HKN ENERGY III, LTD.

Consolidated Interim Financial Statements

June 30, 2022

(Unaudited)

HKN ENERGY III, LTD.

Consolidated Statements of Financial Position

June 30, 2022 and December 31, 2021

In thousands of US dollar

	Note	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS			
Non-current assets			
Property and equipment - oil properties (net)	**7**	447,589	435,228
Other property and equipment (net)	**8**	4,022	4,017
Total non-current assets		**451,611**	**439,245**
Current assets			
Inventory	**9**	13,089	9,505
Prepaid expenses		639	622
Trade and other receivables	**10**	143,844	137,108
Intercompany receivables	**21**	705	122
Short-term investments	**11**	117,217	-
Cash and cash equivalents	**12**	167,300	180,592
Restricted cash	**12**	22,683	25,163
Total current assets		**465,477**	**353,112**
TOTAL ASSETS		**917,088**	**792,357**
EQUITY AND LIABILITIES			
Equity			
Share capital		1	1
Additional paid-in capital		149,381	149,381
Retained earnings		108,218	46,446
Equity attributable to HKN Energy III, Ltd.		**257,600**	**195,828**
Noncontrolling interest		217,491	178,238
Total equity		**475,091**	**374,066**
Non-current liabilities			
Debt (net of issuance costs and fees)	**15**	238,721	241,544
Share acquisition liability	**16**	56,860	87,700
Lease liabilities	**17**	276	416
Decommissioning provisions	**18**	13,862	8,939
Total non-current liabilities		**309,719**	**338,599**
Current liabilities			
Trade and other payables	**14**	67,392	63,488
Debt	**15**	7,000	3,500
Share acquisition liability	**16**	57,609	12,435
Current lease liabilities	**17**	277	269
Total current liabilities		**132,278**	**79,692**
Total liabilities		**441,997**	**418,291**
TOTAL EQUITY AND LIABILITIES		**917,088**	**792,357**

See accompanying Notes to the Financial Statements

HKN ENERGY III, LTD.

Consolidated Statements of Comprehensive Income

Six months ended June 30, 2022 and period from May 27, 2021 to June 30, 2021

In thousands of US dollar

	Note	2022 (Unaudited)	2021 (Unaudited)
Continuing operations			
Revenue	**3**	211,720	26,469
Operating expenses		18,293	3,159
Oil transportation expenses		4,449	501
Depletion, depreciation and amortization		41,954	5,881
Cost of sales	**4**	64,696	9,541
Impairment of trade receivables	**10**	9,053	-
Gross profit		**137,971**	**16,928**
General and administrative expenses	**5**	9,670	2,619
Profit from operating activities		**128,301**	**14,309**
Finance income	**6, 15**	250	3
Finance expenses	**6, 15**	(12,676)	(2,570)
Finance expense - change in share acquisition liability	**16**	(14,334)	-
Other expense	**6**	(53)	(6)
Total profit		**101,488**	**11,736**
Other comprehensive expense			
Unrealized loss on short-term investments	**11**	(463)	-
Total comprehensive income		**101,025**	**11,736**
Less: Profit attributable to noncontrolling interest		(39,402)	(4,504)
Plus: Other comprehensive expense attributable to noncontrolling interest		149	
Total comprehensive income attributable to HKN Energy III, Ltd.		**61,772**	**7,232**

See accompanying Notes to the Financial Statements

HKN ENERGY III, LTD.

Consolidated Cash Flow Statements

Six months ended June 30, 2022 and period from May 27, 2021 to June 30, 2021

In thousands of US dollar

	Note	2022 (Unaudited)	2021 (Unaudited)
OPERATING ACTIVITIES			
Profit		101,488	11,736
Adjustments to add non-cash items:			
Depreciation, depletion and amortization	**7, 8, 18**	41,954	5,881
Finance income and expense	**6**	12,426	2,567
Impairment of trade receivables	**10**	9,053	-
Finance expense - change in share acquisition liability	**16**	14,334	-
Changes in working capital and provisions:			
Trade and other receivables	**10**	(18,336)	5,387
Intercompany receivables	**21**	(583)	(211)
Prepaid expenses		(17)	3
Trade and other payables	**14**	4,365	(6,355)
Cash generated from operations		**164,684**	**19,008**
Interest received	**15**	169	3
Interest paid	**15**	(13,163)	(1)
Net cash from operating activities		**151,690**	**19,010**
INVESTING ACTIVITIES			
Purchases of property and equipment	**7, 8, 9**	(49,635)	(4,442)
Purchases of short-term investments	**11**	(117,680)	
Purchase of HKN Holding Ltd. convertible preferred shares	**1**	-	(80,000)
Cash acquired in acquisition of controlling interest in HKN Energy, Ltd.		-	123,434
Net cash from (used in) investing activities		**(167,315)**	**38,992**
FINANCING ACTIVITIES			
Proceeds from debt net of fees	**15**	-	98,000
Debt issuance costs	**15**	-	(68)
Payments of lease liabilities	**17**	(147)	(48)
Shareholders' contributions	**13**	-	10,000
Net cash from (used in) financing activities		**(147)**	**107,884**
Net increase (decrease) in cash and cash equivalents, and restricted cash		**(15,772)**	**165,886**
Cash and cash equivalents, and restricted cash at beginning of the period		205,755	-
Cash and cash equivalents, and restricted cash at end of the period	**12**	**189,983**	**165,886**
Of which restricted cash	12	22,683	-
Noncash capital expenditures in liabilities at period end		14,739	3,764

See accompanying Notes to the Financial Statements

HKN ENERGY III, LTD.

