

4 May 2021

HKN Energy, Ltd.

HKN Energy, Ltd. (“HKN”) presents an operating and financial update for the quarter ended 31 March 2021. HKN holds a 62% PSC interest in the Sarsang Block in northern Kurdistan.

Highlights

- Revenue for the quarter increased 46% from 2020 due to a 23% increase in realized oil price as compared to prior year and a 20% increase in oil sales volumes.
 - HKN received cash proceeds from oil sales of \$34.1 million during Q1 2021 with an additional \$13.9 million in cash received in April 2021 for February oil sales.
 - In December, we received a letter from the KRG which outlined the mechanism to retire the outstanding receivables for oil sales from November 2019 - February 2020 (\$68.6 million net to HKN). The repayment mechanism: 1) allows for HKN to offset past or future liabilities owed to the KRG against the outstanding receivable balance; and 2) allows an incremental payment to HKN of 50% of the monthly average of Dated Brent above \$50/bbl for each barrel of oil produced in any month starting in January 2021. HKN has offset \$16.3 million in liabilities owed to the KRG and collected \$4.9 million in incremental payments from the KRG to date.

- HKN maintained production in Q1 2021 at levels consistent with prior quarter.
 - The ST-A1 well, our third well on the Swara Tika A pad, was tied-in to our existing facility at the end of March 2021. The ST-A1 well provides sufficient well capacity to achieve full utilization of the Pad A production facility of approximately 14k bopd. Production remained strong despite planned down-time during February on all 3 facilities for the ST-A1 tie-in and scheduled maintenance work.
 - Sarsang cumulative production reached 33.8 million barrels as of March 31.
 - Brent break-even price of approximately \$26/barrel (after interest costs).

- Cash balance at 30 April 2021 was \$110.7 million, including restricted cash of \$7.2 million.

Summary of Results

		Q1 2021	Q1 2020	Q1 2019
Production (gross)	Bopd	27,892	23,191	23,829
Production (net) ⁽¹⁾	Bopd	17,293	14,379	14,774
Revenue	USDm	\$ 52,280	\$ 35,744	\$ 46,893
EBITDA ⁽²⁾	USDm	\$ 37,655	\$ 18,353	\$ 30,062
Operating cash flow	USDm	\$ 23,470	\$ 8,139	\$ 24,895
Capex ⁽³⁾	USDm	\$ (13,369)	\$ (31,410)	\$ (31,579)
Free cash flow ⁽⁴⁾	USDm	\$ 10,101	\$ (23,271)	\$ (6,684)
Cash at 31 March	USDm	\$ 98,348	\$ 54,613	\$ 123,487
Restricted Cash at 31 March	USDm	\$ 7,213	\$ -	\$ -
Debt at 31 March ⁽⁵⁾	USDm	\$ 149,000	\$ 100,000	\$ 100,000

Notes:

- (1) Net based on 62% PSC interest.
- (2) EBITDA is Net income/(loss) adjusted to add back interest, depletion, depreciation and amortization expenses and loss on derivatives.
- (3) Capex is shown on a cash basis.
- (4) Free Cash Flow is net cash generated from operating activities less cash outflow for capital expenditure. Free Cash Flow is before debt costs and dividends.
- (5) Face value of debt.

Outlook

- HKN reiterates previous guidance and expects 2021 production (gross) in the range of 27k-30k bopd.
- We continue to make progress on the new 25k bopd facility on Swara Tika. Our expectation for first oil from the facility remains Q2 2022.
 - Engineering work 95% complete
 - Procurement at nearly 95% complete
 - Fabrication of 28 key vendor packages approximately 65% complete
 - Delivery of vendor packages to site has begun and will continue through August 2021
 - On-site construction on schedule in preparation for arrival of vendor packages
 - Any delays in the supply chain due to continued COVID-19 impacts will extend the first oil date and could increase costs. We continue to closely monitor these impacts.
 - Total project cost of approximately \$85-\$90 million (net to HKN) with nearly 60% spent to date
- Restart of the 5-well drilling program to fill the 25k bopd facility expected in mid-May 2021 with the spudding of ST-B6.
- Export pipeline tie-in on track to align with completion of the 25k bopd facility.
- We expect to resume 3D seismic acquisition over Swara Tika in June 2021 followed by East Swara Tika, contingent upon ongoing oil sales payments. The seismic acquisition will allow us to further delineate future drilling locations across the Sarsang block.
- 2021 Capex guidance remains at \$100-\$125 million (net to HKN).
 - As in the past, 2021 Capex spending is predicated on oil price and ongoing payments from the KRG.

Inquiries:

Kristy Macktinger

+1-817-224-6349

InvestorRelations@hknenergy.com

Disclaimer

This announcement contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil & gas exploration and production business. As the expectations reflected herein are believed to be reasonable in light of the information available to Company at this time, the actual outcome may be materially different due to factors beyond the Company's control or within the Company's control where, for example, the Company decides on a change of plan or strategy. For these reasons, no reliance may be placed on the figures contained in such forward looking statements.

EBITDA is a supplemental non-GAAP financial measure. We believe EBITDA and similar measures are useful to investors because they are frequently used by analysts and investors to evaluate companies in the oil and gas sector. Because these measures exclude some, but not all, items that affect net income, these measures as presented by us may not be comparable to similarly titled measures of other companies.