

HKN Energy Ltd.



24 March 2021

Corporate Update



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Corporate Overview

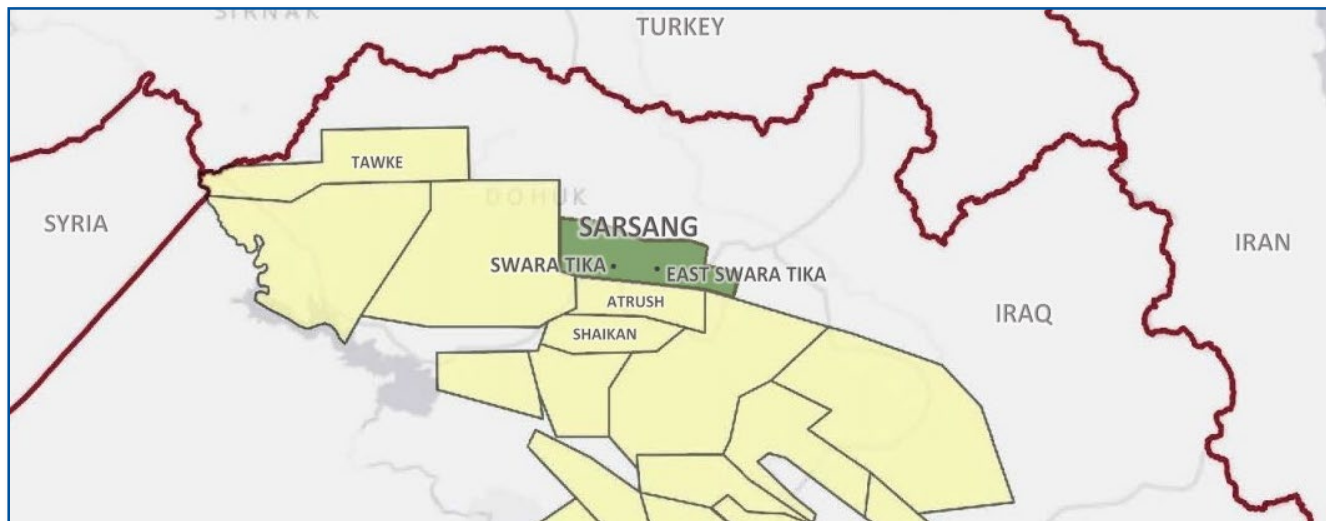
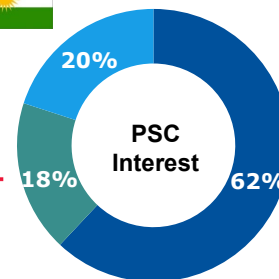


A Leading Kurdistan E&P Company

- 62% operated interest in the Sarsang Block, Northern Kurdistan
- Two distinct producing fields (Swara Tika and East Swara Tika), each with three independent Triassic reservoirs
- 348MMstb remaining gross 2P Triassic reserves (36-39 API) in Swara Tika, with additional resource potential
- Further upside: 1. East Swara Tika; 2. Jurassic and Cretaceous reservoirs
- 2020 production exit rate over 30k bopd
- Aggressive expansion underway: targeting 50k bopd by mid-2022
- Strong support from private US shareholder, Ross Perot, Jr.



TOTAL



Clear Strategy and Operational Flexibility

- **Maximize value creation for all stakeholders in the Sarsang block**
 - Maintain focus on Safety, Health and ESG
 - Increase production from Swara Tika Triassic reservoirs to 50k bopd and maintain plateau
 - Grow 2P reserves from East Swara Tika
 - Evaluate additional upside on the Sarsang Block
 - Assist the KRG to manage and utilize associated natural gas
 - Service debt, build cash reserves and return capital to investors
 - Generate significant positive impact for Kurdistan and its communities
- **2020's unique challenges called for flexibility**
 - Prolonged 25k bopd facility project with focus on completing engineering work and protecting investment
 - Suspended drilling in March 2020
 - Reduced expat and local staffing by nearly 50%; only essential personnel rotating to KRI
 - Reallocated resources from EST to ST to maintain steady overall production in 2020
 - Reduced capex by 55% versus original guidance to protect investment and future growth
 - Reduced OPEX, transportation and G&A cost per barrel by 20% compared to 2019