Consolidated Statements of Changes in Equity

Six months ended June 30, 2022 and period from May 27, 2021 to June 30, 2021

In thousands of US dollar

	Note	Share capital	Additional paid-in capital	Retained earnings	Equity attributable to HKN Energy III, LTD.	Noncontrolling interest	Total equity
Total equity as of May 26, 2021 (Unaudited)		**-**	**-**	**-**	**-**	**-**	**-**
Profit for the period	**13**	-	-	7,232	7,232	4,504	**11,736**
Total comprehensive income		**-**	**-**	**7,232**	**7,232**	**4,504**	**11,736**
Shareholders' contributions	**13**	-	10,000	-	10,000	-	10,000
Contribution of HKN Holding, Ltd. shares	**13**	-	139,558	-	139,558	-	139,558
Noncontrolling interest in consolidated subsidiary, HKN Energy Ltd	**13**	-	-	-	-	146,695	146,695
Issuance of common shares		1	-	-	1	-	1
Total transactions with shareholders		**1**	**149,558**	**-**	**149,559**	**146,695**	**296,254**
Total equity as of June 30, 2021 (Unaudited)		**1**	**149,558**	**7,232**	**156,791**	**151,199**	**307,990**
Total equity as of January 1, 2022 (Audited)		**1**	**149,381**	**46,446**	**195,828**	**178,238**	**374,066**
Profit for the period	**13**	-	-	62,086	62,086	39,402	**101,488**
Unrealized loss on short-term investments	**11**	-	-	(314)	(314)	(149)	**(463)**
Total comprehensive income		**-**	**-**	**61,772**	**61,772**	**39,253**	**101,025**
Total equity as of June 30, 2022 (Unaudited)		**1**	**149,381**	**108,218**	**257,600**	**217,491**	**475,091**

At June 30, 2022 and 2021, there were 200,000 common shares authorized at a $0.01 par value, with 100,000 common shares issued and outstanding. As of June 30, 2022 and 2021, the Company held no treasury shares.

See accompanying Notes to the Financial Statements

(1) Formation and Nature of Operations

HKN Energy III, Ltd. (HKN III or the Company) is incorporated in the Cayman Islands and was formed on April 22, 2021. The registered office is at Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

HKN III was created as part of a restructuring of the ownership of HKN Energy Ltd. (HKN Energy). Prior to the reorganization, HKN Holding Ltd. was the owner of HKN Energy's Class A common shares, representing an approximately 68% ownership interest in HKN Energy. The principal activity of HKN Energy is the exploration, development, and production of oil and natural gas in the Kurdistan Region of Iraq ("Kurdistan").

Management has accounted for the reorganization as a combination of entities under common control, as the combining entities are ultimately controlled by the same party both before and after the combination.

Reorganization details and results

Through a series of transaction steps consummated on May 27, 2021, HKN III acquired 100% of the class A shares of HKN Energy, representing an approximately 68% (voting and economic) ownership in HKN Energy. The 32% noncontrolling interest in HKN Energy is owned, before and after the reorgnization, by HKN Energy II, Ltd.

To effectuate such transactions, HKN III performed the following:

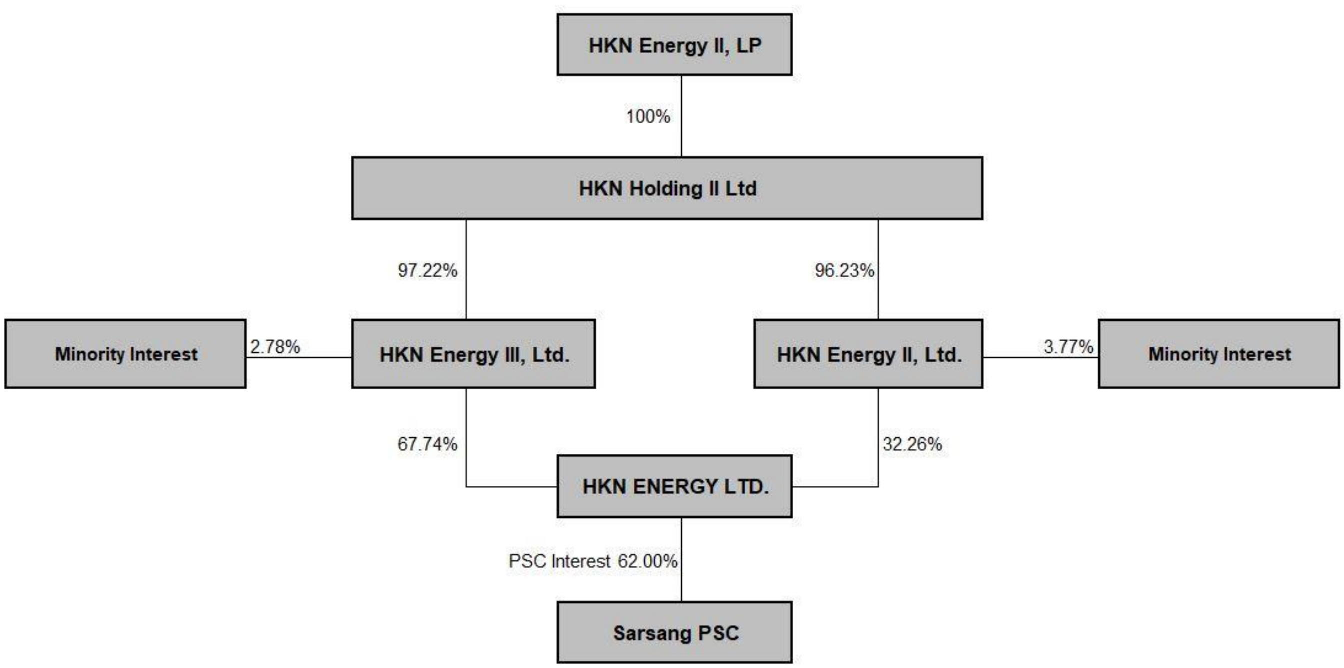
- Received a $10 million capital contribution from parent company HKN Holding II (UK);
- Issued $100.0 million in bonds (see further discussion in note 15);
- Acquired the noncontrolling interest previously held in HKN Holding Ltd. by Kerogen Capital No. 7 Limited ("Kerogen") for $80.0 million in cash, deferred payments of $95.0 million, and contingent deferred payments of up to $25.0 million (see further discussion in note 16);
- Received 100% of the equity ownership in HKN Holding Ltd. from its parent company, HKN Holding (UK) II, Ltd.

