

13 May 2021

HKN Energy – KRG proposed amendment to payment terms

On 12 May 2021 HKN Energy Ltd. received a letter from the Minister of Natural Resources of the KRG. The letter addressed outstanding contractor payments and put forth the following points which the KRG intends to implement beginning with the invoice for March 2021 oil sales.

1. KRG now proposes that Invoices will be paid 60 days following submission of invoice;
2. KRG proposes to adjust the formula for repayment of outstanding receivables from the 4-month period from November 2019 to February 2020. KRG previously committed (and has twice since paid) to a formula which pays the contractor 50% of any Brent price differential above \$50/bbl each month for every barrel sold. The new proposal applies a 20% price differential.
3. KRG now proposes eliminating the offsetting of any amounts owed to the KRG by the contractor beyond June 2021.

These proposed changes were not previously publicized by the KRG. HKN intends to discuss the proposed changes suggested in the referenced letter with the KRG.

At current Brent strip price, should the proposed new terms take effect, we anticipate the arrears will be collected in full by Q3 2022 (but with continued offsetting of amounts owed to the KRG) – this represents a delay of three fiscal quarters over our current agreement.