26 March 2020

HKN Energy, Ltd. – Operational Update

HKN Energy has been closely monitoring the growing impact of the novel coronavirus (COVID-19) in the Kurdistan region.

HKN Energy's top priority continues to be the welfare of our people, contractors and communities in which we work. We remain fully committed to operating safely.

The Kurdistan Regional Government, like many jurisdictions around the world, has implemented multiple safety measures to protect the people in the region, including limitations on the movement of people and goods. These measures have adversely impacted our ability to move our employees, contractors and suppliers into the country and around the region, and restricted or delayed the arrival of supplies and parts. Consequently, operations on the Sarsang block have been impacted:

- The new 25k bopd oil processing facility will be delayed beyond Q1 of 2021. We have directed Havatek, our EPC contractor, to stop all activity on the facility and to work with HKN on a revised project and payment schedule. We fully expect travel and other restrictions in multiple countries will delay the completion of several key components of the facility, and on-site construction will be impacted by logistical challenges in moving personnel.

- We have halted drilling of the Swara Tika-B3 well after reaching a safe stage and set casing directly above producing reservoirs; we have also postponed the remainder of our 2020 drilling program – specifically wells ST B4, ST B5 and ST B6 - until further notice; all four of these wells are intended to fill the 25k bopd facility. Timing for restart of the drilling program will depend on an updated schedule for the 25k bopd facility.

- We are halting production at the East Swara Tika facility to ensure adequate experienced personnel who are available in country to safely maintain full production at the two Swara Tika facilities. We intend to continue producing from the Swara Tika facilities as long as we can do so safely. The East Swara Tika facility has averaged approximately 3,000 bopd to date in 2020.

In this lower oil price environment, and with the challenges described above, we have eliminated all discretionary CAPEX for the foreseeable future.

Given the macro uncertainty, we are suspending production and CAPEX guidance until such time as the outlook becomes clearer.

HKN has overdue receivables from the KRG of over $55 million related to oil sales for October, November and December of 2019. Our last payment was received in January. The KRG has not provided any recent assurance on the timing of payments. There has been some discussion that the KRG is considering partial payments for oil sales receivables, but we do not know any specifics on timing or amounts.

We continue to work closely with DFC (formerly OPIC) to meet conditions precedent for funding of a $49 million loan, as previously described in our investor presentations. HKN's cash balance as of 23 March is $56 million.