All investment decisions based on incremental value analysis

Ensuring Sustainability

- **Environmental responsibilities**

- Best in class environmental monitoring program and water treatment approach
- New 25k facility and existing Pad B facility will replace diesel with associated gas for power needs in mid-2022
- HKN supports the KRG with gas management efforts

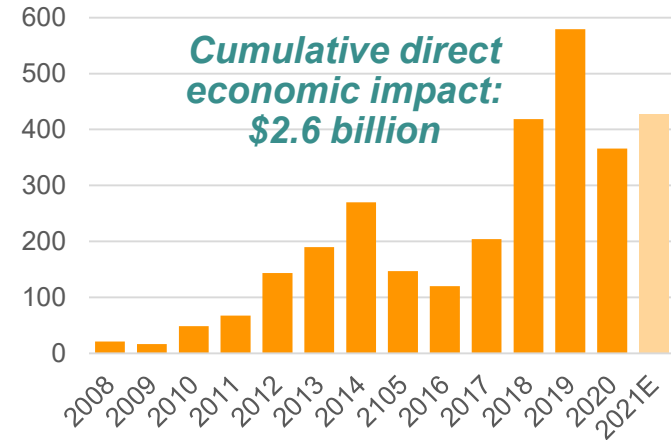
- **Social priorities**

- \$1.6B investment in Kurdistan & 2,100+ local jobs created
- 27 community projects completed
 - Includes schools, community centers, athletic fields, etc.

- **Governance focus**

- Transparency, including reporting on government payments
- Business Ethics and Anti-Corruption
 - In-person reviews of strict anti-corruption and due diligence policies,
 - Increased training
- Formal sustainability reporting
 - Third party-evaluated quarterly reports in accordance with the International Finance Corporation's Sustainability Performance Standards

Total direct economic impact in Kurdistan region (\$ millions)



Operational Results & Outlook



2020 Operating Highlights

- **Production**

- Continuous production throughout 2020 despite challenges
- New monthly production record set in December 2020 of over 30k bopd

- **Drilling**

- Drilling program halted in March 2020 at safe stage of ST-B3 well
- Restart of 5+ well drilling campaign set for May 2021

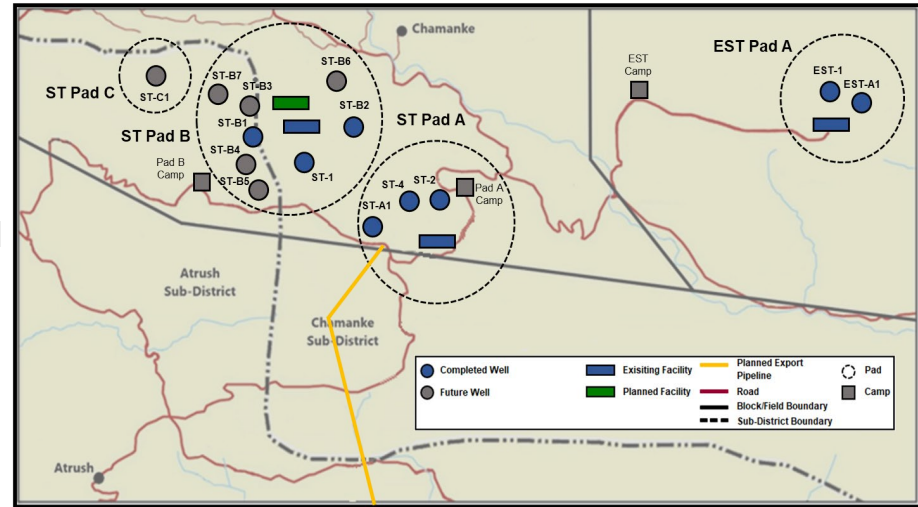
- **Facilities**

- EST facility temporarily shut in during early COVID months and restarted in October
- Delayed some work on new facility project, but now moving ahead in earnest