As a result of these transactions, HKN Holding Ltd. was merged into HKN III and then dissolved. HKN III now owns the Class A shares of HKN Energy and the dividend stream from those shares will be used to pay its outstanding obligations and return capital to its shareholders.

A summarized condensed consolidating schedule for the opening balance sheet of HKN III, reflective of the reorganization steps detailed above, is presented below for reference. The HKN Energy balances represent the book balances transferred in accordance with accounting for common control transactions.

In thousands of US dollar	HKN Energy III, Ltd. Unconsolidated May 27, 2021	HKN Energy, Ltd. May 27, 2021	Eliminations May 27, 2021	HKN Energy III, Ltd. Consolidated May 27, 2021
Total property and equipment (net)............	-	409,551	-	409,551
Investment in equity affiliate......................	308,123	-	(308,123)	-
Trade and other receivables......................	-	117,233	-	117,233
Total cash and restricted cash..................	28,000	123,434	-	151,434
Other current assets................................	265	14,999	-	15,264
Total assets	**336,388**	**665,217**	**(308,123)**	**693,482**
Equity attributable to HKN Energy III, Ltd...	149,560	454,817	(454,817)	149,560
Noncontrolling interest.............................	-	-	146,694	146,694
Debt (net of issuance costs and fees)........	98,000	146,379	-	244,379
Share acquisition liability..........................	88,828	-	-	88,828
Other non-current liabilities.......................	-	6,998	-	6,998
Current liabilities......................................	-	57,023	-	57,023
Total equity and liabilities	**336,388**	**665,217**	**(308,123)**	**693,482**

A graph of the HKN III ownership structure is presented below for reference:



HKN Energy Nature of Operations

In November 2007, HKN Energy entered into a Production Sharing Contract (PSC) with the Kurdistan Regional Government (KRG) for the Sarsang block in northern Kurdistan. A joint operating agreement (JOA) between HKN Energy and TEPKRI Sarsang A/S (formerly Maersk Oil Kurdistan A/S) (Total) governs joint operations in the Sarsang block. Under the Sarsang PSC, HKN Energy and Total (together, the Contractor entities) bear the risks and costs of exploration, development, and production activities at their respective working interest percentages. HKN Energy has a working and production sharing interest (PSC interest) of 77.5% and 62%, respectively, and Total has a working and PSC interest of 22.5% and 18%, respectively. The remaining 20% of the production sharing interest per the PSC is retained by the KRG. Proceeds from the sale of crude oil and gas is distributed among the contractor entities and the KRG as follows:

(a) The KRG is entitled to royalties of 10% of production from the Contract Area, in cash or in kind. The remaining production is referred to as available crude oil or available gas,

(b) Each contractor entity is entitled to recover costs incurred in the conduct of petroleum operations in the amount of their working interest applied to 43% of all available production,

(c) Each contractor entity's share of remaining petroleum revenues (profit petroleum) is equal to the amount of their PSC interest applied to a range of 15% to 35%, based upon an "R" factor where "R" equals cumulative revenues divided by cumulative costs,

(d) Each contractor entity is required to pay 20% of their profit petroleum entitlement to the KRG as a capacity building fund payment.

The Company's revenue entitlement percentage of Sarsang block crude oil sales proceeds for the six months period ended June 30, 2022 and 2021 was 38.9%.

The Company faces specific risks related to HKN Energy doing business in Kurdistan as a result of the historical, legal, and financial position of the KRG and its relationships with the Federal Government of Iraq and other neighboring countries. These include, but are not limited to, the following risks and uncertainties.

