

11 May 2022

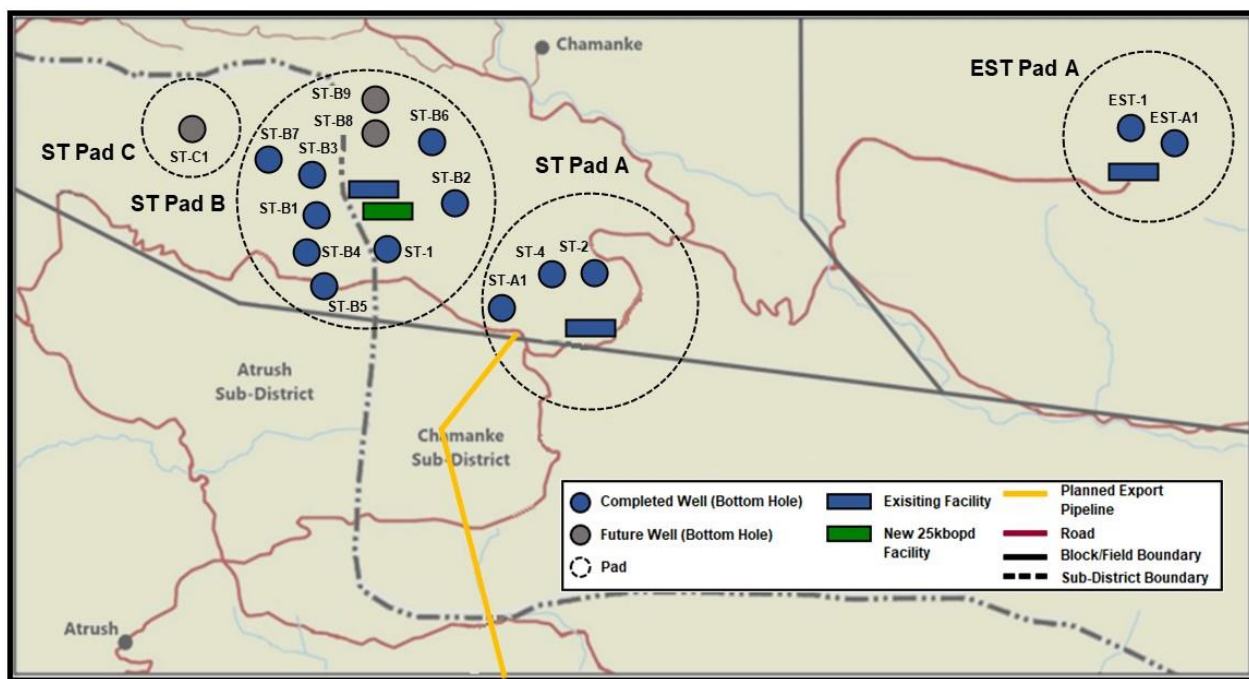
HKN Energy Ltd.

Operational & Corporate Update

HKN Energy Ltd. (“HKN”) presents an operating and financial update for the three months ended 31 March 2022. HKN holds a 62% PSC interest in the Sarsang Block in northern Kurdistan.

