

Press Release

26 July 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 in respect of its Mekhediviska-Golotvshinska (“MEX-GOL”), Svrydivske (“SV”) and Vasyschevskoye (“VAS”) gas and condensate fields and Svystunivsko-Chervonolutskyi (“SC”) exploration licence.

Production – Q2 2023

The average daily production of gas, condensate and LPG from the MEX-GOL, SV and VAS fields over the period from 1 April 2023 to 30 June 2023 was as follows:

Field	Gas (MMcf/d)		Condensate (bbl/d)		LPG (bbl/d)		Aggregate boepd	
	Q2 2023	Q2 2022	Q2 2023	Q2 2022	Q2 2023	Q2 2022	Q2 2023	Q2 2022
MEX-GOL & SV	9.6	10.7	373	421	392	241	2,351	2,478
VAS	1.6	-	15	-	-	-	308	-
Total	11.2	10.7	388	421	392	241	2,659	2,478

The ongoing war in Ukraine continues to cause disruption to operations at the Company’s fields, and more recently adverse regulatory actions by the Ukrainian authorities, culminating in suspension of the VAS and SC licences on 4 May 2023, have caused additional, and severe, disruption to the Company’s operations. Production volumes at the MEX-GOL and SV fields were lower when compared with Q2 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 fields in mid-2022. Production from the VAS field was suspended on 4 May 2023, and so the average production figures for Q2 2023 are based on the days that the VAS field was actually in production during the quarter,

Press Release

namely 34 days. The comparative figures for Q2 2022 show no production as the VAS field was shut in during that quarter due to the war.

Operations

Production operations are continuing at the MEX-GOL and SV fields, and, currently, the production rate is approximately 2,245 boepd. Field operations are currently continuing relatively normally, but there have been disruptions to the supply of equipment and fuel, as well as interruptions to the supply of electricity, which has caused delays to the progress of some activities. In general, the operating environment in Ukraine remains very challenging.

The GOL-107 well was spudded in December 2022, and has been drilled to its final depth of 5,190 metres. This well is a development well, aiming to achieve production from the V-20 and V-23 horizons in the Visian formation. It is now planned to test the well, and, subject to successful testing, to hook-up the well for production later in Q3 2023.

At the VAS field and SC exploration licence area, all operations are suspended following suspension orders made by the State Geologic and Subsoil Survey of Ukraine (the "SGSS") on 4 May 2023.

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.

Interim Dividend

On 15 June 2023, the Company paid an interim dividend to shareholders of £0.15 per ordinary share (approximately £48.1 million in aggregate).

Cash Holdings

At 30 June 2023, the Company's cash resources were approximately \$33.8 million, comprised of \$12.1 million equivalent in Ukrainian Hryvnia and the balance of \$21.7 million equivalent in a combination of US Dollars, Pounds Sterling and Euros.

Gas Sales and Sales Receivables

During Q2 2023, demand for gas has remained weak due to the war in Ukraine, and gas sale prices have also weakened as demand has fallen. The Company has completed a restructure of its contractual relationships relating to the sale of its gas, and pursuant to such restructuring, has ceased selling gas to LLC Smart Energy. The Company now sells all of its gas directly to its off-takers. Approximately \$32.8 million of the receivable balance under the previous sale arrangement with LLC Smart Energy was received after the end of the quarter, and the remaining balance of approximately \$3.8 million is expected to be received shortly. Largely as a result of the receipt of these receivable payments after the end of the quarter, the Company's cash resources are currently approximately \$67 million equivalent.

Press Release

New Auditor and Suspension from trading on AIM Market

The Company is currently engaged in discussions with a potential new UK auditor for the audit of its financial statements, and a further announcement will be made in due course in this regard. In the meantime, the Company has engaged Kreston Ukraine to undertake the Ukrainian component of the audit for the financial year ended 31 December 2022 for its Annual Report and Financial Statements (the “2022 Annual Report and Accounts”), and this work is currently underway.

However, as the Company has not yet been able to secure the services of a new UK auditor for the audit of the 2022 Annual Report and Accounts, it was not able to complete, publish and post its audited 2022 Annual Report and Accounts to shareholders by the deadline of 30 June 2023 as required by Rule 19 of the AIM Rules for Companies. As a result, trading in the Company’s ordinary shares on AIM was suspended with effect from 7.30 a.m. on 3 July 2023 pending publication and posting to shareholders of the 2022 Annual Report and Accounts. Suspension from trading is expected to be lifted upon publication and posting to shareholders of the 2022 Annual Report and Accounts.