- In 2012, the then Federal Minister of Oil (MoO) filed suit against the KRG, claiming the KRG's Oil and Gas Law is unconstitutional. The Iraq Federal Supreme Court (FSC) handed down a majority judgement on February 15, 2022 that purported to deem the oil and gas law regulating the oil industry in Kurdistan unconstitutional. The Company was not a party to that court action. Following the FSC ruling, the KRG issued a statement stating that the ruling was 'unjust, unconstitutional, and violates the rights and constitutional authorities of the Kurdistan Region', also stating that it 'will take all constitutional, legal, and judicial measures to protect and preserve all contracts made in the oil and gas sector.' The Company also notes reports of decisions made in absentia on July 4, 2022 in the Baghdad Commercial Court against the Company and several International Oil and Gas companies (IOCs) operating in Kurdistan. Any such decision was made without the Company having formal legal representation. Despite the reported July 4 decisions, the Company has not been formally notified or served with any judgment – a requirement under Iraqi law. Without being served or formally notified of any judgment, the Company has no comment on the contents of any purported judgment. The PSC that the Company is a party to was signed with the KRG and is governed by English law with an arbitration provision calling for any dispute regarding the validity of the PSC to be heard before a panel of arbitrators governed by the London Court of International

Arbitration. The Company continues to monitor the situation closely and is working proactively with advisors in the UK, US, Erbil, and Baghdad, and is in dialogue with the KRG and other stakeholders to protect the interests of the Company. Although the Company has not experienced any operational impacts as a result of this ruling to date, the Company cannot currently estimate the potential implications, if any, of the FSC ruling but it could materially impact future operations and financial results

- There has been a historical precedent of delinquent payments made to oil and gas producers in the region from the KRG. See further discussion on collectability of these receivables in note 22.

(2) Summary of Significant Accounting Policies

(a) Statement of Compliance

The unaudited consolidated financial statements for the six months period ended June 30, 2022 and 2021 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. The same accouning policies and methods of computation are followed in the interim financial statements as compared with the last annual financial statements. The unaudited consolidated financial statements were authorized for issuance by management on August 16, 2022.

(b) Basis of Accounting

The consolidated financial statements included in the half-yearly financial report have been prepared on a going concern basis as management considers that the Company has adequate resources to continue operating for the foreseeable future.

(c) Going Concern

The Company regularly evaluates its financial position, cash flow forecasts and its compliance with financial covenants through financial modeling and assessing the model outputs from multiple scenarios with different oil price, production, expenditure and cash receipt variables. The Company has unrestricted cash balances totaling $167.3 million at June 30, 2022 and is significantly above the minimum requirements with regard to equity ratio and minimum liquidity covenant. The Company's financial forecasts and models incorporating downside cases with regard to oil prices and cash receipts show sufficient financial resources to continue as a Going Concern for the foreseeable future.

(d) Joint Arrangements

The Company is engaged in oil and gas exploration, development and production through an unincorporated joint arrangement; which is classified as a joint operation in accordance with IFRS 11 *Joint Arrangements*. In its financial statements, the Company accounts for its share of the related revenues in accordance with the distribution of oil sales proceeds required under the Sarsang PSC (see note 1). The Company accounts for its share of the expenses, assets and liabilities based on its working interest, which reflects the Company's contractual rights under the arrangement. In addition, where the Company acts as operator to the joint operation, the gross liabilities and receivables (including amounts due to or from non-operating partner) of the joint operation are included in the Company's statement of financial position (see notes 10 and 14).

(e) Use of Judgments and Estimates

In preparing these consolidated financial statements, management has made judgments and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

(i) Judgments

The following are the critical judgments, apart from those involving estimations (which are presented separately below), that management has made that have the most significant effect on the amounts recognized in the consolidated financial statements.

Revenue Recognition

The recognition of revenue is considered to be a key accounting judgment. In order for a contract to exist and be in the scope of IFRS 15, it has to be probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. The assessment of whether collection of consideration from the KRG is probable is based on management's evaluation of the reliability of the KRG's payments to the IOCs operating in Kurdistan.

(ii) Assumptions and Estimation Uncertainties

Information about assumptions and estimation uncertainties at June 30, 2022 and 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following areas:

Measurement and recognition of oil sales receivables

In March 2020, the KRG informed HKN Energy and other IOCs in Kurdistan that payments for sales from November 2019 to February 2020 would be deferred. See note 22 for further discussion.

The KRG continues to remit payment for current invoices within 60 to 90 days following the month of delivery. However, in 2022, the KRG implemented a price adjustment that is not in accordance with the current sales contract. As of June 30, 2022, management determined that an impairment allowance for receivables impacted by the price adjustment should be recorded. See note 22 for further discussion.

Impairment of oil properties

In line with the Company's accounting policy on impairment, management performs an impairment indicator evaluation at the end of each reporting period. If external or internal indicators of impairment are identified, management performs an impairment review of the Company's oil properties. The key assumptions used in the impairment review are subject to change based on market trends and economic conditions.

The Company's sole cash generating unit at June 30, 2022 and December 31, 2021 was its ownership in HKN Energy. HKN Energy's sole cash generating unit at June 30, 2022 and

December 31, 2021 was the Sarsang Block with a carrying value of $447.6 million and $435.2 million, respectively. The Company performed an impairment indicator evaluation as of June 30, 2022 and December 31, 2021 considering relevant factors such as global oil prices, expected future production and potential changes to future development plans. The potential impact of such factors together with other possible changes to key assumptions and available mitigating actions showed that no impairment indicators arose for these reporting periods.

(f) Fair Value Measurements

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(3) Revenue

In thousands of US dollar	**Six months ended June 30, 2022 (unaudited)**	**Period from May 27, 2021 to June 30, 2021 (unaudited)**
Revenue		
Oil sales	211,720	26,469
	211,720	**26,469**

The company sells 100% of its production volumes to the KRG. The KRG currently controls all marketing and crude exports from Kurdistan.

(4) Cost of Sales

In thousands of US dollar	**Six months ended June 30, 2022 (unaudited)**	**Period from May 27, 2021 to June 30, 2021 (unaudited)**
Cost of Sales		
Operating expenses	(18,293)	(3,159)
Depletion, depreciation and amortization	(41,954)	(5,881)
Transportation costs	(4,449)	(501)
	(64,696)	**(9,541)**

Operating expenses include expenses related to the production of oil including operating and maintenance of facilities and well intervention activities.

