

**16 January 2023**

**Block Energy plc**

("Block" or the "Company")

**Q4 Operational Update**

Block Energy Plc, the exploration and production company focused on Georgia, is pleased to announce its operations update for the three months ended 31 December 2022.

**Highlights**

- Over 135,290 operational man-hours worked in Q4 2022, with one minor Lost Time Incident
- Commenced Project II (Patardzeuli full-field redevelopment), drilling and testing the JSR-01 DEEP well on time and budget. Encouraging results, confirming unswept oil in the Field, support the continuation of the project.
- The Company has upgraded its service rig to undertake low-cost drilling and workover operations in the shallow reservoirs of all its fields and in particular will support the advancement of Project II.
- Drilling operations on well WR-B01Za commenced in December, with operations progressing as planned
- Binding agreement signed for the farmout of non-core areas of licence XI<sup>a</sup> in exchange for work programme valued at c. \$3m gross.
- Q4 production of 34.4 Mboe (Q3: 37.1 Mboe) or an average of 374 boepd
- Q4 revenue of \$1,840,400 (Q3: \$1,833,000)

**Health, Safety & Emissions**

Over 135,290 operational man-hours have been worked by staff and contractors in Q4, and over 382,542 in the twelve months ended 31 December 2022, with one minor LTI.

The Company again sought to minimise emissions, in-line with its commitments, but was required to flare 300,000cum of gas due to the temporary shutdown of the Bago gas pipeline and electricity outages prior to the installation of the generator at the early production facility.

The Company has implemented a procedure for the recording of Project I emissions and is working to reduce other emissions further. In 2023, the Company plans to record Scope II emissions and fulfil its intention to reduce those emissions also.

**Operations**

Drilling operations on well WR-B01Za are progressing as planned, with operations having commenced in mid-December. Well WR-B01Za is targeting a fracture system identified by a high density of seismic attribute lineations on the west side of the Krtsanisi anticline on the West Rustavi oil field. The well is located 500m to the west and up-dip from the successful JKT-01Z well, which has been on continuous production, providing significant returns on the original investment.

Well JSR-01 DEEP successfully confirmed the concept of unswept oil in the Patardzeuli Field. This encouraging result supports the Company's continued advancement of Project II and the development of the Patardzeuli oil Field.

Well JSR-01 DEEP was safely drilled to a depth 470m deeper than the original donor well and was successfully completed below budget. The well was drilled at an inclined angle, allowing the testing of different zones to help evaluate the remaining oil potential and inform future drilling and development plans. The well has been handed over to the production operations team.

## **Corporate**

The Company entered a binding agreement for a 50% farmout of non-core areas of Licence XI<sup>8</sup> to Georgia Oil & Gas Limited, in exchange for a work programme with an estimated value of \$3m gross, comprising \$2.5m for 2D seismic acquisition and \$0.5m for seismic reprocessing ("Project IV").

The farmout advances the Company's exploration opportunities through a sizable work programme at no cost to the Company. None of the existing fields, current production nor future development plans associated with Projects I, II and III, within Licence XI<sup>8</sup>, are subject to the farm-out.

Furthermore, in late November 2022, SLB (previously Schlumberger) notified the Company of its decision not to exercise its right to acquire 108 million ordinary shares in Block Energy plc. This decision creates a significant gain in value for Block and a reduction in dilution for our shareholders.

The options had been granted in 2020, as consideration for the acquisition of the Schlumberger Rustavelli Company Limited, which provided Block with additional production, material additional oil reserves, significant gas resources, oil inventory, materials and a US\$ 133 million cost recovery offset for the profit sharing allocation with the State.

## **Oil and Gas Production**

During Q4, gross production (including the state of Georgia's share) was 34.4 Mboe (Q3: 37.1 Mboe), comprising 27.4 Mbbls of oil (Q3: 28.1 Mbbls) and 7.0 Mboe of gas (Q3: 9.0 Mboe). The average gross production rate for Q4 was 374 boepd (Q3: 404 boepd),

Production during the quarter was adversely affected by increased pump maintenance, requiring production wells to be temporary shut-in.

During 2022, gross production (including the State of Georgia's share) was 183 Mboe (2021: 156 Mboe), comprising 120 Mbbls of oil (2021: 101 Mbbls) and 63 Mboe of gas (2021: 55 Mboe).

## **Oil Sales**

In Q4 2022, the Company sold 21.3 Mbbls of oil (Q3: 17.9 Mbbls) for US\$ 1,691,400 (Q3: US\$ 1,614,000), at a weighted average price of US\$ 79 per barrel (Q3: US\$ 92 per barrel), which represents a c.5% increase in revenue and a 14% decrease in the realised oil price quarter on quarter.

During 2022, the Company sold 84.9 Mbbls of oil (2021: 86.7 Mbbls) for US\$ 7,492,600 (2021: US\$ 5,519,000), resulting in a weighted average price of approximately US\$ 89 per barrel (2021: US\$ 64 per barrel), which represents a 39% increase in the realised price in 2022 compared with 2021.

