

Press Release

12 January 2023

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 Vasyshevskoye (VAS) gas and condensate fields, as well as the Svystunivsko-Chervonolutskyi (SC) exploration licence.

Production – Q4 2022

The average daily production of gas, condensate and LPG from the MEX-GOL, SV and VAS fields over the period from 1 October 2022 to 31 December 2022 was as follows:-

Field	Gas (MMcf/d)		Condensate (bbl/d)		LPG (bbl/d)		Aggregate boepd	
	Q4 2022	Q4 2021	Q4 2022	Q4 2021	Q4 2022	Q4 2021	Q4 2022	Q4 2021
MEX-GOL & SV	10.8	15.3	426	588	441	295	2,641	3,501
VAS	1.6	2.4	14	24	-	-	303	463
Total	12.4	17.7	440	612	441	295	2,944	3,964

The ongoing war in Ukraine has caused disruption to production operations at the MEX-GOL and SV fields, where certain remedial and maintenance work was delayed and/or suspended, which meant that production volumes were materially lower when compared with Q4 2021, with the exception of LPG recoveries, which improved significantly following the completion of upgrade works to the gas processing facilities at the MEX-GOL and SV fields in mid-2022. In addition, the resumption of production from the VAS field in early October 2022 improved overall production rates during the quarter.

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Production – Full Year 2022

The average daily production of gas, condensate and LPG for the 351 days that the MEX-GOL and SV fields were producing and the 147 days that the VAS field was producing, over the year ended 31 December 2022 was as follows:-

Field	Gas (MMcf/d)		Condensate (bbl/d)		LPG (bbl/d)		Aggregate boepd	
	2022	2021	2022	2021	2022	2021	2022	2021
MEX-GOL & SV	11.0	18.9	445	681	318	308	2,604	4,237
VAS	1.8	2.6	18	26	-	-	352	493
Total	12.8	21.5	463	707	318	308	2,956	4,730

Overall production volumes for the 2022 year decreased by approximately 37.5% compared with the 2021 year. This was partially due to the Russian invasion of Ukraine in February 2022, which resulted in the shut-in of the MEX-GOL and SV fields for the period from 24 February 2022 – 11 March 2022, and the VAS field for the period from 24 February 2022 – 1 October 2022. In addition, issues with the MEX-109 and SV-2 wells at the MEX-GOL and SV fields caused by water ingress into those wells, which commenced in Q4 2021, required those wells to be shut-in for remedial work.

Operations

Production operations are continuing at the MEX-GOL and SV fields, and, currently, the production rate is approximately 2,550 boepd. Some other field operations have resumed, including workover operations on the SV-2 well and maintenance of field infrastructure, but other works have been deferred or suspended until there is an improvement in the operating environment in Ukraine.

In December 2022, the GOL-107 well was spudded. This well has a target depth of 5,190 metres and is a development well, aiming to achieve production from the V-20 and V-23 horizons in the Visian formation. Drilling operations are scheduled to be completed by the end of Q3 2023, and, subject to successful testing, production hook-up is scheduled during Q4 2023.

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At the VAS field, after being suspended since February 2022, production operations resumed at the beginning of October 2022, and, after the clean up of the production wells, the production rate stabilised at approximately 360 boepd, which is around 90% of the pre-suspension rate.

On the SC licence area, the SC-4 well was successfully completed and tested. This well is the Company's first well on the SC licence area and is primarily an appraisal well, targeting production from the V-22 horizon in the Visean formation. The well was spudded in August 2021, and, after a period of suspension due to the conflict in Ukraine, was drilled to its final depth of 5,585 metres. Three intervals, at drilled depths of 5,530 - 5,533 metres, 5,483 - 5,486 metres and 5,416 - 5,419 metres, within the V-22 Visean formation, were perforated and underwent initial testing. The latter interval, which was the primary target for the well, demonstrated strong productivity and stabilised flows. Accordingly, this interval underwent more extensive testing, using a variety of choke sizes, and produced at a stabilised flow rate of approximately 3 MMscf/d of gas and 3 bbl/d of condensate (535 boepd in aggregate). The two former intervals flowed gas, but not at a sustained commercial rate. The well has now been suspended for future production. The well was intended to also explore the shallower V-16 and V-21 Visean horizons, but, as the primary target of the well in the V-22 formation produced a stabilised flow, testing of these shallower horizons was not considered necessary at the present stage of development, and, subject to the successful resolution of the legal proceedings relating to the SC licence referred to below, it is intended that the V-22 horizon will be put on production once surface facilities are completed.

The Company continues to be cautious and vigilant in continuing its 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.

Cash Holdings

At 31 December 2022, the Company's cash resources were approximately \$88.7 million, comprised of \$6.9 million equivalent in Ukrainian Hryvnia and the balance of \$81.8 million equivalent in a combination of US Dollars, Pounds Sterling and Euros.