Depletion, depreciation and amortization includes unit of production depletion of oil properties, straight-line depreciation of other property and equipment, accretion expense on decommissioning provision, and depreciation of RoU assets recognized under IFRS 16 *Leases*.

Transportation costs include trucking and unloading expenses related to delivery of the Company's proportionate share of entitled oil production to the sales location and is incurred prior to the transfer of control.

(5) General and Administrative Expenses

In thousands of US dollar	**Six months ended June 30, 2022 (unaudited)**	**Period from May 27, 2021 to June 30, 2021 (unaudited)**
General and administrative expenses		
Personnel costs	(5,700)	(1,267)
Legal and consulting	(1,261)	(879)
Office and apartment rent, security and supplies	(1,811)	(279)
Travel costs	(383)	(75)
Other general and administrative expenses	(515)	(119)
	(9,670)	**(2,619)**

Personnel costs of $5.7 million during the six months ended June 30, 2022 and $1.3 million for the period from May 27, 2021 to June 30, 2021 include salaries, bonuses, employer's payroll tax expenses, deferred compensation and other miscellaneous costs.

(6) Finance Income and Expense / Other Expenses

In thousands of US dollar	**Six months ended June 30, 2022 (unaudited)**	**Period from May 27, 2021 to June 30, 2021 (unaudited)**
Finance income		
Interest income from cash and cash equivalents....................	250	3
Finance expense		
Interest expense from debt..	(13,188)	(2,520)
Amortization of debt issuance costs related to debt...............	(677)	(164)
Interest expense recognized on lease liabilities.....................	(15)	(5)
Transfer to capitalized interest..	1,204	119
Change in share acquisition liability......................................	(14,334)	-
Other expenses		
Other expense..	(53)	(6)
	(26,813)	**(2,573)**

Other expenses of less than $0.1 million for both the six months ended June 30, 2022 and the period from May 27, 2021 to June 30, 2021 include bank fees, losses on foreign currency translations, and losses associated with dispositions of inventory offset by gains on sales of other property and equipment and administration fees charged on supplier rebills.

(7) Property and Equipment – Oil Properties

In thousands of US dollar	**Six months ended June 30, 2022 (unaudited)**	**Period from May 27, 2021 to December 31, 2021 (audited)**
Oil & gas assets		
Balance at beginning of period	659,265	589,893
Additions	47,457	67,071
RoU asset remeasurements	-	(504)
Capitalized interest	1,204	450
Decommissioning provision	4,712	2,355
Balance at period end	**712,638**	**659,265**
Accumulated depletion and impairment		
Balance at beginning of period	(224,037)	(184,464)
Depletion charge	(40,764)	(39,272)
Depreciation of RoU assets	(248)	(301)
Balance at period end	**(265,049)**	**(224,037)**
Carrying value - oil & gas assets		
At beginning of period	435,228	405,429
At period end	447,589	435,228

The carrying value of oil and gas assets at June 30, 2022 and December 31, 2021 is comprised of property, plant and equipment relating to the Sarsang Block and has a carrying value of $447.6 million and $435.2 million, respectively.

Additions to the Sarsang asset during the periods presented primarily include costs for the drilling, stimulation and completion of wells and the equipment and construction of production facilities.

The Company's oil and gas properties balance as of June 30, 2022 and December 31, 2021 included $10.5 million of right-of-use ("RoU") assets, which are related to oil production facility leases (see note 17). The RoU assets are depreciated straight-line over the lifetime of the underlying asset.

For the six months ended June 30, 2022 and the period from May 27, 2021 to December 31, 2021, $1.2 million and $0.5 million, respectively, of interest expense was capitalized within oil and gas properties in relation to debt incurred to finance the construction of PP&E assets. The Company uses a weighted average interest rate (annual interest expense on debt divided by total principal balance) to determine the amount of interest to be capitalized.

For each of the periods presented, the depletion charges and depreciation of RoU assets have been included in Depletion, Depreciation and Amortization within Cost of Sales on the accompanying statements of comprehensive income (see note 4). The carrying values of oil properties are depreciated on a PSC-wide basis using the unit-of-production basis. RoU assets are depreciated on a straight-line basis.

For details of the key assumptions and judgments underlying the impairment assessment, refer to note 2(e) – Use of Judgments and Estimates.

(8) Other Property and Equipment

In thousands of US dollar	**Six months ended June 30, 2022 (unaudited)**	**Period from May 27, 2021 to December 31, 2021 (audited)**
Acquisition cost		
Balance at beginning of period	10,572	9,813
Additions	736	759
Balance at period end	**11,308**	**10,572**
Accumulated depreciation and impairment		
Balance at beginning of period	(6,555)	(5,691)
Depreciation charge	(606)	(714)
Depreciation of RoU Assets	(125)	(150)
Balance at period end	**(7,286)**	**(6,555)**
Carrying value		
at beginning of period	4,017	4,122
at period end	4,022	4,017

Additions to Other Property and Equipment include assets such as containers, housing, computers, and other equipment not directly associated with the exploration and development of the Sarsang block. Assets in Other Property and Equipment are depreciated on a straight-line basis.

