

HKN Energy Ltd.



April 2022

Pareto Conference



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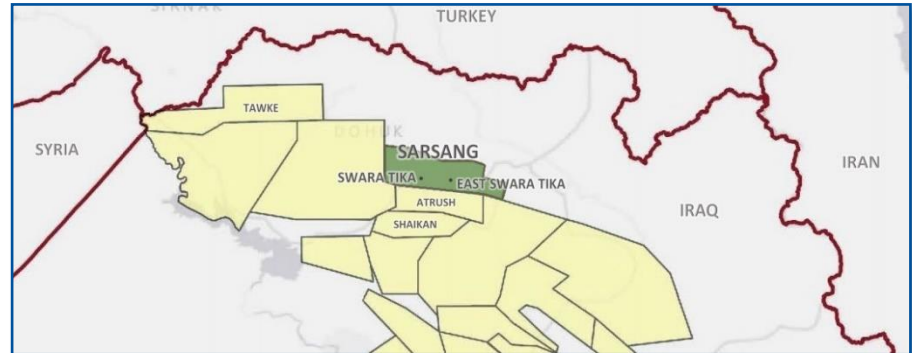
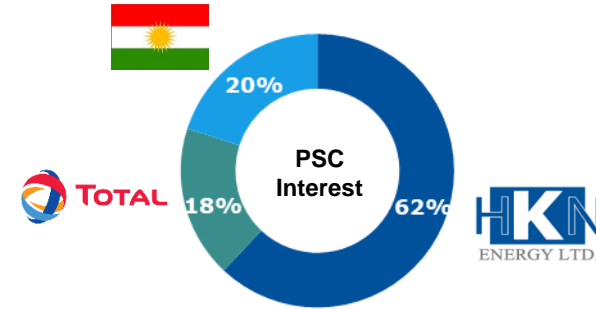
Corporate Overview



A Leading Kurdistan E&P Company

- HKN Energy holds 62% operated interest in the Sarsang Block, Northern Kurdistan
- Steady Triassic production over 30k bopd since late 2020 from two fields:
 - Swara Tika: 27k bopd
 - East Swara Tika: 3k bopd
- High quality crude yields discount of only ~\$7.00/bbl to Dated Brent
- New 25k bopd facility expected online in Q3 2022
 - Swara Tika production to exceed 50k bopd
- Further upside
 - Development of Triassic in East Swara Tika Field
 - Jurassic reservoir

Sarsang Block partners and location



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 Triassic
 - Evaluate Jurassic reservoir for future production
 - 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
- HKN supports the KRG with gas management efforts

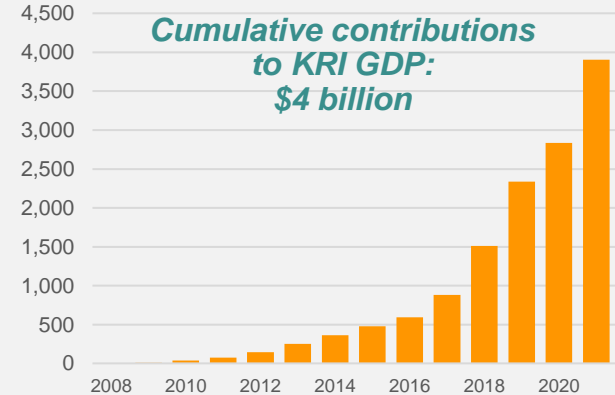
Social priorities

- \$4 billion contribution to Kurdistan GDP since 2007
- 59,000 local jobs supported by HKN in 2021
 - 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 GDP contribution in Kurdistan region (\$m)



Operational Results & Outlook



Operating Highlights – 2021

• Production

- Achieved record average daily production of 30.0k bopd in 2021
- Swara Tika Pad A and Pad B facilities both producing over 14k bopd

• Drilling

- All 5 wells in 2021 Pad B drilling program (ST B3 thru ST B7) have been drilled and completed:
 - Estimate the 5 wells can deliver ~20k bopd once tied in to 25k bopd facility
- Scheduled to drill 2 additional wells from Pad B (ST B8 and ST B9) in summer of 2022

