

26 August 2021

Corporate Update



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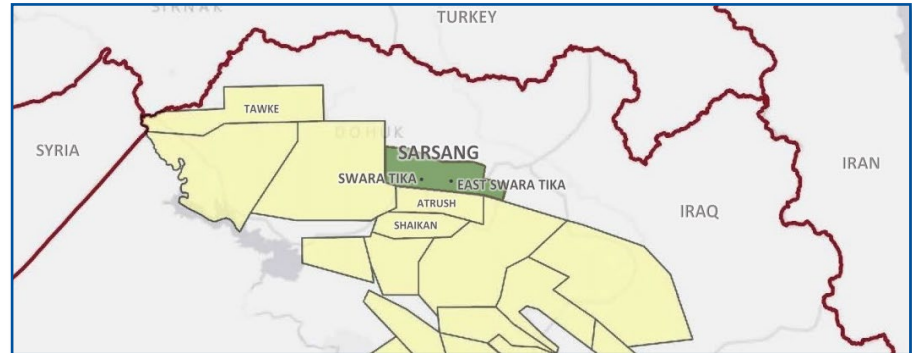
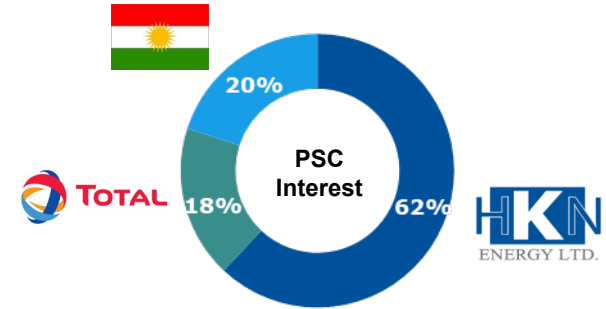
Corporate Overview



A Leading Kurdistan E&P Company

- HKN Energy holds 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
- 351 MMbbl remaining gross 2P Triassic reserves in Swara Tika and East Swara Tika¹, with additional resource potential
- Further upside: Jurassic and Cretaceous reservoirs in both fields
- High quality crude yields discount of only ~\$7.00/bbl to Dated Brent
- 1H 2021 average production of ~28,900 bopd (gross)
- Expansion underway to over 50,000 bopd in H2 2022
 - New 25,000 bopd facility under construction

Sarsang Block partners and location



¹) RPS CPR volume estimates as of January 1, 2018 (Swara Tika) and December 1, 2016 (East Swara Tika), adjusted for production through June 30, 2021

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

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 mid-2022
- HKN supports the KRG with gas management efforts

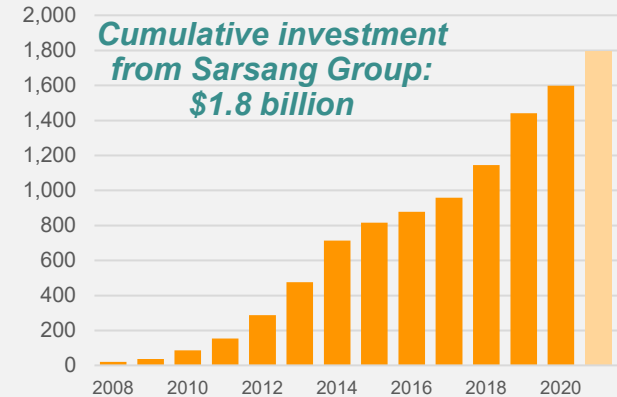
Social priorities

- \$1.8 billion investment in Kurdistan & 2,100+ local jobs created by the Sarsang contractor group since 2007
- 29 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
 - 3rd party-evaluated quarterly reports in accordance with the International Finance Corporation's Sustainability Performance Standards

Total investment in Kurdistan region (\$m)



Operational Results & Outlook



Operating Highlights – 1H 2021

• Production

- First half 2021 production increased by 26% from the comparable period in 2020, in line with our latest production forecast guidance of 27k to 30k bopd.