(9) Inventory

In thousands of US dollar	**June 30, 2022 (unaudited)**	**December 31, 2021 (audited)**
Inventory		
Warehouse stocks and materials	13,089	9,505
	13,089	**9,505**

Inventory consists of amounts paid toward ownership of well equipment, parts, and supplies, which the Company plans to use in its ongoing development activities in the Sarsang Block in Kurdistan and which are carried at recoverable cost. $1.7 million and $0.3 million of additions to inventory were included in purchases of property and equipment on the accompanying consolidated statement of cash flows for the six months ended June 30, 2022, and the period from May 27, 2021 to June 30, 2021, respectively.

(10) Trade and Other Receivables

In thousands of US dollar	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Trade and other receivables		
Receivables from oil sales	151,109	132,937
Receivables from transportation costs	4,288	4,161
Receivables from co-venturer	-	-
Other receivables	128	10
	155,525	**137,108**
Less impairment allowance	(11,681)	-
	143,844	**137,108**

Receivables from oil sales: The majority of accounts receivable are from oil sales to the KRG as purchaser of the Company and its co-venturer's oil. A corresponding payable of $31.9 million and $29.9 million at June 30, 2022 and December 31, 2021, respectively, is recorded in Revenues Payable within Trade and Other Payables on the accompanying consolidated statements of financial position for the portion of the receivable due to the Company's co-venturer (see note 14). See note 22 for further discussion.

Receivables from transportation costs: The Company incurs transportation and oil unloading expenses to deliver oil produced from its wellsite facilities to the sales location, which is an injection facility linked to the KRG export pipeline. The KRG reimburses the Company for transportation cost proportionate to their entitled production as participant to the PSC.

Receivables from co-venturer: The Company's co-venturer is billed monthly for their portion of forecasted capital spending in advance, with amounts due from or owed to the co-venturer from the previous month netted against the current funding request. At June 30, 2022 and December 31, 2021, the amount of cash advances paid exceeded the amount of receivables due from the Company's co-venturer, resulting in respective net capital spending advance positions of $0.4 million and $0.5 million, included within trade and other payables on the accompanying consolidated statements of financial position (see note 14).

Other receivables: Other receivables at June 30, 2022 and December 31, 2021 consisted primarily of interest receivable on cash invested in money market accounts.

Impairment allowance: An impairment allowance of $11.7 million was recorded at June 30, 2022 to account for receivables from oil sales for which HKN Energy's management is uncertain if the amounts will be collected from the KRG. See note 22 for further discussion. HKN Energy's share of the allowance amounting to $9.1 million is recorded as impairment of trade receivables on the accompanying statements of comprehensive income. Revenues payable within trade and other payables on the accompanying consolidated statements of financial position was reduced for the Company's co-venturer's share of the allowance.

All accounts receivable are recorded at invoiced amounts and do not bear interest.

(11) Short Term Investments

In May 2022, HKN Energy purchased US Treasury bills and notes with maturities within one year from the date of purchase. These securities have been recorded as short-term investments on the accompanying consolidated statements of financial position. As HKN Energy plans to distribute these securities to shareholders rather than holding to maturity, in accordance with IFRS 9 *Financial Instruments*, the securities have been measured at fair value with the change in fair value presented as unrealized loss on short-term investments within other comprehensive income on the accompanying consolidated statements of comprehensive income.

In thousands of US dollar	**Six months ending June 30, 2022 (unaudited)**	**Period from May 27, 2021 to December 31, 2021 (audited)**
Short-term investments		
Beginning balance…	-	-
Purchase of 1-year US Treasury securities…	117,680	-
Change in fair value of securities…	(463)	-
Balance at period end…	**117,217**	**-**

(12) Cash and Cash Equivalents, and Restricted Cash

In thousands of US dollar	**June 30, 2022 (unaudited)**	**December 31, 2021 (audited)**
Cash and cash equivalents		
Cash in bank accounts and on hand…	3,445	3,621
Cash in money market investment accounts…	143,900	176,971
Cash equivalents…	19,955	-
	167,300	**180,592**
Restricted cash		
Restricted cash…	22,683	25,163
	22,683	**25,163**

See note 15 for information on the restricted cash balance.

In May 2022, HKN Energy purchased US Treasury bills with original maturities of less than three months. These securities had a fair value of $20 million at June 30, 2022, and are included as cash and cash equivalents on the accompanying consolidated statement of financial position. The change in fair value at the end of each reporting period is recorded as finance income or finance expense on the accompanying consolidated statement of comprehensive income (see note 6).

(13) Shareholders' Equity

(a) Share Transactions

As discussed in note 1, on May 27, 2021, the Company's parent entity, HKN Holding II (UK) Ltd., transferred HKN Holding Ltd. preference shares valued at $139.6 million to the Company in exchange for 100,000 common shares of HKN III. Additionally, the Company received a $10.0 million cash contribution from HKN Holding II (UK) Ltd. as an initial equity investment. There were no other share transactions during the period ended June 30, 2021. There were no share transactions during the period ended June 30, 2022.

(b) Noncontrolling Interest

The Company has a noncontrolling interest representing the equity of HKN Energy II Ltd.'s ownership interest in the Class B shares of HKN Energy (approximately 32% ownership of HKN Energy). HKN III and HKN Energy II Ltd. have the same parent entity, HKN Holding II (UK) Ltd. The comprehensive income attributable to the noncontrolling interest represents the HKN Energy comprehensive income for the period multiplied by HKN Energy II Ltd.'s approximately 32% ownership interest of HKN Energy. For the six months ended June 30, 2022 and the period from May 27, 2021 to June 30, 2021, comprehensive income attributable to the noncontrolling interest was $39.3 million and $4.5 million, respectively.