New Natural Resources Legislation in Ukraine

As announced on 4 January 2023, new legislation, Law No. 2805-IX, relating to the natural resources sector has been enacted in Ukraine, which will come into force on 28 March 2023. This legislation is a substantial package of new procedures and reforms designed to improve the regulatory process relating to the exploration and development of natural resources in Ukraine. However, the legislation includes provisions that if the ultimate beneficial owner of a mineral or hydrocarbon licence becomes the subject of sanctions in Ukraine, then the Ukrainian State Authorities may suspend or revoke that licence. In light of the imposition of the restrictive measures (sanctions) by the Ukrainian Authorities against Vadym Novynskyi, who holds a major indirect shareholding interest in the Company, as announced on 9 December 2022, the Company is investigating whether the Company's hydrocarbon extraction licences may be adversely affected by these provisions in the new law.

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SC Licence Order for Suspension

As announced on 4 November 2022, there has been a further legal challenge relating to the SC exploration licence, which is held by LLC Arkona Gas-Energy (“Arkona”). Since the Company completed the acquisition of Arkona in March 2020, there have been a number of legal challenges relating to the SC licence. As announced on 3 July 2020, PJSC Ukrnafta (“Ukrnafta”), as claimant, brought legal proceedings against Arkona, as defendant, in which Ukrnafta made claims asserting that irregular procedures were followed in the grant of the SC licence to Arkona in May 2017. Ukrnafta also brought these proceedings against the State Service of Geology and Subsoil of Ukraine (“SGS”). Both Arkona and SGS disputed these claims. In these proceedings, the First Instance Court in Ukraine made a ruling in favour of Ukrnafta, determining that the grant of the SC licence was irregular, and accordingly, the SC licence would be invalid. Arkona filed an appeal of this decision in the Appellate Administrative Court in Kyiv, and on 29 September 2020, the Appellate Administrative Court ruled in favour of Arkona, overturning the earlier decision of the First Instance Court. Ukrnafta filed a further appeal in the Supreme Court in Kyiv, and in February 2021, the Supreme Court ruled that the arguments raised by Ukrnafta in the appeal were not substantiated, and that the proceedings against Arkona should be dismissed. The decision of the Supreme Court represented the final appeal procedure in respect of these legal proceedings, and accordingly, these proceedings against Arkona were exhausted.

Prior to the Company’s acquisition of Arkona, Ukrnafta had previously issued legal proceedings in 2018, raising substantially the same claims, which proceeded through the First Instance Court and Appellate Administrative Court, before a final appeal was determined by the Supreme Court in October 2019, in which Ukrnafta’s claims were denied. In April 2021, an entity named JV Boryslav Oil Company (“Boryslav”), which is 25.0999% owned by Ukrnafta, issued a further legal claim, also claiming that irregular procedures were followed in the grant of the SC licence, which claim was denied by the First Instance Court in July 2021 and by the Appellate Administrative Court in October 2021. There was no further appeal in this case and so the decision of the Appellate Administrative Court in these legal proceedings is final. In September 2021, Boryslav issued a further legal claim, again claiming that irregular procedures were followed in the grant of the SC licence, against the SGS, the State Commission of Ukraine for Mineral Resources (“SCP”) and Arkona, as defendants, with Ukrnafta named as a third party. In this claim, the First Instance Court made a ruling in January 2022 in favour of Boryslav. This ruling was appealed to the Appellate Administrative Court, and on 2 November 2022, the Appellate Administrative Court made a ruling in favour of Boryslav, to uphold the decision of the First Instance Court, with the effect that the SC licence is now ruled invalid. The effect of this latest ruling is that the Company cannot conduct any field activities on the SC licence area. The Company has now filed an appeal of the decision of the Appellate Administrative Court to the Supreme Court.

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.

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Sergii Glazunov, Chief Executive Officer, said: *“Although the situation in Ukraine continues to be extremely challenging, we are pleased that, with the resumption of production operations at the VAS field, we now have operational activity at both of our production assets. The adverse Court ruling regarding the SC licence is very disappointing but we are progressing appeal proceedings to challenge that ruling.”*

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.

For further information, please contact:

Enwell Energy plc

Chris Hopkinson, Chairman
Sergii Glazunov, Chief Executive Officer
Bruce Burrows, Finance Director

Tel: 020 3427 3550

Strand Hanson Limited

Rory Murphy / Matthew Chandler

Tel: 020 7409 3494

Arden Partners plc

Ruari McGirr (Corporate Finance)
Simon Johnson (Corporate Broking)

Tel: 020 7614 5900

Citigate Dewe Rogerson

Ellen Wilton

Tel: 020 7638 9571

Dr Gehrig Schultz, BSc Geophysical Engineering, PhD Geophysics, Member of the European Association of Geophysical Engineers, Member of the Executive Coordinating Committee of the Continental European Energy Council, and a Non-Executive Director of the Company, has reviewed and approved the technical information contained within this announcement in his capacity as a qualified person, as required under the AIM Rules for Companies.

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
MMcf/d	million cubic feet per day
%	per cent.
\$	US Dollars