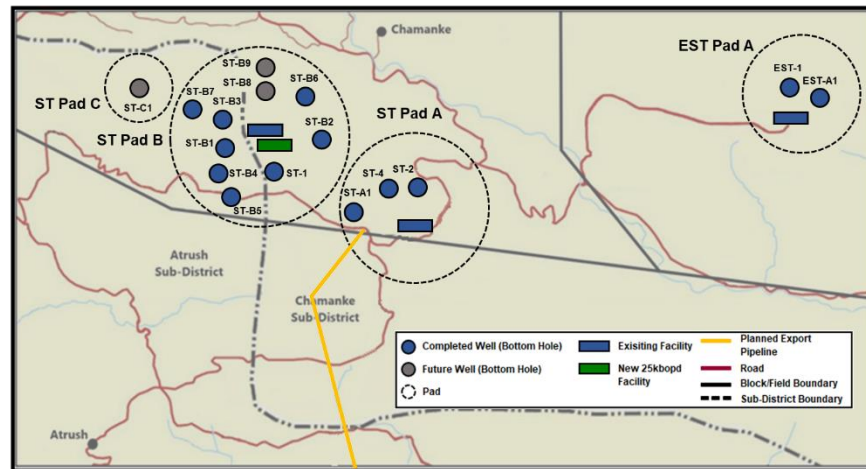
• Facilities

- Solid progress on construction of 25k bopd facility on Swara Tika; on target for first oil Q3 2022

• Cash flow

- \$101m free cash flow generated in 2021 (vs -\$14m in 2020)

Illustration of Sarsang block infrastructure



2021 key
figures:

21%

Production Increase
from 2020

\$41/bbl

CAPEX break-even

\$24/bbl

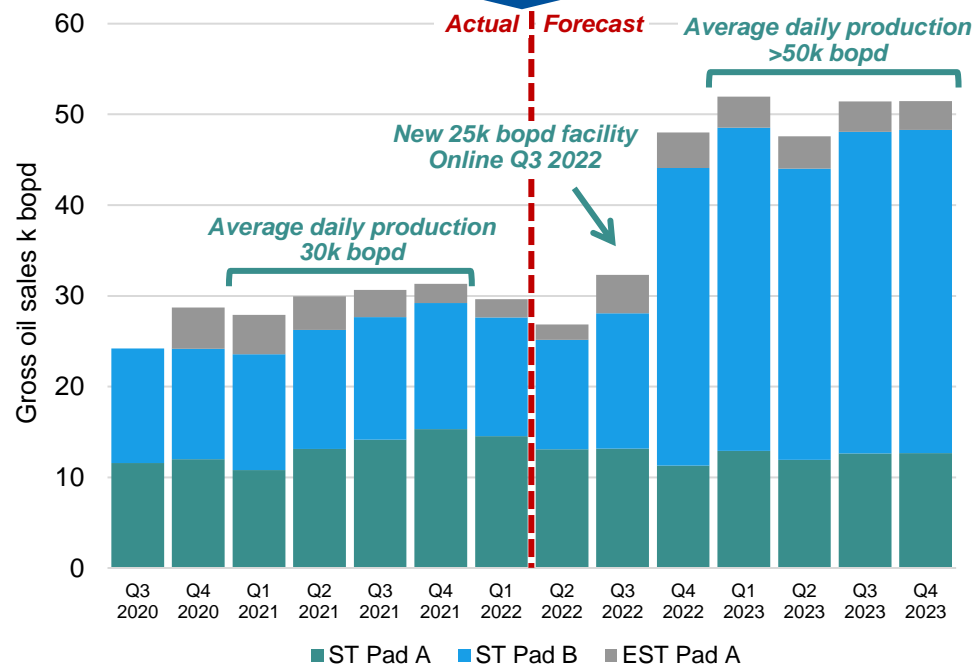
Operating break-even¹

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

Near-term Priority: Production Growth

- **Maintain stable production of 27-30k bopd prior to commissioning of 25k bopd facility**
- **Produce 45k – 50k bopd following commissioning of 25k bopd facility in 2022**
 - Early 2023: Total of ten wells across both ST Pad B facilities, three wells on ST Pad A facility, and two wells on EST Pad A facility
- **Acquire 3D seismic over western half of Swara Tika Structure**
 - Now anticipate extension of 3D seismic program into East Swara Tika in Q4 2022
- **Maintain production and manage reservoir**
 - Drill ST C1 well in early 2023 to understand development potential of western half of Swara Tika
 - Eventually expect 4+ infill wells on Pad C
 - Well-planning ongoing for 2 infill wells on Pad A