(14) Trade and Other Payables

In thousands of US dollar	**June 30, 2022 (unaudited)**	**December 31, 2021 (audited)**
Trade and other payables		
Accounts payable	23,513	20,350
Revenues payable to co-venturer	31,916	29,911
Capital spending advances to co-venturer	409	532
Transportation payable	2,315	2,446
Accrued expenses		
Compensation payable	3,739	4,828
Accrued interest	5,075	5,050
PSC obligations	228	57
Other accrued expenses	197	314
	67,392	**63,488**

Accounts payable comprise invoices due to suppliers and are normally settled within 30 days. See note 10 for explanation of revenues payable, capital spending advances to co-venturer, and transportation payable. Compensation payable consists primarily of bonuses payable, which are settled in the subsequent year. Accrued interest relates to debt payable (see note 15). See note 20 for explanation of PSC obligations. Other accrued expenses primarily include payables to related affiliates for general and administrative services (see note 21).

(15) Debt and Finance Income/Expenses

On May 26, 2021, the Company closed on a four-year unsecured bond of $100 million with semi-annual interest payments at a coupon rate of 12%. The bond matures on May 26, 2025. In accordance with the terms of the bond, the net cash proceeds from the bond were used to finance the Company's $80 million payment for the Kerogen purchase (see note 16). Additionally, per the bond terms the Company used the net cash proceeds to fund an account with the Debt Service Reserve Requirement, which equals 24 months of interest due on the bond. The Company is to use the funds in this account to pay interest on the bond as it becomes due. Therefore, the Company had $12.0 million in a debt service reserve for the bond included as restricted cash on the accompanying consolidated statement of financial position at June 30, 2022. Per the bond's financial covenants, if the Company makes any distributions, it is required to maintain cash and cash equivalents (not including the debt service reserve) on an unconsolidated basis in an aggregate amount of no less than the minimum liquidity amount as defined by the bond terms. As of June 30, 2022 and December 31, 2021, the Company was in compliance with all required financial covenants. The Company expects to remain in compliance with all of the bond's required financial covenants for a period of one year from the date the consolidated financial statements are authorized to be issued.

On May 5, 2020, HKN Energy closed on a nine-year loan of $49 million from the United States International Development Finance Corporation in order to finance the development of a 25,000 barrel per day production facility on the Sarsang Block. The loan matures on May 15, 2029. HKN Energy received the first installment payout of $37.5 million on May 27, 2020. The first installment bears interest at a rate of 6.86% (5.75% stated interest rate plus a 1.11% rate necessary to fund the loan through the marketing of the lender's certificates of participation). HKN Energy received the second and final installment payout of $11.5 million on January 27, 2021. The second installment bears interest at a rate of 6.55% (5.75% stated interest rate plus a 0.80% rate necessary to fund the loan through the marketing of the lender's certificates of participation).

Per the loan terms, HKN Energy must establish an account and keep it funded up to the Debt Service Reserve Requirement, which equals amounts due on the loan for the immediately succeeding six months. Therefore, HKN Energy had $5.2 million in a debt service reserve for the loan included as restricted cash on the accompanying consolidated statement of financial position at June 30, 2022. Per the loan's financial covenants, HKN Energy must maintain a Reserve Tail Ratio of no less than 20%, a ratio of Current Assets to Current Liabilities of 1:1, and funds or assets on deposit with a market value at least equal to the Debt Service Reserve Requirement (see discussion above). Upon completion of the production facility, HKN Energy must maintain a ratio of Net Cash Flow to Debt Service of not less than 1.4 to 1 for both the most recently completed and the next succeeding four consecutive full fiscal quarters. As of June 30, 2022 and December 31, 2021, HKN Energy was in compliance with all required financial covenants. HKN Energy expects to remain in compliance with all of the loan's required financial covenants for a period of one year from the date the consolidated financial statements are authorized to be issued.

On March 6, 2019, HKN Energy closed on a five-year unsecured bond of $100 million with semi-annual interest payments at a coupon rate of 11%. The bond matures on March 6, 2024. Per the bond terms, the bond should be on a pari passu basis with any additional debt HKN Energy secures. Therefore, as a result of HKN Energy securing the loan discussed above, HKN Energy had $5.5 million (six months of interest) in a debt service reserve for the bond included as restricted cash on the accompanying consolidated statement of financial position at June 30, 2022. Per the bond's financial covenants, HKN Energy must maintain a minimum Equity Ratio of 40%, and a minimum liquidity of 1.5 times the estimated next 12 months interest based on the outstanding debt as of the calculation date. As of June 30, 2022 and

December 31, 2021, HKN Energy was in compliance with all required financial covenants. HKN Energy expects to remain in compliance with all of the bond's required financial covenants for a period of one year from the date the consolidated financial statements are authorized to be issued.