- **Cash flow**

- \$7.0 million net cash flow for 2020 despite reduced revenue and overdue receivables

Illustration of Sarsang block infrastructure



Value Creation Priorities

Near-term (2021-2022)

- Maintain steady production in 2021
- Complete the ST Pad B 25k bopd facility by mid 2022
- Drill wells to increase production capacity at ST Pad B
- Acquire 3D seismic on western half of ST field and all of EST field
- Connect to KRG pipeline

Mid-term (3-5 years)

- Maintain Swara Tika production plateau by keeping all 3 facilities full
- Improve operating efficiency and reduce OPEX at all production facilities
- Focus on long-term reservoir management alternatives (e.g., secondary recovery)
- Advance gas handling solution

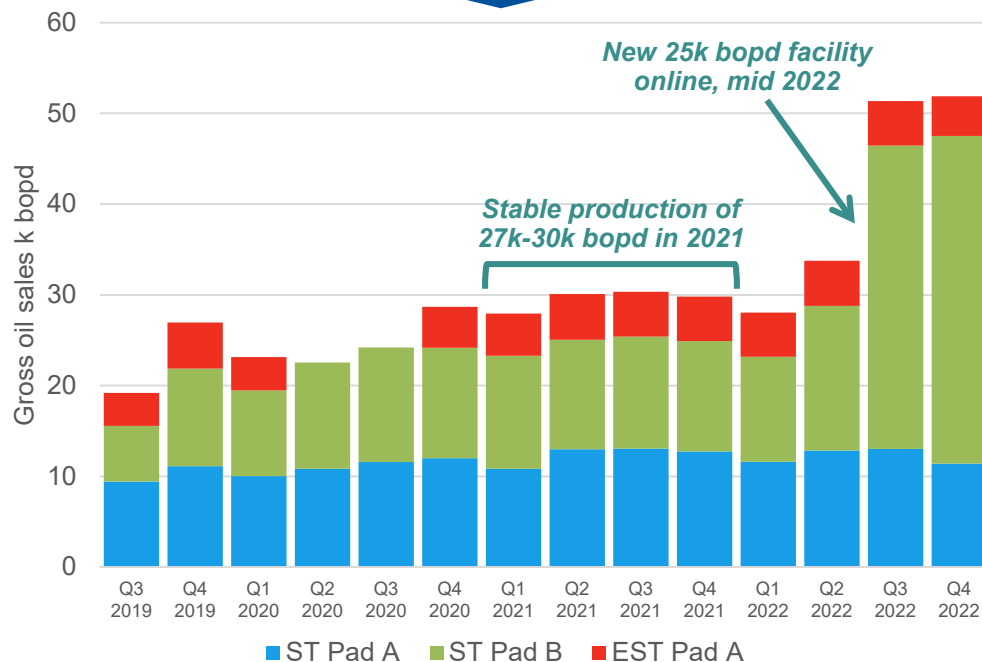
Long-term (2026 and beyond)

- Develop East Swara Tika
- Evaluate additional prospective Triassic areas on block
- Assess Jurassic and Cretaceous reservoirs
- Implement secondary recovery project
- Materially reduce CO₂ emissions