## **Gas Sales**

In Q4 2022, the Company sold 27.3 MMcf of gas (Q3: 36.1 MMcf) for US\$ 149,000 (Q3: US\$ 192,000), resulting in a weighted average price of approximately US\$ 5.45/Mcf (Q3: US\$ 5.31/Mcf).

During 2022, the Company sold 170 MMcf of gas (2021: 191 MMcf) for US\$ 769,620 (2021: US\$ 596,000), at a weighted average price of US\$ 4.52/Mcf (2021: US\$ 3.11).

## **Block Energy plc's Chief Executive Officer, Paul Haywood, said:**

"Block made significant progress in the fourth quarter, which further strengthens our position and ability to deliver on the potential of our extensive assets in Georgia. In addition to another quarter of solid revenue generation, the Company was able to drive Projects I and II forward, while also creating exposure to material exploration upside at no cost, through the farmout. Meanwhile drilling of well WR-B01 Za is ongoing and progressing to plan. We look forward to providing further

updates on our progress."

*Stephen James BSc, MBA, PhD (Block's Subsurface Manager) has reviewed the reserve, resource and production information contained in this announcement. Dr James is a geoscientist with over 40 years' of experience in field development and reservoir management.*

**\*\*ENDS\*\***

*THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION AS STIPULATED UNDER THE UK VERSION OF THE MARKET ABUSE REGULATION NO 596/2014 WHICH IS PART OF ENGLISH LAW BY VIRTUE OF THE EUROPEAN (WITHDRAWAL) ACT 2018, AS AMENDED. ON PUBLICATION OF THIS ANNOUNCEMENT VIA A REGULATORY INFORMATION SERVICE, THIS INFORMATION IS CONSIDERED TO BE IN THE PUBLIC DOMAIN.*

For further information please visit <http://www.blockenergy.co.uk/> or contact:

<b>Paul Haywood</b>	Block Energy plc	Tel: +44 (0)20 3468 9891
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(Chief Executive Officer)

<b>Neil Baldwin</b>	Spark Advisory Partners Limited	Tel: +44 (0)20 3368 3554
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(Nominated Adviser)

<b>Peter Krens</b>	Tennyson Securities	Tel: +44 (0)20 7186 9030
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(Corporate Broker)

<b>Philip Dennis / Mark</b>	Celicourt Communications	Tel: +44 (0)20 8434 2643
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**Antelme / Ali AliQahtani**

(Financial PR)

#### Notes to editors

Block Energy plc is an AIM-listed independent oil and gas company focused on production and development in Georgia, applying innovative technology to realise the full potential of previously discovered fields.

Block has a 100% working interest in Georgian onshore licence blocks IX and X<sup>B</sup>. Licence block X<sup>B</sup> is Georgia's most productive block. During the mid-1980s, production peaked at 67,000 bopd and cumulative production reached 100 MMbbls and 80 MMbbls of oil from the Patardzeuli and Samgori fields, respectively. The remaining 2P reserves across block X<sup>B</sup> are 64 MMboe, comprising 2P oil reserves of 36 MMbbls and 2P gas reserves of 28 MMboe. (Source: CPR Bayphase Limited: 1 July 2015). Additionally, following an internal technical study designed to evaluate and quantify the undrained oil potential of the Middle Eocene within the Patardzeuli field, the Company has estimated gross unrisked 2C contingent resources of 200 MMbbls of oil.

The Company has a 100% working interest in licence block X<sup>F</sup> containing the West Rustavi onshore oil and gas field. Multiple wells have tested oil and gas from a range of geological horizons. The field has so far produced over 75 Mbbls of light sweet crude and has 1.07 MMbbls of gross 2P oil reserves in the Middle Eocene. It also has 38 MMbbls of gross unrisked 2C contingent resources of oil and 608 Bcf of gross unrisked 2C contingent resources of gas in the Middle, Upper and Lower Eocene formations (Source: CPR Gustavson Associates: 1 January 2018, ERCE 2022).

In 2022, a Competent Person's Report provided by ERCE, ascribed 3P reserves of 3.01 million barrels, with an NPV project value of USD 57 million, to just a portion of the West Rustavi/Krtsanisi Middle Eocene reservoir.

Block also holds 100% and 90% working interests respectively in the onshore oil producing Norio and Satskhenisi fields.

The Company offers a clear entry point for investors to gain exposure to Georgia's growing economy and the strong regional demand for oil and gas.

#### Glossary

- bbls: barrels. A barrel is 35 imperial gallons.
- Bcf: billion cubic feet.
- boe: barrels of oil equivalent.
- boepd: barrels of oil equivalent per day.
- bopd: barrels of oil per day.
- Mbbls: thousand barrels.
- Mboe: thousand barrels of oil equivalent.
- Mcf: thousand cubic feet.

- MMBbls: million barrels.
- MMboe: million barrels of oil equivalent.
- MMcf: million cubic feet.

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