Sarsang Production by Pad



Near-term Priority: Complete New Facility

- **First oil from 25k bopd facility planned for Q3 2022**
 - Engineering 100% complete
 - Procurement 100% complete (subject to top-ups)
 - Fabrication of vendor packages 100% complete
 - Delivery of vendor packages 99% complete
 - Storage tank construction 100% complete
 - Pre-commissioning checks commenced
 - Next major milestone is mechanical completion (excluding E&I)
 - Export pipeline tie-in on track to align with completion of facility
 - Total project cost of ~\$100-\$105m (net to HKN) with 72% spent to date



Value Creation Priorities

Near-term (2022)

- Optimize production in 2022
- Complete the ST Pad B 25k bopd facility by Q3 2022
- Connect to KRG pipeline
- Drill wells to increase production capacity at ST Pad B
- Acquire 3D seismic on western half of ST field and across portions of EST field
- Begin return of capital to equity investors

Mid-term (2023-2026)

- Maintain Swara Tika production plateau by keeping all 3 facilities full
- Improve operating efficiency and reduce OPEX at all production facilities
- Manage water treatment and disposal
- Advance gas handling solution
- Return capital to debt and equity investors
- Prepare development plan for EST
- Assess Jurassic reservoir

Long-term (2027+)

- Develop EST
- Evaluate additional prospective Triassic areas on block
- Develop Jurassic reservoir if commercially attractive
- Materially reduce CO₂ emissions

Finance



HKN Energy Ltd. 2021 Highlights



30.0k bopd

Production (gross), increase from 24.7k bopd in 2020

42.2 MMbbl

Cumulative production (gross) as of 31 December 2021

\$180.7 million

2021 Operational Cash Flow

\$206.5 million

Cash payments received in 2021 for oil sales (\$271.9 million Revenue)

\$149.0 million

Total HKN Energy Ltd. Debt

\$184.8 million

Cash balance at 31 December 2021 including \$7.2 million in restricted cash

\$100.9 million

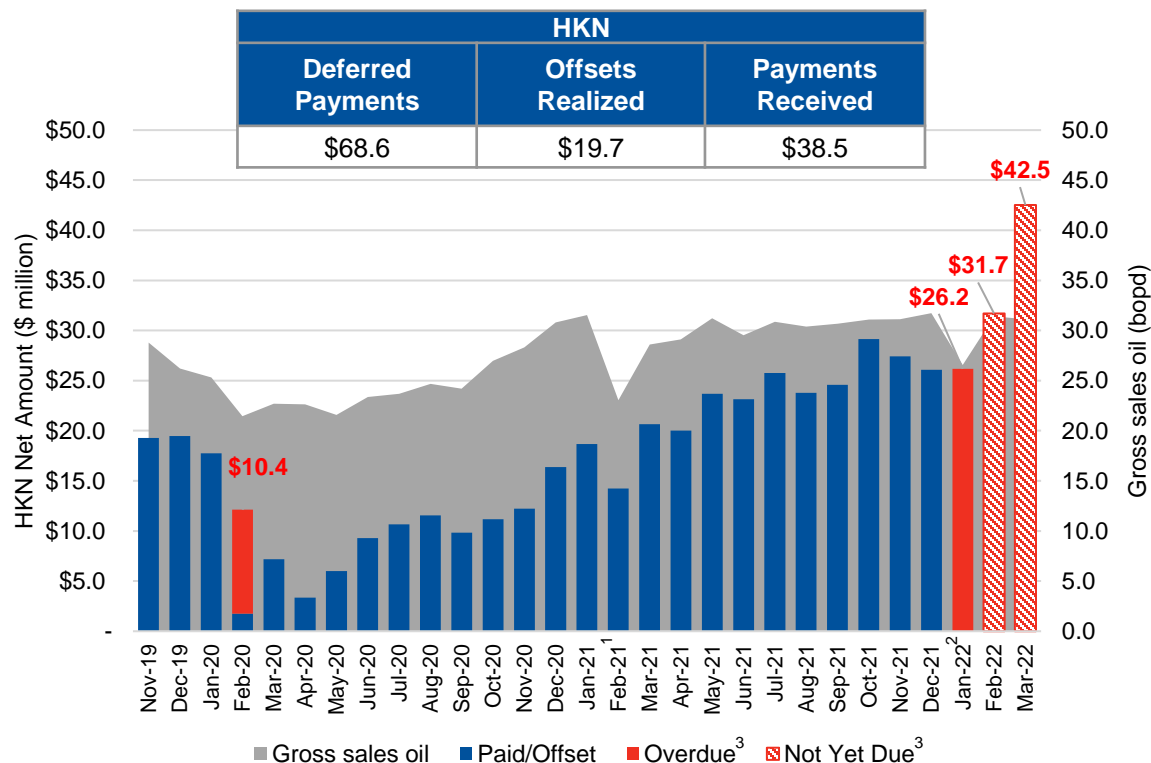
2021 Free Cash Flow, increase from -\$13.9MM in 2020