Near-term Priority: Consistent Production

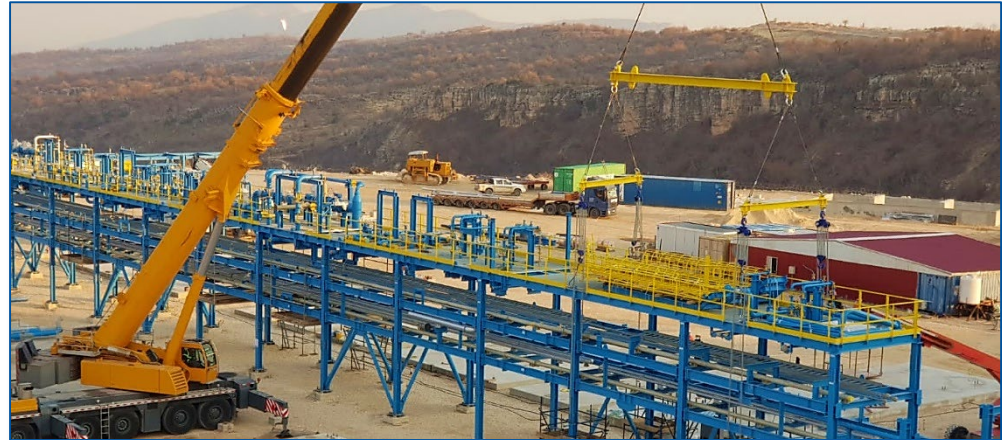
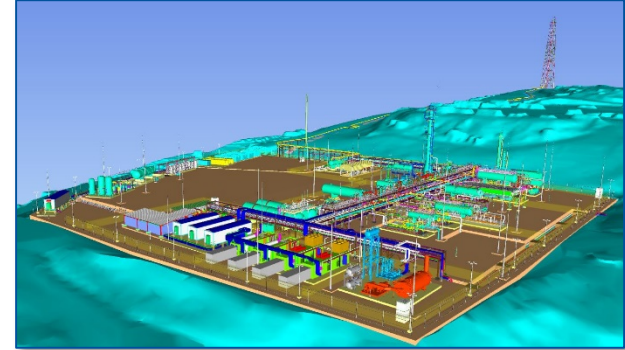
- **Target stable production of 27k-30k bopd (gross) throughout 2021**
 - Tie-in of ST A1 creates additional well production capacity
- **Optimize production from all wells**
 - Balance short-term cash flow and long-term reservoir management
- **Continue to manage COVID-19 situation**
 - Minimize impact and disruption on operations and production
 - Maintain HSE focus

Sarsang Production by Pad



Near-term Priority: Increase Facility & Well Capacity

- **25k Facility first oil planned for mid 2022**
 - Progressing site construction and critical component delivery
 - Managing world-wide COVID impact on cost and schedule
- **Drilling campaign to fill 25k Facility resumes May 2021**
 - Prior campaign stopped at casing point on ST B3 well in March 2020
 - Five producer wells to be drilled and tied into the facility



Finance



2020 Key Metrics

24.7k bopd

Production (gross), increased from 23.3k bopd in 2019

31.3MMbbl

Cumulative production (gross) as of 31 December 2020

\$65.5 million

2020 EBITDA

\$117.2 million

Payments received in 2020 for oil sales (\$122.8 million Revenue)

\$68.6 million ⁽¹⁾

Outstanding receivables due to HKN for oil sales from November 2019-February 2020

\$49.0 million

DFC loan (\$37.5MM in May 2020 followed by \$11.5MM in January 2021)