• Drilling

- Drilled and completed Swara Tika B6:
 - Testing in the KCA reservoir indicates that well can produce at 5,000 bopd or more
- Drilled surface sections (~1,500m) in batch program for Swara Tika B4, B5, and B7 with record efficiencies achieved
- Scheduled to drill, complete and test 4 additional B wells by early 2022

• Facilities

- Continued 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

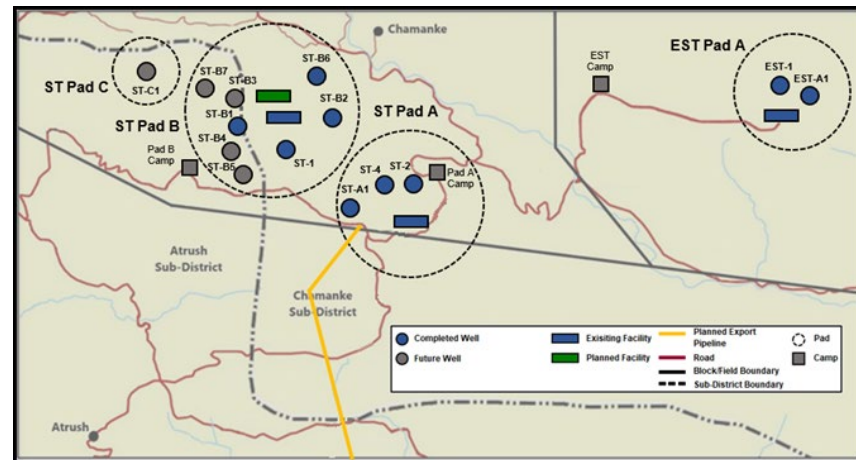
• Cash flow

- \$46m free cash flow generated in 1H 2021, which represents a \$71 million increase compared to 1H 2020

• Seismic

- ST Seismic deferred to 2H 2022, and EST Seismic is contingent 2H 2022

Illustration of Sarsang block infrastructure



1H 2021
key
figures:

26%

Production Increase
from 1H 2020

\$46/bbl

CAPEX break-even

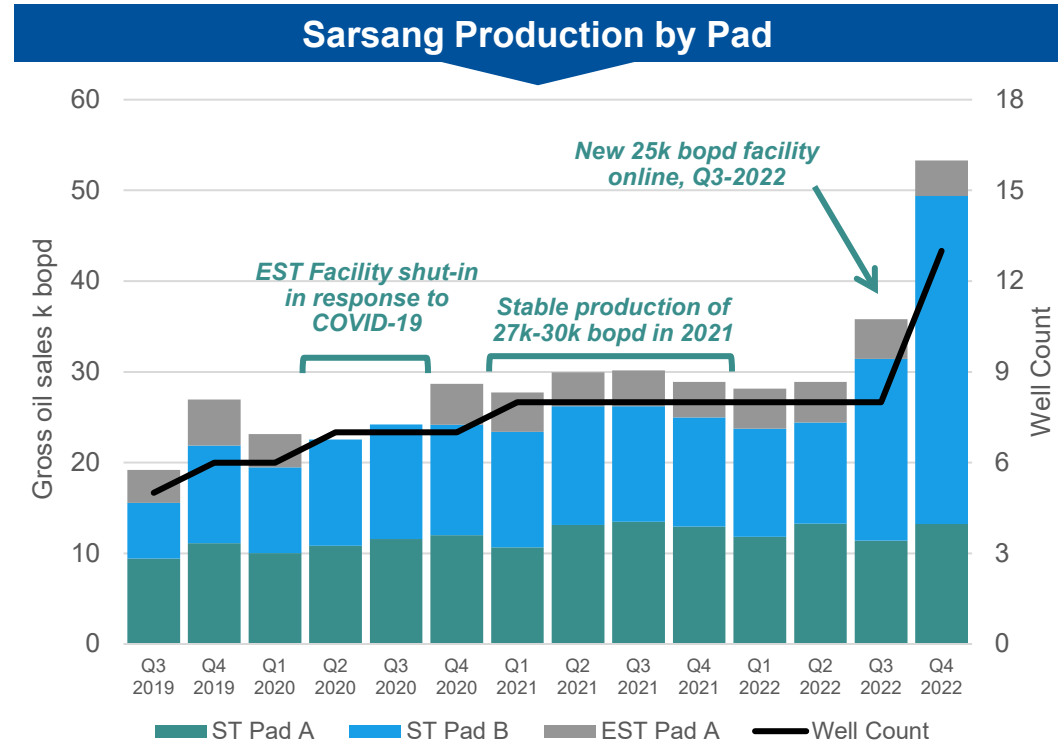
\$24/bbl

Operating break-even¹

1) Including OPEX, G&A, transportation, discount to Brent, interest.