Suspension of VAS and SC Licences

As announced on 4 May 2023, the SGSS has issued orders suspending the Company’s VAS production licence and SC exploration licence.

This followed action by the Ministry of Justice of Ukraine (the “MoJ”) on 2 May 2023, which made Orders (the “MoJ Orders”) cancelling the registration entry made on behalf of three Ukrainian subsidiaries of the Company named LLC Prom-Enerho Produkt (“PEP”), LLC Arkona Gas-Energy (“Arkona”) and LLC Well Investum (“Well Investum”) respectively in the Unified State Register of Legal Entities, Individuals–entrepreneurs and Civil Institutions of Ukraine (the “State Register”) relating to the ultimate beneficial owners of such companies. The registration entry for each of these companies stated the ultimate beneficial owners to be the beneficial owners of the indirect majority shareholder of the Company as notified to the Company and published to the market on 26 January 2023, but the MoJ Orders removed each such registration entry and restored the previous entry in the State Register, Vadym Novynskyi (“Mr Novynskyi”). As announced on 26 January 2023, the Company was notified that Mr Novynskyi ceased holding a beneficial interest in the indirect majority shareholder of the Company on 1 December 2022. PEP holds the VAS production licence, Arkona holds the SC exploration licence and Well Investum is a dormant company.

Under Ukrainian Law No. 2805-IX, which came into force on 28 March 2023, the SGSS has legislative powers to suspend and/or revoke hydrocarbon licences of which the ultimate beneficial owner is the subject of Ukrainian Government sanctions. As announced on 9 December 2022, the Ukrainian Government imposed sanctions on Mr Novynskyi, who previously held a major indirect shareholding interest in the Company, but ceased to do so on 1 December 2022 as referred to above. However, following the issuance of the MoJ Orders, Mr Novynskyi is now registered in the State Register as the ultimate beneficial owner of each of PEP and Arkona, and is consequently recognised by the SGSS as the ultimate beneficial owner of each of the VAS production licence and SC exploration licence. As a result, the SGSS issued the suspension orders in respect of each of the VAS production licence and SC exploration licence for a period of 5 years effective from 4 May 2023. Accordingly, the Company has ceased all field and production operations on the VAS and SC licence areas.

Press Release

Successful Final Appeal in Legal Proceedings relating to SC Licence

Since the Company completed the acquisition of Arkona in March 2020, there have been a number of legal challenges relating to the SC exploration 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 SGSS. Both Arkona and the SGSS 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 SGSS, the State Commission of Ukraine for Mineral Resources (the “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. The Company appealed the decision of the Appellate Administrative Court to the Supreme Court, and on 3 May 2023, the Supreme Court published its decision to allow the Company’s appeal and overturn the ruling made by the Appellate Administrative Court. The Supreme Court represents the final appellate court in these legal proceedings, and accordingly, the decision of the Supreme Court is final.

Regulatory Actions by Ukrainian Authorities

As announced on 12 April 2023, during the quarter, the Ukrainian authorities undertook a number of regulatory actions against certain of the Company’s subsidiaries 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 the Ukrainian branch (representative) office of Regal Petroleum Corporation Limited (“RPC”) and Arkona (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

Press Release

therefore the Company is able to continue to operate and produce gas and condensate from the MEX-GOL and SV fields. In addition, the MoJ 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 State Register relating to the ultimate beneficial owners of such company, thereby restoring the previous entry in the State Register, Mr Novynskyi. Furthermore, the SGSS issued an Order to RPC requiring that additional information be provided and/or violations be eliminated in the disclosures relating to the ultimate beneficial owners of the MEX-GOL and SV licences respectively.

Sergii Glazunov, Chief Executive Officer, said: *“The operating environment in Ukraine continues to be extremely challenging as a result of the war, and additionally the recent regulatory actions and suspension orders made by the Ukrainian authorities are extremely disappointing. Nevertheless, we are pleased to be able to continue our production operations at the MEX-GOL and SV fields, as well as completing drilling operations on the GOL-107 well. We are consulting with our lawyers to take all available measures to protect our assets and business and to, hopefully, successfully challenge the recent regulatory actions.”*

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.

Press Release

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