\$563.8 million

Cost recovery balance at 31 December 2021

Oil Sales Payments and Receivables

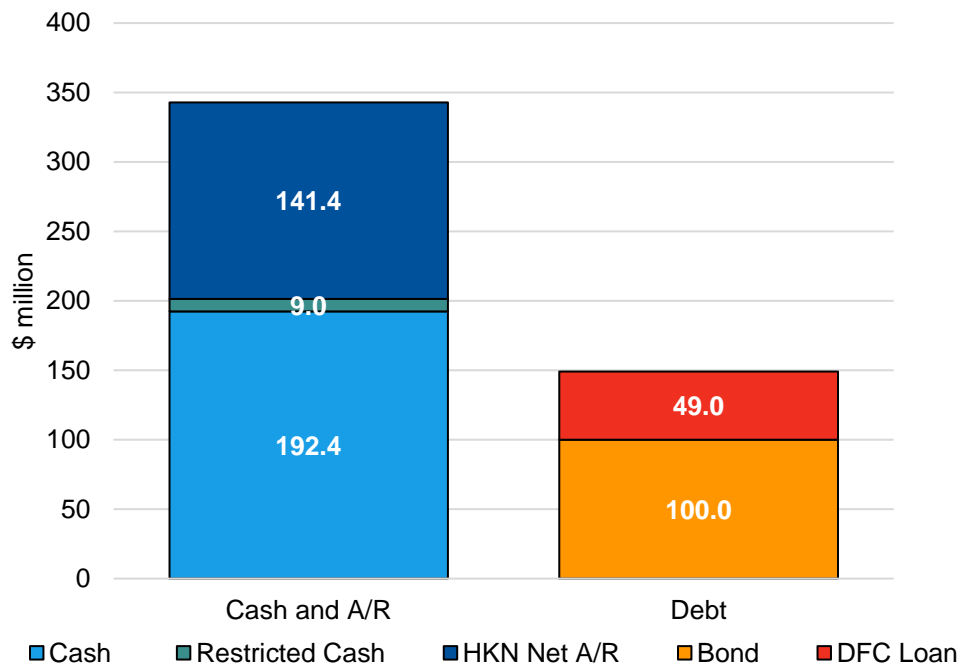
- Oil is marketed through the KRG
- Outstanding receivables from KRG for oil production from November 2019 thru February 2020
 - Payments received and offsets realized to date have reduced arrears balance to \$10.4m
 - Expect full recovery of withheld amounts when February 2022 oil sales payment is received
- Record revenue for HKN in March 2022
- KRG payments for oil sales now being stretched to 90 days after invoice
- Payments and amounts outstanding include transportation cost owed to HKN by the KRG



1) Production impacted by well interventions across the block and the ST-A1 tie-in
 2) Production impacted by annual facility maintenance, well intervention, pipeline shutdown
 3) 60-day payment terms

Strong Balance Sheet

Cash, A/R, & Debt at 31 March 2022

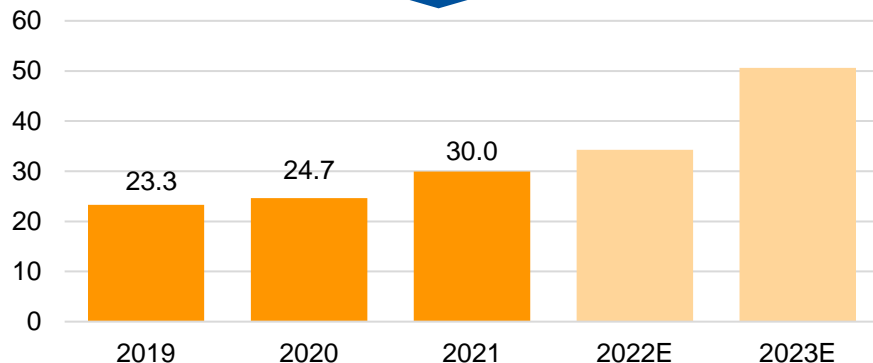


- **DFC Loan (\$49 million)**
 - \$37.5 million disbursement in May 2020
 - \$11.5 million disbursement in Jan 2021
 - Matures May 2029
 - Interest only quarterly payments until Aug 2022
 - Blended interest rate of 6.79%
- **Bond (\$100 million)**
 - Closed March 2019
 - Matures March 2024
 - Semi-annual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

