

Operational update

22 December 2022

IOG plc

Operational update: Blythe H2 well plan and Southwark progress

IOG plc ("IOG", or "the Company"), (AIM: IOG.L), the Net Zero UK gas and infrastructure operator focused on high return projects, provides an update on current production, plans for a second Blythe production well ("H2") and progress at Southwark.

Highlights:

- Saturn Banks 2H22 average production expected to be c.22 mmscf/d
- Southwark A2 well test and clean-up planned for next week with first gas expected by mid-January
- Blythe H2 well planned to be drilled directly after Southwark A1 well in 1H 2023
- 30,000 therms/day hedged for December 2022 at 303 p/therm and January 2023 at 319 p/therm

Rupert Newall, CEO of IOG, commented:

"Operationally, the new leadership is making progress, but we still see room for improvement over coming months. We are proactively engaged in improving not only our own team's performance but also that of our duty holders. Bringing new wells onstream, improving platform reliability and managing liquids flows will enable us to maximise production and cash flow.

Importantly, we have made good progress at Southwark, with the A2 well expected onstream by mid-January. The A1 well is then expected to strengthen our production profile from early Q2. With Blythe H2 and the Kelham and Goddard appraisal wells to follow, 2023 is set to be a high-impact year for IOG.

The Blythe H2 well is a compelling investment for us to accelerate reserves recovery, mitigate water production and maximise cash flow. We expect it to pay back very quickly, benefitting from our final rig extension option negotiated in 2020 and the spare well slot designed into the Blythe platform."

Saturn Banks Operations

- Since the November restart, platform generator and MEG pump faults, plus an unplanned Bacton terminal shutdown, have limited Blythe field gross production to 17.1 mmscf/d at 81% uptime (current production rate is approximately 22 mmscf/d)
- Saturn Banks production is projected to average approximately 22 mmscf/d over 2H 2022 (with 59% uptime to date including planned shutdowns) and approximately 27 mmscf/d from First Gas in March 2022 to year end
- IOG management is very focused on helping its offshore duty holder to address the causes of unplanned downtime and make the required performance improvements
- Elgood is currently shut-in with further production expected to require lower liquid volumes in the Saturn Banks Pipeline System ("SBPS"), after which it will be produced cyclically
- Produced water from Blythe H1 continues to be managed onshore, with disposal cost reductions being pursued

Southwark

- A2 well hydraulic stimulation operations are expected to be complete by the end of this week, while all subsea work is now complete
- A2 well test and clean-up is planned for next week, with final hook-up and commissioning and safety reviews then leading to Southwark first gas by mid-January
- The Shelf Perseverance rig is planned to then re-enter the A1 well, complete and stimulate it in Q1 and bring it onstream by early Q2

Blythe H2 well plan

- H2 is planned to be drilled directly after Southwark A1 and targeted onstream by early Q3 2023 (with the two-well appraisal campaign to follow directly after)
- Final extension option in IOG's 2020 Shelf Perseverance rig contract is to be exercised for H2
- Detailed well design is already well advanced, building off earlier successful development work on the Blythe H1 well
- Integrating learnings from H1, the intention is to target the field's central high, which has no observed faults and potentially better reservoir quality
- H2 has been approved internally and is subject to joint venture partner and regulatory approval processes

Blythe H2 rationale

- Achieve high returns and rapid payback, based on a gross budget of approximately £26 million including hook up and commissioning costs, plus potential for significant tax shelter
- Accelerate and maximise recovery of the management estimated Blythe gross 1P / 2P / 3P reserves of 25.4 / 42.5 / 55.8 billion cubic feet (BCF), at a time of high expected gas prices
- Allow flexibility to reduce water production from Blythe H1 into the SBPS, improving operating efficiency and reducing water disposal costs
- Existing spare well slot and riser on Blythe platform minimises need for brownfield modifications

Gas pricing

- 30,000 therms/day hedged with offtaker BP Gas Marketing at 303 p/therm for December 2022 and 319 p/therm for January 2023
- Average realised gas price has been 295.7 p/therm since the November restart, 262.6 p/therm over 2H22 to date and 203.2 p/therm since First Gas in March 2022

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the company's obligations under Article 17 of MAR.

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About IOG:

IOG is a Net Zero UK gas and infrastructure operator focused on high-return projects. The Company's operations are currently concentrated around its offshore and onshore Saturn Banks infrastructure in the UK Southern North Sea. Phase 1 of its Saturn Banks Project, which started production in March 2022, entails the commercialisation of the Blythe, Elgood and Southwark gas fields through this infrastructure. Phase 2 of the Saturn Banks Project entails the Nailsworth, Goddard and Elland gas discoveries, which are subject to future investment decisions and expected to be commercialised through the same export infrastructure. The Company also holds further licences with additional resources including the Abbeydale, Panther and Grafton gas discoveries, the Kelham North, Kelham Central, Thornbridge and Thornbridge Deep prospects, and part of the Orrell gas discovery. Currently, all IOG's licences are held 50:50 with its joint venture partner CalEnergy Resources (UK) Limited and operated by IOG. In addition, the Company continually evaluates further opportunities for accretive portfolio additions to help generate additional shareholder returns. Further details are available at www.iog.co.uk.

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