Highlights

- Revenue during the first quarter of 2022 increased 89% from the comparable quarter in 2021 due to a 78% increase in realized oil price and a 6% increase in oil sales volumes.
- Q1 2022 production averaged 29.6k bopd compared to 27.9k bopd in Q1 2021; Sarsang cumulative production reached 44.9 million barrels as of 31 March 2022.
- HKN received cash proceeds from oil sales of \$55.7 million during the first quarter of 2022, with an additional \$50.8 million received in April 2022. Over the past 3 months, we have received payments for oil sales approximately 90 days after invoice. Our current Oil Sales Agreement with the KRG has a stated 60-day payment term.
- HKN received further payments on the arrears balance for oil sales between November 2019 and February 2020 of \$9.6 million during the first quarter of 2022, with an additional \$8.4 million received in April 2022. After the above payments, the arrears balance was \$5.6 million.
- Cash balance at 30 April 2022 was \$246.6 million, including restricted cash of \$9.0 million.
- The Ministry of Natural Resources (MNR) has adjusted payments to HKN for oil sales to reflect what it claims are incremental costs related to the Iraq-Turkey Pipeline and the Kurdistan Export Pipeline.
 - The recently received payment for January 2022 oil sales was \$0.6 million less than the invoice amount, and we expect monthly receipts going forward to be approximately 2-3% less than anticipated in 2022 at currently forecasted oil prices.
 - The MNR has further made a retroactive adjustment of \$4.3 million for 2021 for the claimed increase in Iraq-Turkey Pipeline costs and other items – this will be deducted from the remaining arrears balance.
 - Our current Oil Sales Agreement with the KRG (which is renewed monthly) does not provide for these adjustments. We are engaging with the MNR to try and reach an equitable resolution.
- Total investment since 2007 by HKN and its co-venturers exceeds \$1.8 billion.
 - Approximately \$4 billion contributed to the region’s GDP over 15 years.
 - 59,000 local jobs supported in 2021.
- The 3D seismic acquisition project covering the western part of Swara Tika commenced in February 2022 and is planned to conclude in Q3 2022. We are evaluating access issues with the hope of extending the 3D seismic program into East Swara Tika in 2022.



Summary of Results – HKN Energy Ltd.⁽¹⁾

		Q1 2022 (unaudited)	Q1 2021 (unaudited)
Production (gross)	Bopd	29,639	27,892
Production (net) ⁽²⁾	Bopd	18,376	17,293
Revenue	USDm	\$ 98,986	\$ 52,280
Operating cash flow	USDm	\$ 47,956	\$ 23,900
Capex ⁽³⁾	USDm	\$ (25,000)	\$ (12,549)
Free cash flow ⁽⁴⁾	USDm	\$ 22,956	\$ 11,351
Cash (incl. restricted) at 31 March	USDm	\$ 201,358	\$ 105,561
Restricted cash at 31 March	USDm	\$ 8,963	\$ 7,213
Debt at 31 March ⁽⁵⁾	USDm	\$ 149,000	\$ 149,000

Notes:

- (1) HKN Energy Ltd. 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) 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

- We continue to closely monitor the business environment including timeliness of oil sales payments and are prepared to look aggressively at CAPEX reductions if we lose confidence in collecting future payments. This approach could have a negative impact on future production but reflects our prioritization of capital preservation.
- HKN reiterates its 2022 gross production guidance for the Sarsang block:
 - 27k-30k bopd until first oil from the new 25k facility.
 - 45k-50k bopd following commissioning of the new 25k facility.
- HKN expects to achieve the 50 million barrels of oil production milestone in 2H 2022, at which time a \$15.5 million (net to HKN) production bonus will become due.
- The new 25k bopd facility on Swara Tika remains on target for first oil in Q3 2022.
 - Engineering and procurement complete.
 - Fabrication of vendor packages complete, with 99% delivered to site.
 - Storage tank construction complete.
 - Construction and commissioning manpower has increased in early 2022.
 - Total project cost of approximately \$100-105 million (net to HKN) with 72% spent to date.
- We plan to drill two additional wells from Pad B (ST B8 and ST B9) in the summer of 2022 to provide additional well capacity to fill the new facility during the first two years of production.
- Export pipeline tie-in remains on track to align with completion of the 25k bopd facility.
- We are increasing our 2022 CAPEX guidance by \$10 million to \$150 – 170 million (net to HKN) due primarily to the potential addition of the East Swara Tika 3D seismic program mentioned above.
- We expect to begin making distributions in 2H 2022, provided that all covenants and requirements of the Nordic Bond and DFC Loan are satisfied.

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

		Q1 2022 (unaudited)
Cash (incl. restricted) at 31 March	USDm	\$ 20,864
Restricted cash at 31 March	USDm	\$ 18,000
Debt at 31 March ⁽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.

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.