2022 Guidance

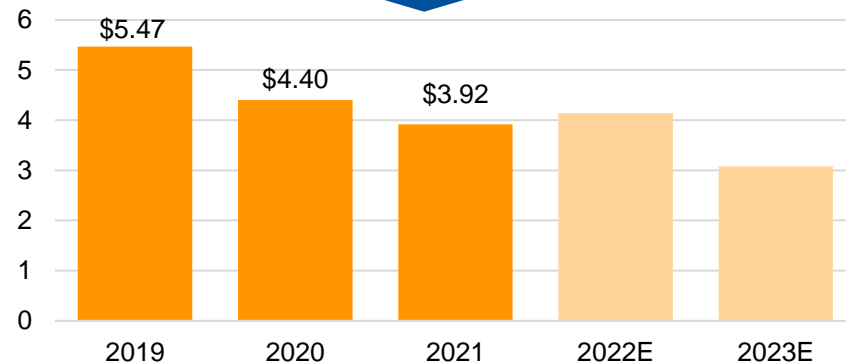
- 27k-30k bopd until first oil from the new 25k facility, and 45k-50k bopd following commissioning
- Capital spending of \$150 – \$170 million (Net to HKN)
- Cash breakeven price from operations: approximately \$24/bbl

Average gross production (k bopd)



50k bopd in 2023

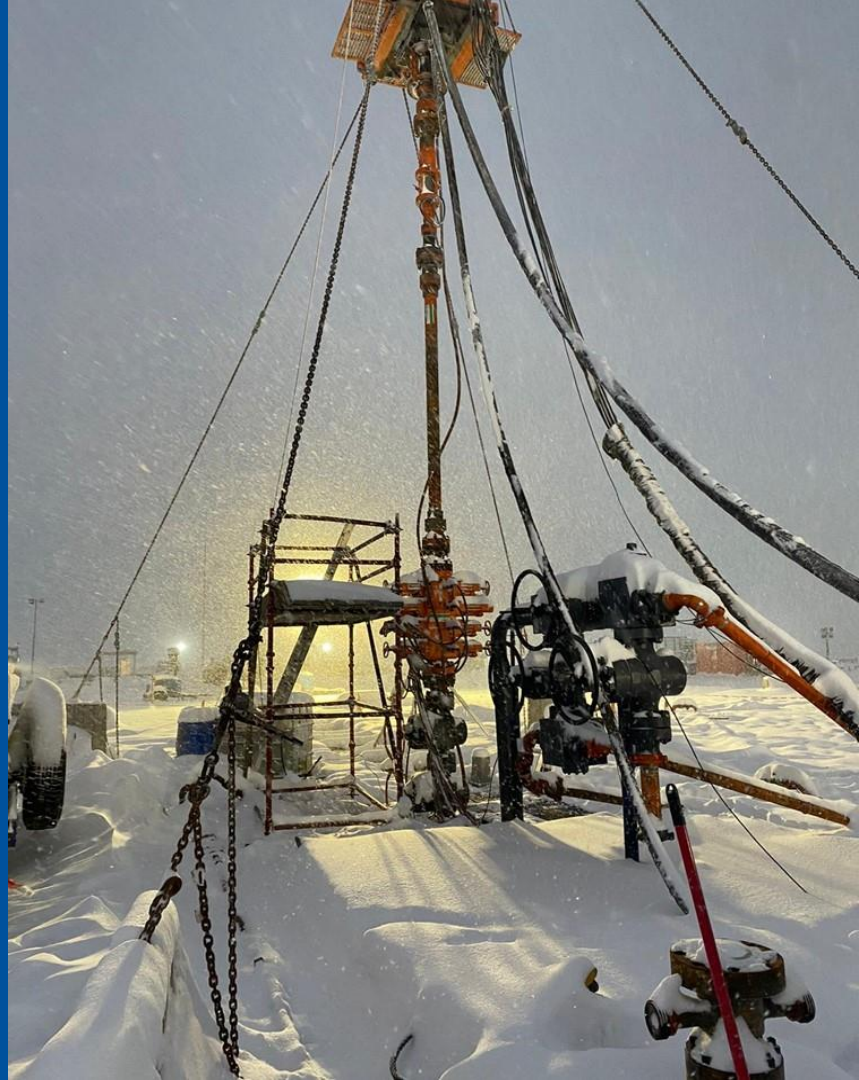
OPEX (\$/bbl)¹



Targeting <\$3/bbl

1) Includes adjustments related to adoption of IFRS.

