22 November 2021

HKN Energy, Ltd.

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

Highlights

- Revenue during the first nine months of 2021 increased 126% from the comparable period in 2020 due to a 79% increase in realized oil price and a 26% increase in oil sales volumes.
- HKN received cash proceeds from oil sales of $133.7 million during the first nine months of 2021 with an additional $48.6 million in cash received since 30 September for July and August oil sales.
- We also received partial payment on the arrears balance for oil sales between November 2019 and February 2020.
    - During the first nine months of 2021, we received $15.0 million of arrears payments with an additional $6.8 million received since 30 September.
    - After the above payments, the arrears balance was $28.2 million.

- First nine months 2021 production increased by 26% from the comparable period in 2020.
    - We achieved a record average daily production of 29.5k bopd for the first nine months of 2021.
    - Sarsang cumulative production reached 39.4 million barrels as of 30 September 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 nine months of 2021 was $148.8 million, a 332% increase from the comparable period in 2020 due to the increase in revenue, a decrease in G&A and a 2020 production bonus payment of $7.5 million which did not recur in 2021.

- Cash balance at 30 September 2021 was $141.1 million, including restricted cash of $7.2 million.

- As of mid-November, we have drilled and completed 4 of the 5 wells in the 2021 drilling program.
    - Testing in B6 (KCA reservoir) and B4 (KCB reservoir) indicates the wells can each produce at 5,000 bopd or more when connected to the 25k bopd facility in Q3 2022.
    - The final well in the program will be drilled before end of 2021 and wells B3, B5 and B7 will be tested in early 2022.

- The 3D seismic acquisition, previously planned for June 2021, remains delayed to 2022 due to access issues in East Swara Tika and the western part of Swara Tika.

Summary of Results – HKN Energy

		9 Months 2021 (unaudited)	9 Months 2020 [1] (unaudited)
Production (gross)	Bopd	29,512	23,302
Production (net)[2]	Bopd	18,297	14,448
Revenue	USDm	$ 190,601	$ 84,350
EBITDA[3]	USDm	$ 148,781	$ 34,421
OPEX/bbl	USD	$ 4.04	$ 4.54
Operating cash flow	USDm	$ 109,245	$ 39,313
Capex[4]	USDm	$ (52,953)	$ (57,086)
Free cash flow[5]	USDm	$ 56,292	$ (17,772)
Cash at 30 September	USDm	$ 133,909	$ 87,400
Restricted cash at 30 September	USDm	$ 7,163	$ 6,789
Debt at 30 September[6]	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.
(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

- We continue to make progress on the new 25k bopd facility on Swara Tika and remain on target for estimated first oil from the facility in Q3 2022.
    - Package deliveries and installation are slightly lagging the work plan due to impact of COVID-19.
    - HKN is working with the contractor on plans to progress construction and proactively maintain or accelerate first oil date.
    - Total project cost of approximately $90-95 million (net to HKN) with 66% spent to date.
- HKN expects 2021 production (gross) at the upper end of previously communicated guidance of 27k-30k bopd.
- 2022 production guidance as follows:
    - 27k-30k bopd until first oil from the new 25k facility.
    - 45k-50k bopd following commissioning of the new 25k facility.
    - We expect a 2-month commissioning period for the new facility to reach full production.

- Export pipeline tie-in remains on track to align with completion of the 25k bopd facility.
- We expect 2021 Capex to be below our $100-$125 million guidance (net to HKN) due to deferral of 3D seismic program and certain 25k facility milestone payments, as well as drilling program efficiencies.
- 2022 Capex guidance is $100-125 million, including amounts deferred from 2021 for seismic and the 25k bopd facility.

Supplemental Information for unconsolidated HKN Energy III, Ltd.[(1)]

		9 mos 2021 (unaudited)
Cash at 30 September	USDm	$ 2,758
Restricted Cash at 30 September	USDm	$ 24,000
Debt at 30 September[(2)]	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.

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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.