\$90.1 million

Cash balance at 31 December 2020 including \$6.8 million in restricted cash

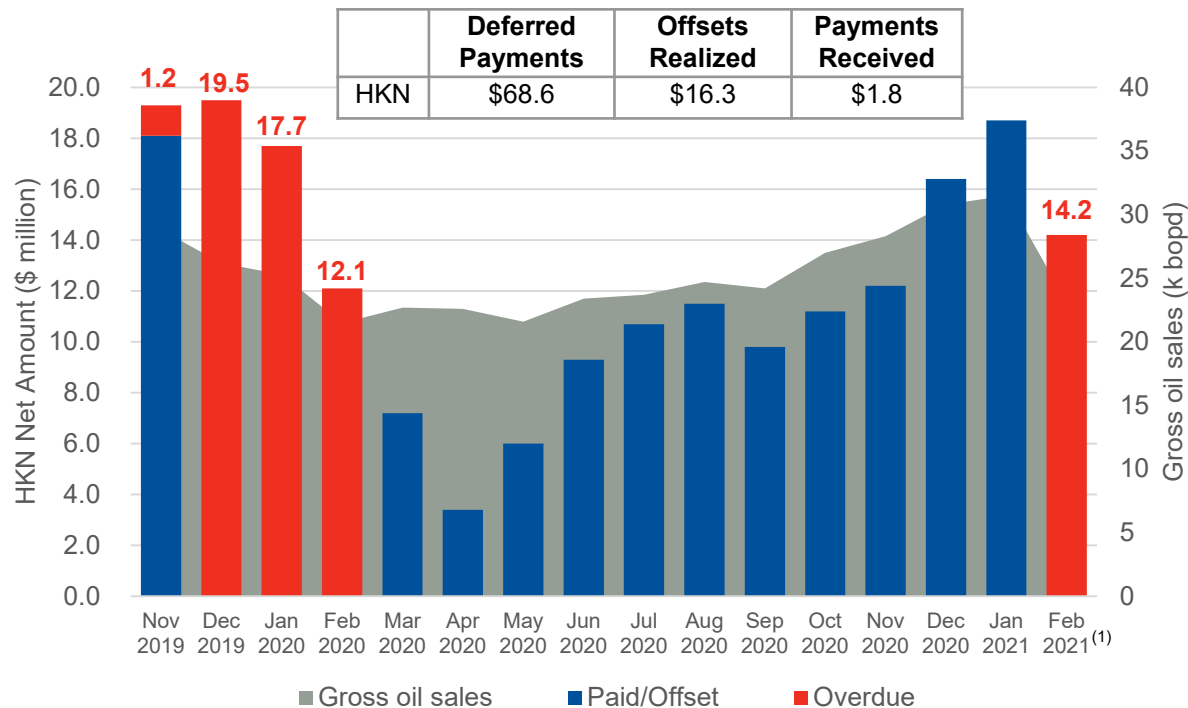
\$599.4 million

Cost recovery balance at 31 December 2020

(1) \$16.3 million (net to HKN) of amounts owed to the KRG have been offset against the outstanding receivables as of 31 December 2020.

Oil Sales Payments

- **KRG's announced mechanism to pay outstanding receivables (Dec 2020):**
 - Payments when Brent price >\$50/bbl with 50% of incremental revenue paid toward arrears
 - Offset liabilities owed to KRG
- **At \$60 oil price and production levels at mid-point of guidance, HKN expects to fully recover arrears by mid-2022**