Near-term Priority: Production Maintenance

- **Maintain stable production of 27-30k bopd (gross) throughout 2021**
 - Sufficient well capacity to keep facilities full
- **Drilling campaign to fill new 25k bopd facility resumed in May 2021**
 - Rig secured with experienced crew for full drilling campaign
 - Five producer wells to be drilled and tied into the new facility
- **Optimize production from all wells**
 - Balance short-term cash flow and long-term reservoir management
- **Continue to manage COVID-19 situation**



Near-term Priority: Complete New Facility

- **First oil from new 25k bopd facility planned for Q3-2022**
 - Engineering ~96% complete
 - Procurement ~96% complete
 - Fabrication of 28 key vendor packages ~85% complete
 - Delivery of vendor packages to site ~26% complete, have experienced delays due to COVID restrictions
 - Export pipeline tie-in on track to align with completion of facility
 - Total project cost of ~\$85-\$90m (net to HKN) with 65% spent to date
 - COVID-19 supplier delays of 6 weeks has delayed first oil date to Q3 2022



Value Creation Priorities

Near-term (2021-2022)

- Maintain steady production in 2021
- Complete the ST Pad B 25k bopd facility by Q3-2022
- Drill wells to increase production capacity at ST Pad B
- Connect to KRG pipeline
- Acquire 3D seismic on western half of ST field

Mid-term (3-5 years)

- Maintain ST 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
- Return capital to debt and equity investors
- Acquire 3D seismic on all of EST field

Long-term (2026 and beyond)

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

Finance



1H 2021 Key Metrics

28.9k bopd

Production (gross), increased from 22.9k bopd in 1H'20

36.5MMbbl

Cumulative production (gross) as of 30 June 2021

\$117.8 million

Revenue (121% increase over 1H 2020 revenue of \$53.4 million)

\$87.8 million

Payments received in 1H 2021 for oil sales

\$89.5 million

1H 2021 EBITDA (54% higher than full year 2020 EBITDA of \$58.3 million)

\$149.0 million

Debt balance at 30 June 2021

\$138.9 million

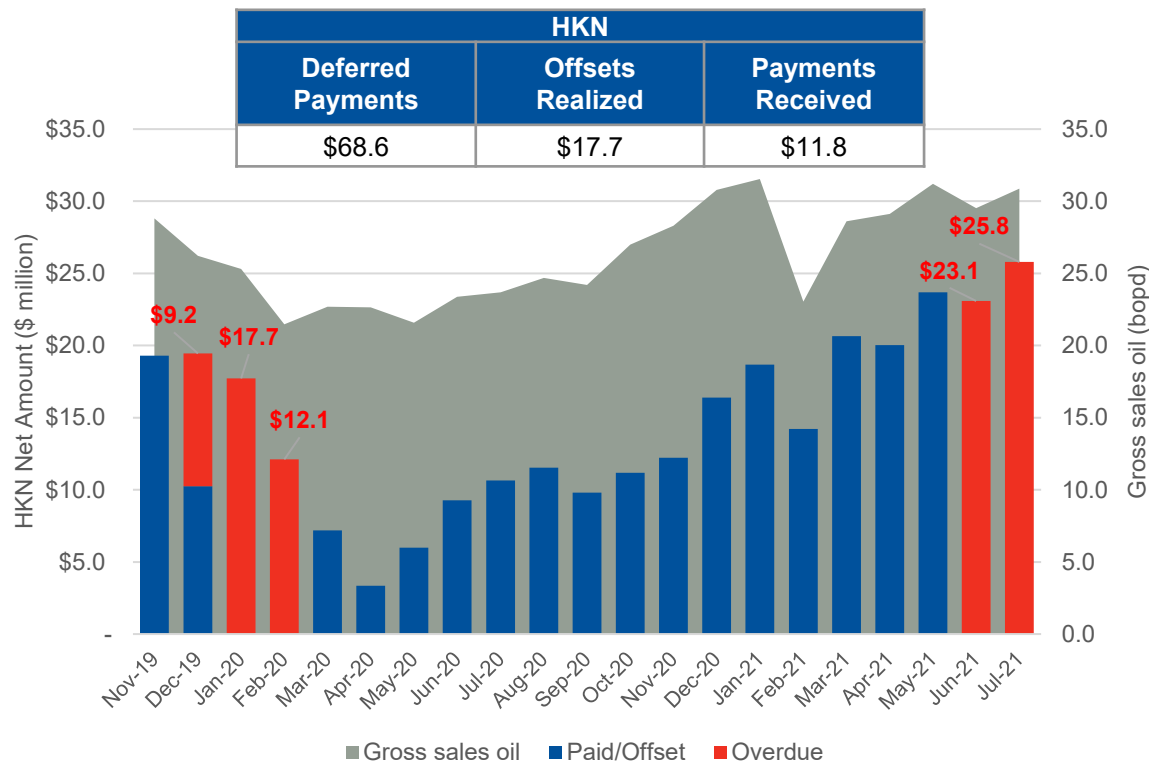
Cash balance at 30 June 2021 including \$7.2 million in restricted cash