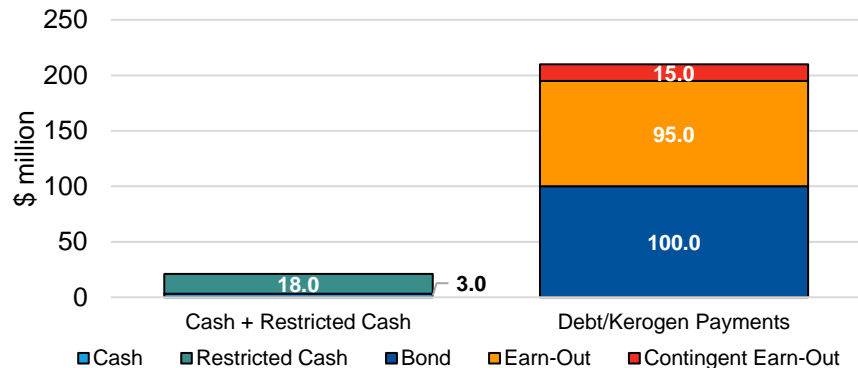
HKN Energy III



HKN Energy III, Ltd.



Cash & Debt at 31 March 2022¹



Kerogen Payments

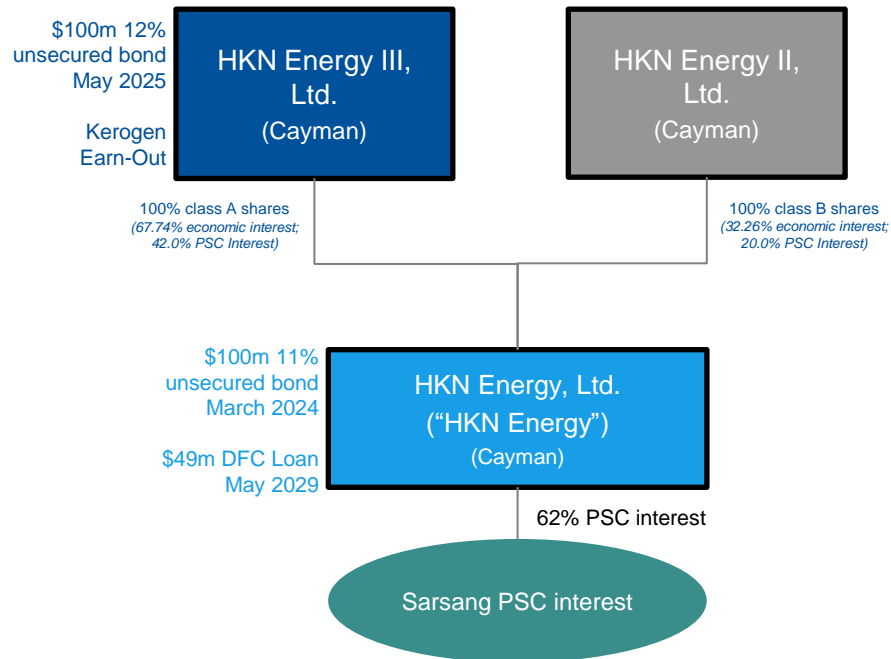
Contingent Earn-Out (capped at \$25m)

- If average Brent for quarter \geq \$65/ bbl : \$5 million
- Contingent payment earned Q3 2021 – Q2 2023, but payment not expected to begin until Q3 2022
- \$15MM of contingent payment earned as of Q1 2022

Earn-Out Payments (\$95m)

- Earn-out based on 20% of quarterly revenues associated with HKN Energy III's 42% indirect Sarsang PSC interest; paid out of available cash from HKN Energy dividends
- Kerogen payments expected to begin Q3 2022 only after debt service and DSRA are satisfied

Simplified Corporate Structure



¹) HKN has accrued \$105.1MM of Earn-Out consideration as of 3/31/2022, which is the present value of \$110MM (\$95MM Earn-Out payment + \$15MM contingent payment)



**For more information on HKN Energy,
please contact us at:**

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