian domestic market. Further details are set out in the Company's announcement dated 17 January 2022.

Subsoil Production and Excise Tax Changes

The Ukrainian Government has enacted changes to the subsoil production tax rates applicable to gas production by modifying the applicable rates based on gas prices, extending the incentive rates for new wells for a further 10 years and making improvements to the regulatory environment. These changes took effect on 1 March 2022, and the legislation includes provisions that these rates will not be increased for 10 years.

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The new subsoil production tax rates are as follows:

- (i) when gas prices are up to \$150/Mm³, the rate for wells drilled prior to 1 January 2018 (“old wells”) is 14.5% for gas produced from deposits at depths shallower than 5,000 metres and 7% for gas produced from deposits deeper than 5,000 metres, and for wells drilled after 1 January 2018 (“new wells”) is 6% for gas produced from deposits at depths shallower than 5,000 metres and 3% for gas produced from deposits deeper than 5,000 metres;
- (ii) when gas prices are between \$150/Mm³ and \$400/Mm³, the rate for old wells is 29% for gas produced from deposits at depths shallower than 5,000 metres and 14% for gas produced from deposits deeper than 5,000 metres, and for new wells is 12% for gas produced from deposits at depths shallower than 5,000 metres and 6% for gas produced from deposits deeper than 5,000 metres;
- (iii) when gas prices are more than \$400/Mm³, for the first \$400/Mm³, the rate for old wells is 29% for gas produced from deposits at depths shallower than 5,000 metres and 14% for gas produced from deposits deeper than 5,000 metres, and for new wells is 12% for gas produced from deposits at depths shallower than 5,000 metres and 6% for gas produced from deposits deeper than 5,000 metres, and for the difference between \$400/Mm³ and the actual price, the rate for old wells is 65% for gas produced from deposits at depths shallower than 5,000 metres and 31% for gas produced from deposits deeper than 5,000 metres, and for new wells is 36% for gas produced from deposits at depths shallower than 5,000 metres and 18% for gas produced from deposits deeper than 5,000 metres.

Prior to the changes, the tax rate for old wells was 29% for gas produced from deposits at depths shallower than 5,000 metres and 14% for gas produced from deposits deeper than 5,000 metres, and for new wells was 12% for gas produced from deposits at depths shallower than 5,000 metres and 6% for gas produced from deposits deeper than 5,000 metres. The tax rates applicable to condensate production were unchanged and remain at 31% for condensate produced from deposits shallower than 5,000 metres and 16% for condensate produced from deposits deeper than 5,000 metres, for both old and new wells.

In addition, the excise tax of €52/ML applicable to LPG sales was cancelled entirely with effect from 24 February 2022, and the VAT rate applicable to condensate and LPG sales was reduced to 7% (from 20%) with effect from 18 March 2022.

Cash Holdings

At 31 March 2022, the Company’s cash resources were approximately \$81.3 million, comprised of \$21.8 million equivalent in Ukrainian Hryvnia and the balance of \$59.5 million equivalent in a combination of US Dollars, Pounds Sterling and Euros.

The Company has contributed funds and is intending to allocate further funds to certain humanitarian aid organisations to assist with the valuable work that such organisations are undertaking in Ukraine.

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VAS Licence Order for Suspension

The Company does not have any further information to report in relation to the Order for suspension relating to the production licence for the VAS field since the announcements made on 12 March 2019 and 19 March 2019 respectively, other than to report that the legal proceedings issued in the Ukrainian Courts to challenge the validity of the Order are ongoing, and the Company remains confident that it will ultimately be successful in such legal proceedings.

COVID-19 Pandemic

The Group continues to monitor the situation relating to the COVID-19 pandemic, and to take any steps necessary to protect its staff and operations. The Group remains acutely aware of the risks, and is taking action to mitigate them where possible, with the safety of individuals and communities continuing to be the priority.

Sergii Glazunov, Chief Executive Officer, said: *“The situation in Ukraine is extremely challenging at present, but we continue to focus on taking all available measures to protect our business and ensure the safety and wellbeing of our personnel.”*

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014, which forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended.

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Dmitry Sazonenko, MSc Geology, MSc Petroleum Engineering, Member of AAPG, SPE and EAGE, Director of the Company, has reviewed and approved the technical information contained within this press release in his capacity as a qualified person, as required under the AIM Rules.

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Definitions

bbl/d	barrels per day
boepd	barrels of oil equivalent per day
cf	cubic feet measured at 20 degrees Celsius and one atmosphere
LPG	liquefied petroleum gas
ML	thousand litres
Mm ³	thousand cubic metres
MMcf/d	million cubic feet per day
%	per cent
\$	US Dollars