\$594.5 million

Cost recovery balance at 30 June 2021

Oil Sales Payments and Receivables

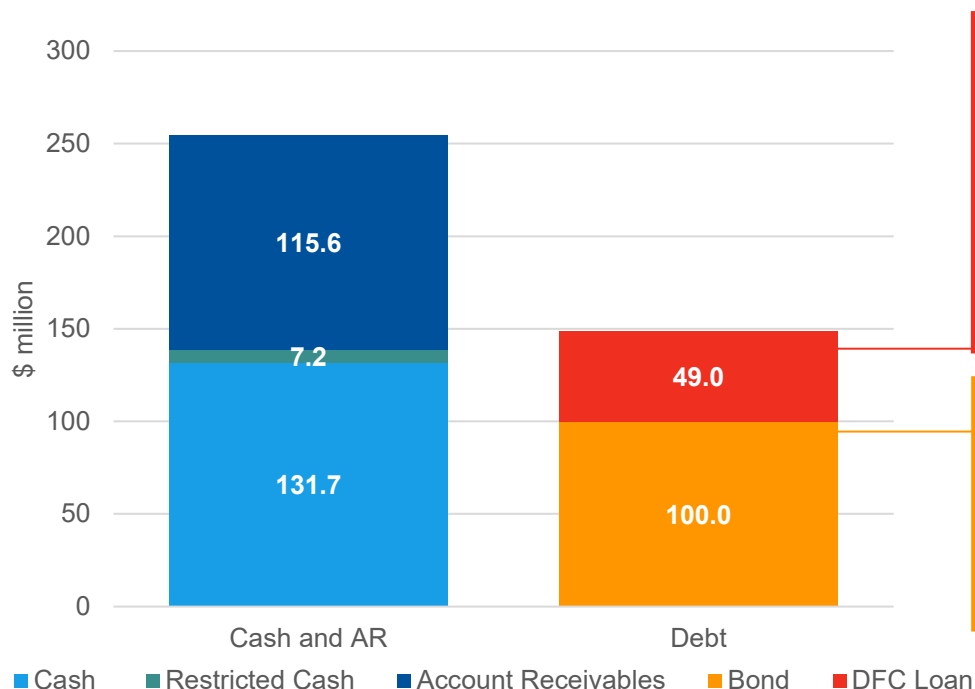
- Oil is marketed through the KRG
- KRG announced a revised mechanism to pay outstanding receivables (May 2021):
 - 20% of any Brent price differential above \$50/bbl each month for every barrel sold
 - KRG unilaterally changed payment term to 60-days from previous 15-days
- At \$60/bbl Brent and production levels at mid-point of guidance, HKN expects to fully recover arrears by Q3 2022.
- Payments and amounts outstanding include transportation cost owed to HKN by the KRG.
- Payments received and offsets realized are through 25 August 2021; current balance is \$39 million.



Notes: February 2021 production impacted by well interventions across the block and the ST-A1 tie-in. Status of receivable is based on 15-day payment terms.

