

**26 August 2021**

**HKN Energy, Ltd.**

HKN Energy, Ltd. (“HKN”) presents an operating and financial update for the six months ended 30 June 2021. HKN holds a 62% PSC interest in the Sarsang Block in northern Kurdistan.

**Highlights**

- Revenue for the first half of 2021 increased 121% from the comparable period in 2020 due to a 75% increase in realized oil price and a 26% increase in oil sales volumes.
  - HKN received cash proceeds from oil sales of \$87.8 million during 1H 2021 with an additional \$23.2 million in cash received since June 30 for May oil sales.
  
- First half 2021 production increased by 26% from the comparable period in 2020.
  - Our three owned and operated facilities achieved a record cumulative daily bopd of 28.9k bopd for the first 6 months of 2021, in line with our forecast guidance of 27k to 30k bopd.
  - Sarsang cumulative production reached 36.5 million barrels as of June 30, 2021.
  - Our Brent break-even price is approximately \$24/barrel to cover OPEX, G&A, transportation, discount to Brent and interest costs.
  
- EBITDA for the first half of 2021 was \$89.5 million, a 452% increase from the comparable period in 2020 due to the increase in revenue and a 2020 production bonus payment of \$7.5 million which did not recur in 2021.
  
- Cash balance at 30 June 2021 was \$139 million, including restricted cash of \$7 million.
  
- 5-well drilling program re-started in May 2021 to fill the 25k bopd facility.
  - Drilled and completed Swara Tika B6:
    - Testing in the KCA reservoir indicates that the well can produce at 5,000 bopd or more.
  - Drilled surface sections (~1,500m deep) in batch program for Swara Tika B4, B5, and B7 with record efficiencies achieved.
  
- The 3D seismic acquisition, previously planned for June 2021, has been delayed to 2022 due to access issues in East Swara Tika and the western part of Swara Tika.

## Summary of Results – HKN Energy

		1H 2021 (unaudited)	1H 2020 <sup>(1)</sup> (unaudited)
Production (gross)	Bopd	28,934	22,857
Production (net) <sup>(2)</sup>	Bopd	17,939	14,171
Revenue	USDm	\$ 117,805	\$ 53,358
EBITDA <sup>(3)</sup>	USDm	\$ 89,510	\$ 16,214
OPEX/bbl	USD	\$ 4.23	\$ 5.04
Operating cash flow	USDm	\$ 72,974	\$ 21,620
Capex <sup>(4)</sup>	USDm	\$ (27,153)	\$ (46,369)
Free cash flow <sup>(5)</sup>	USDm	\$ 45,821	\$ (24,749)
Cash at 30 June	USDm	\$ 131,645	\$ 80,570
Restricted Cash at 30 June	USDm	\$ 7,213	\$ 6,708
Debt at 30 June <sup>(6)</sup>	USDm	\$ 149,000	\$ 137,500

### Notes:

- (1) HKN Energy transitioned from US GAAP to IFRS reporting beginning with the June 30, 2021 financial statements. The adoption of IFRS is effective January 1, 2019. Some financial figures include adjustments from previously released information. Please refer to the IFRS audited financial statements for December 31, 2020 and the IFRS unaudited financial statements for June 30, 2021 for additional details. These financial statements are available at [hknenergy.com](http://hknenergy.com).
- (2) Net based on 62% PSC interest.
- (3) EBITDA is Net income/(loss) adjusted to add back interest, depletion, depreciation and amortization expenses and loss on derivatives.
- (4) Capex is shown on a cash basis.
- (5) 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.
- (6) 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. The recent resurgence of global COVID cases has impacted package deliveries and installation, causing a deferral of estimated first oil from the facility to Q3 2022.
  - Delivery of vendor packages will continue through September 2021.
  - On-site construction on schedule in preparation for arrival of vendor packages.
  - Any further delays in the supply chain due to 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 65% spent to date.
- Scheduled to drill, complete and test 4 additional B wells by early 2022.
- Export pipeline tie-in on track to align with completion of the 25k bopd facility.
- We expect 2021 Capex to be at the lower end of our \$100-\$125 million guidance (net to HKN).

## Supplemental Information for unconsolidated HKN Energy III, Ltd.<sup>(1)</sup>

		<b>1H 2021 (unaudited)</b>
Cash at 30 June	USDm	\$ 3,028
Restricted Cash at 30 June	USDm	\$ 24,000
Debt at 30 June <sup>(2)</sup>	USDm	\$100,000

Notes:

- (1) For legal organizational chart please refer to <https://www.hknenergy.com/investors/legal-organizational-chart/>
- (2) Face value of debt.

### **Inquiries:**

Kristy Macktinger

+1-817-224-6349

[InvestorRelations@hknenergy.com](mailto: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.*