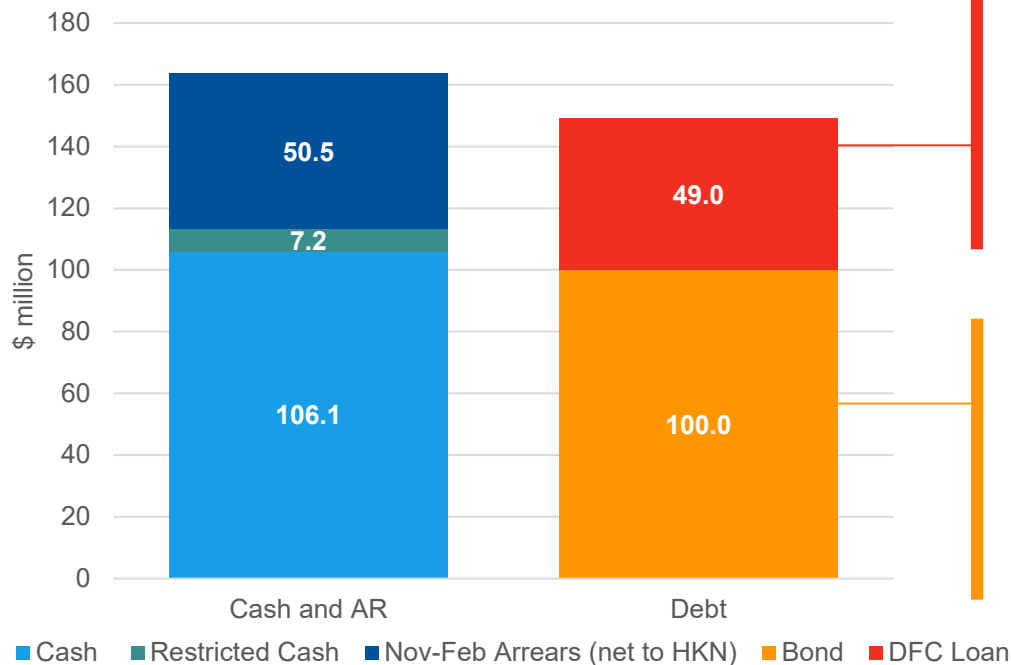


(1) February 2021 production impacted by well interventions across the block and the ST-A1 tie-in.

Certainty on payments = certainty on capital program execution

Strong Balance Sheet

Cash, AR, & Debt at 10 Mar 2021

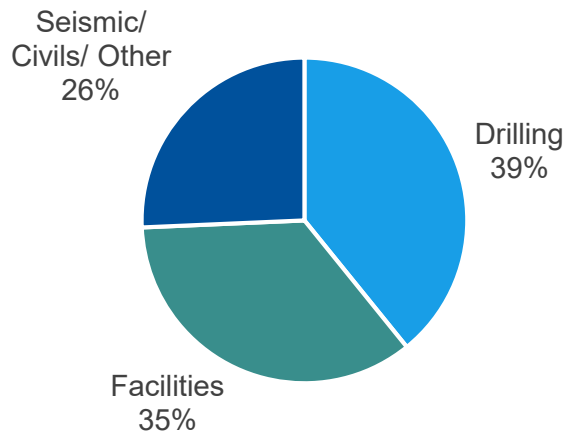


- **DFC Loan (\$49 million)**
 - \$37.5 million disbursement in May 2020
 - \$11.5 million disbursement in Jan 2021
 - Matures May 2029
 - Interest only quarterly payments until Aug 2022
 - Blended interest rate of 6.79%
- **Bond (\$100 million)**
 - Closed March 2019
 - Matures March 2024
 - Semi-annual interest payments
 - Coupon rate 11%

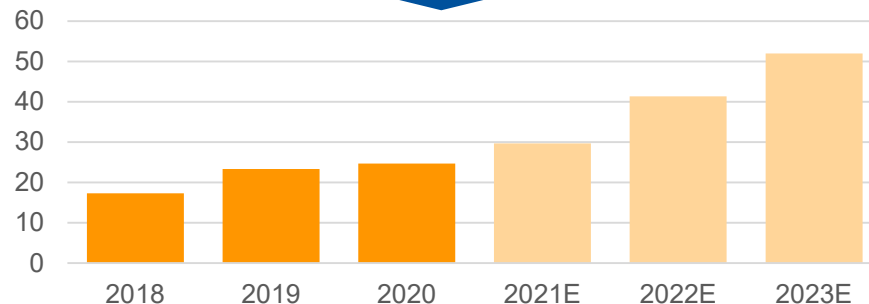
2021 Guidance

- Production of 27-30k bopd (gross)
- Capital spending of \$100 – \$125 million
- Cash breakeven price from operations: approximately \$27/bbl

Capex (based on 2021 and 2022)



Average gross production (k bopd)



Over 50k bopd in 2023

OPEX (\$/bbl)



Targeting <\$3/bbl



**For more information on HKN Energy,
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