Strong Balance Sheet

Cash, AR, & Debt at 30 June 2021

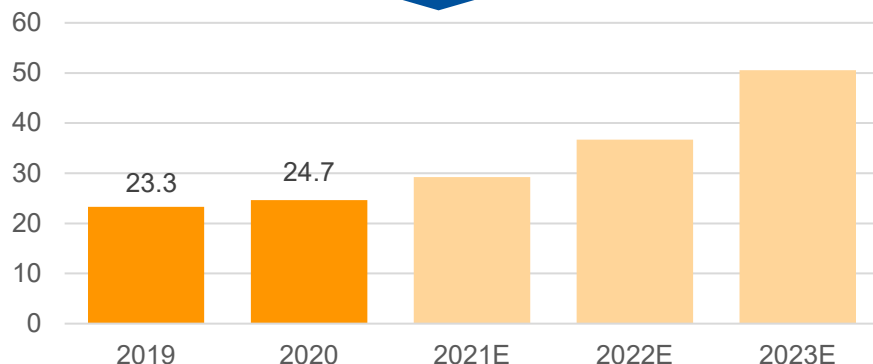


- **DFC Loan (\$49 million)**
 - \$37.5 million disbursement in May 2020
 - \$11.5 million disbursement in Jan 2021
 - Matures May 2029
 - Interest only quarterly payments until Aug 2022
 - Blended interest rate of 6.79%
- **Bond (\$100 million)**
 - Closed March 2019
 - Matures March 2024
 - Semi-annual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

2021 Guidance Unchanged

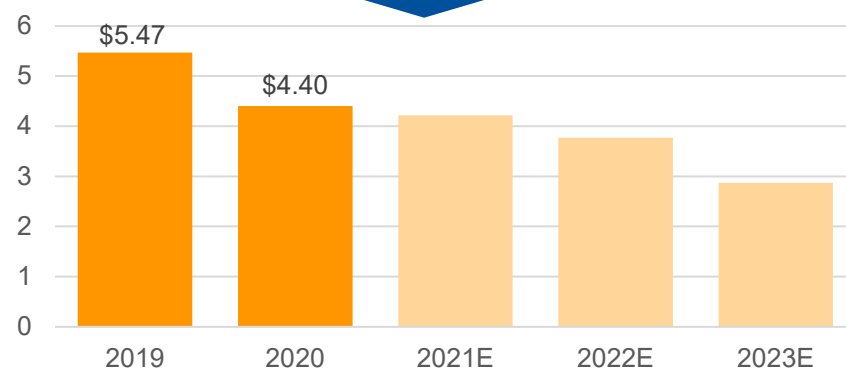
- Production of 27-30k bopd (gross)
- Capital spending at lower end of \$100 – \$125 million guidance range
- Cash breakeven price from operations: approximately \$24/bbl

Average gross production (k bopd)



Over 50k bopd in 2023

OPEX (\$/bbl)



Targeting <\$3/bbl

HKN Energy III



Capital Structure of the Group

HKN Energy III – \$100m bond

- Unsecured bullet bond with 12 months DSRA
- No additional debt other than subordinated debt
- Dividends limited to excess amount after contributions to liquidity balance (\$10m per quarter - accumulated to full issue amount before maturity) and subject to other restrictions
- Matures May 2025

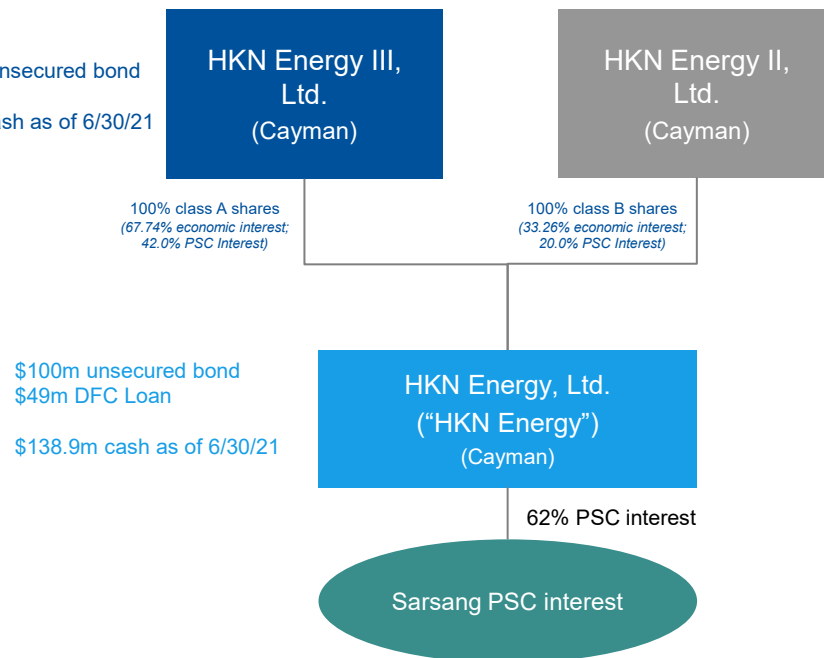
\$100m unsecured bond
\$27.0m cash as of 6/30/21

