

Press Release

28 April 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 - Q1 2023

The average daily production of gas, condensate and LPG from the MEX-GOL, SV and VAS fields over the period from 1 January 2023 to 31 March 2023 was as follows:

Field	Gas (MMcf/d)		Condensate (bbl/d)		LPG (bbl/d)		Aggregate boepd	
	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022
MEX-GOL & SV	9.9	11.6	394	487	434	286	2,449	2,730
VAS	1.7	2.2	19	24	-	-	338	434
Total	11.6	13.8	413	511	434	286	2,787	3,164

The ongoing war in Ukraine continues to cause disruption to operations at the Company’s fields, where issues with the supply of equipment and fuel and interruptions to the supply of electricity are affecting field activity. Production volumes were lower when compared with Q1 2022 due to natural field decline, 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. The comparative average production figures for Q1 2022 are based on the days that the respective fields were actually in production as there were periods of suspension of production from these fields immediately following the Russian invasion of Ukraine in February 2022 (namely, 76 days of production from the MEX-GOL and SV fields and 55 days of production from the VAS field in Q1 2022).

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Operations

Production operations are continuing at the MEX-GOL and SV fields, and, currently, the production rate is approximately 2,400 boepd. Field operations are currently continuing relatively normally, but the supply of equipment and fuel has been significantly disrupted, which has caused delays to the progress of some activities. In general, the operating environment in Ukraine remains challenging.

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 Visean 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.

At the VAS field, production operations are continuing, and the current production rate is approximately 310 boepd.

The Company continues to be cautious and vigilant in continuing with its operations and is taking the appropriate 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 March 2023, the Company's cash resources were approximately \$90.7 million, comprised of \$8.8 million equivalent in Ukrainian Hryvnia and the balance of \$81.9 million equivalent in a combination of US Dollars, Pounds Sterling and Euros.

Gas Sales and Sales Receivables

While the Company has continued to supply gas to its existing ultimate off-takers, the volumes ordered by such off-takers have reduced during the war, which has meant that the Company has been selling a higher proportion of its gas through the Ukrainian electronic gas trading market. The situation in Ukraine has meant that it has been necessary for the Company to allow some flexibility in the recovery of gas sales receivables from certain ultimate off-takers, while sales through the Ukrainian electronic market are made on a prepayment basis. The Company's gas sales receivables have built up to approximately \$36.8 million, and as a result, the Company is taking action to restructure its contractual relationships relating to the sale of its gas. This restructuring involves ceasing to sell gas to LLC Smart Energy, and, in the future, selling its gas directly to its off-takers, and assigning the receivable liabilities so that these are directly recoverable from the relevant debtors. Documentation to achieve this restructuring is currently being finalised.

Change of Broker

On 26 January 2023, the Company announced that Zeus Capital Limited had assumed the role of the Company's broker with immediate effect.

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New Auditor

The Company is currently finalising the appointment of a new Auditor and a further announcement will be made shortly.

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 came 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, as announced on 9 December 2022, against Vadym Novynskyi, who previously held a major indirect shareholding interest in the Company, the Company had been investigating whether the Company's hydrocarbon extraction licences may be adversely affected by these provisions in the new law. However, as announced on 17 and 26 January 2023, Vadym Novynskyi notified the Company that he had ceased holding any indirect shareholding interest in the Company on 1 December 2022, and therefore, it appeared that the new law would not affect the Company's hydrocarbon licences. Subsequently, the Ukrainian authorities have nevertheless taken certain regulatory actions against various Group companies in Ukraine as referred to below.

Regulatory Actions by Ukrainian Authorities

As announced on 12 April 2023, Ukrainian authorities have recently undertaken a number of regulatory actions against certain of the Company's subsidiary companies in Ukraine, including conducting a search at the Group's Yakhnyky office, from where the MEX-GOL and SV fields are operated, and placing certain physical assets of two subsidiary companies (which respectively hold the MEX-GOL and SV fields and the SC exploration licence) under seizure, thereby restricting any actions that would change registration of the property rights relating to such assets. However, the use of such assets is not restricted and therefore the Company is able to continue to operate and produce gas and condensate from the MEX-GOL and SV fields. In addition, the Ministry of Justice of Ukraine has made an Order cancelling the registration entry made on behalf of a subsidiary of the Company named LLC Regal Petroleum Corporation (Ukraine) Limited in the Unified State Register of Legal Entities, Individuals-entrepreneurs and Civil Institutions of Ukraine relating to the ultimate beneficial owners of such company, thereby restoring the previous entry in such Register, being Vadym Novynskyi. Furthermore, the State Geologic and Subsoil Survey of Ukraine has issued an Order to the Ukrainian branch (representative) office of Regal Petroleum Corporation Limited requiring that additional information be provided and/or violations be eliminated by 1 June 2023 in the disclosures relating to the ultimate beneficial owners of the MEX-GOL and SV licences respectively. The Company does not consider that any of these regulatory actions are justified and is consulting with its legal advisers in relation to legal action to challenge these unjustified actions.

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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 Geologic and Subsoil Survey 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 filed an appeal of the decision of the Appellate Administrative Court to the Supreme Court.

VAS Licence Order for Suspension

As announced on 3 March 2023, the legal proceedings relating to the Order for suspension (the “Order”) in respect of the production licence for the VAS field, announced on 12 March 2019 and 19 March 2019 respectively, have been finally resolved in the Company’s favour after the Supreme Court, by a decision dated 23 February 2023, upheld the Company’s appeal and cancelled the Order. The Supreme Court is the final appellate court in these legal proceedings and therefore this decision is final. Accordingly, the licence continues to be valid.

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Sergii Glazunov, Chief Executive Officer, said: *“Although the situation in Ukraine continues to be extremely challenging, we are pleased to be able to continue our production operations at both of our producing fields, as well as undertaking some development activities at the MEX-GOL field, where drilling of the GOL-107 well is progressing on schedule. We are also pursuing our appeal of the adverse Court ruling relating to the SC licence and are hopeful of a successful outcome of this appeal in due course.”*

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 by virtue of the Market Abuse (Amendment) (EU Exit) Regulations 2019.

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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