HKN Energy – \$100m unsecured bond

- Unsecured bullet bond with 6 months DSRA
- Pari-passu with DFC loan
- Dividends limited to cash in excess of net cash positive or 50% of net profit if net debt positive and incurrence tests
- Matures March 2024

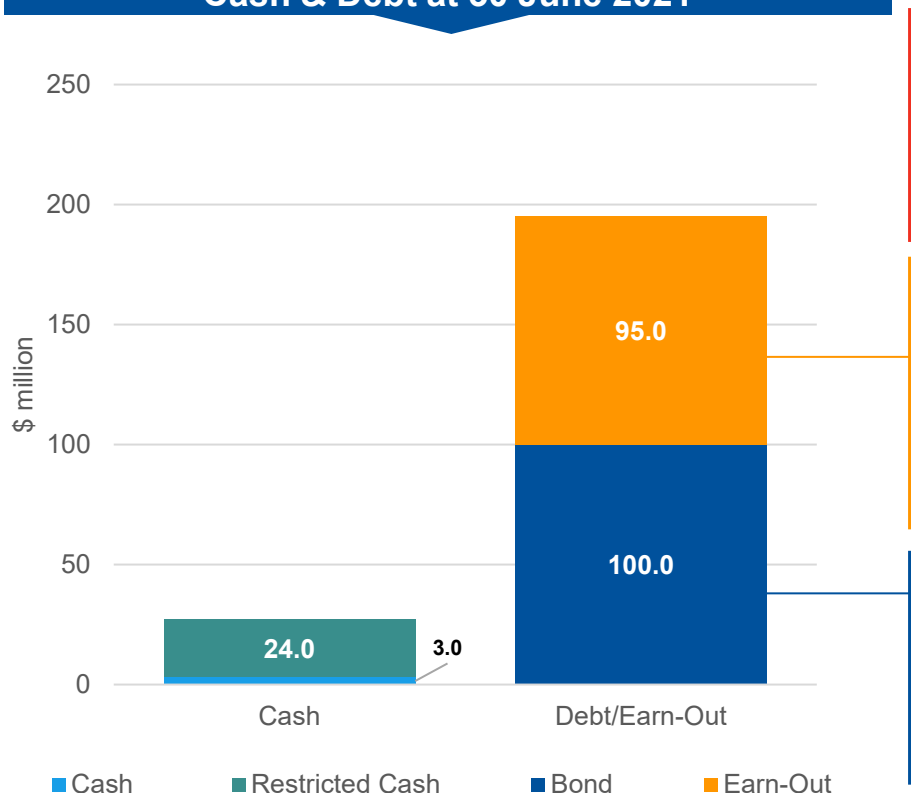
HKN Energy – \$49m DFC loan

- 7 years amortizing loan with 6 months DSRA
- Pari-passu with HKN Energy bond; requires sinking fund to repay bond
- No dividends before new 25,000 bopd facility is commissioned and not before first amortization in August 2022



Unconsolidated HKN III Balance Sheet

Cash & Debt at 30 June 2021



- **Contingent Kerogen Payment (\$25 million)**

- If average Brent \geq \$65/ bbl : \$5 million
- If average Brent between \$55/ bbl and \$65/ bbl : Amount equal to linear interpolation between nil and \$5 million
- Contingent payment earned Q3 2021 – Q2 2023, but payment not expected to begin until Q3 2022

- **Earn-Out Kerogen Payment (\$95 million)**

- Earn out based on 20% share of the gross revenue in HKN Energy based on 42% indirect Sarsang PSC interest per quarter and paid out of available cash from dividends from HKN Energy
- Kerogen payments expected to begin Q3 2022 only after debt service and DSRA are satisfied

- **Bond (\$100 million)**

- Closed May 2021
- Matures May 2025
- Semi-annual interest payments
- Coupon rate 12%



**For more information on HKN Energy,
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InvestorRelations@HKNEnergy.com

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