The net proceeds from the debt instruments have been and will continue to be used to fund ongoing operations of the Company. At June 30, 2022 and December 31, 2021, total current and non-current debt, net of debt issuance costs and fees, consisted of the following:

In thousands of US dollar	June 30, 2022 (unaudited)		
Debt, net of issuance costs and fees - current	**HKN Energy**	**HKN III**	**Total**
Debt payable - current	7,000	-	**7,000**
	7,000	**-**	**7,000**
Debt, net of issuance costs and fees - non-current			
Debt payable - non-current	142,000	100,000	**242,000**
Debt issuance fees	(2,941)	(2,000)	**(4,941)**
Debt issuance costs	(1,236)	(181)	**(1,417)**
Amortization of debt issuance costs and fees	2,443	636	**3,079**
	140,266	**98,455**	**238,721**

In thousands of US dollar	December 31, 2021 (audited)		
Debt, net of issuance costs and fees - current	**HKN Energy**	**HKN III**	**Total**
Debt payable - current	3,500	-	**3,500**
	3,500	**-**	**3,500**
Debt, net of issuance costs and fees - non-current			
Debt payable - non-current	145,500	100,000	**245,500**
Debt issuance fees	(2,941)	(2,000)	**(4,941)**
Debt issuance costs	(1,236)	(181)	**(1,417)**
Amortization of debt issuance costs and fees	2,039	363	**2,402**
	143,362	**98,182**	**241,544**

The following table provides a summary of the Company's principal payments on non-current debt instruments by year they are due:

In thousands of US dollar	
2022	3,500
2023	7,000
2024	107,000
2025	107,000
2026	7,000
Thereafter	17,500
	249,000

At both June 30, 2022 and December 31, 2021, accrued interest was $5.1 million included within Trade and Other Payables on the accompanying consolidated statement of financial position (see note 14). For the six months ended June 30, 2022 and the period from May 27, 2021 to June 30, 2021, finance income and finance expense consisted of the following:

In thousands of US dollar	**Six months ended June 30, 2022 (unaudited)**	**Period from May 27, 2021 to June 30, 2021 (unaudited)**
Finance income		
Interest income from cash and cash eqivalents	169	3
Change in interest receivable	81	-
	250	**3**
Finance expense		
Cash payments for interest	(13,163)	(1)
Change in interest accrual	(25)	(2,519)
Amortization of debt issuance costs and fees	(677)	(164)
Interest expense on leases	(15)	(5)
Transfer to capitalized interest	1,204	119
	(12,676)	**(2,570)**
Finance expense - change in share acquisition liability	(14,334)	-
	(14,334)	**-**

(16) Kerogen share acquisition liability

As discussed in note 1, the Company purchased Kerogen's interest in HKN Holding Ltd. on May 27, 2021. The consideration for the sale consisted of a cash consideration of $80.0 million, as well as a $95.0 million Earn-Out Consideration and a $25.0 million Oil Price Contingent Earn-Out Consideration. The Kerogen share acquisition liability represents a financial liability measured at amortized cost. Finance expense is calculated based upon the effective interest method. The amortized cost of the financial liability is adjusted in the period of change to reflect changes in the timing or amount of estimated cash flows, with a corresponding recognition of income or expense in the consolidated statement of comprehensive income.

(a) Earn-Out Consideration

Starting at the end of the third quarter of 2022, the Company is required to pay Kerogen an amount equal to 20% of HKN Energy's total oil sales for the quarter, in respect of HKN Energy's Class A shares participating interest share of crude oil (approximately 68%). The Company shall not make any quarterly payment unless the Company has sufficient funds to meet its obligations to pay any interest or principal amount on bonds, to keep its debt service reserves fully funded, and meet any general and administrative costs in the ordinary course of business. If the Company is not able to pay the full quarterly Earn-Out payment after meeting its aforementioned obligations, the shortfall shall be added to the following quarterly Earn-Out payment due. Additionally, no quarterly Earn-Out payment will be due unless HKN Energy has received payment from the KRG for the corresponding oil sales amount used to calculate the quarterly Earn-Out payment. In this case, the Company will make a proportional payment of the quarterly Earn-Out payment to Kerogen, pro-rata to the portion of the oil sales amount actually paid for by the KRG. The Company will continue to make these quarterly Earn-Out payments to Kerogen until the full $95.0 million Earn-Out Consideration has been paid.

(b) Oil Price Contingent Earn-Out Consideration

The Company is required to pay Kerogen an amount of up to $25.0 million of earn-out consideration contingent upon the price of oil during the Contingent Payment Accrual Period, which is defined as the eight quarters starting from July 1, 2021 and ending June 30, 2023, and paid to Kerogen as earn-out in accordance with the Earn-Out Consideration payment schedule discussed above. For the Contingent Payment Accrual Period, if the average Dated Brent Price is:

1. Less than $55 per barrel, then no Oil Price Contingent Earn-Out Consideration shall accrue during that quarter;

2. Greater than or equal to $65 per barrel, then $5.0 million of Oil Price Contingent Earn-Out Consideration shall accrue during that quarter; or

3. Between $55 per barrel and $65 per barrel, then the Oil Price Contingent Earn-Out Consideration to accrue for that quarter will be calculated as: $5.0 million x ((average Dated Brent Price - $55) / ($65 - $55)).

If HKN Energy does not receive payment from the KRG in respect of any oil sold during any quarter in the Contingent Payment Accrual Period, or the amount of oil sold to the KRG is significantly curtailed or reduced directly resulting from reasons of Force Majeure (as defined in the Sarsang PSC), the Contingent Earn-Out Consideration amount to accrue for the quarter shall be adjusted by an amount pro-rata to the quantity of oil not paid for by the KRG or not sold to the KRG compared to the quantity of oil that would have been paid for by or sold to the KRG. Then, the accrued Contingent Earn-Out Consideration amount will be added to the amount to be paid as Earn-Out Consideration.

As of June 30, 2022 and December 31, 2021, the Company has accrued a share acquisition liability of $114.5 million ($57.6 million current and $56.9 million non-current) and $100.1 million ($12.4 million current and $87.7 million non-current), respectively, related to the Kerogen share acquisition liability. The change in the Kerogen share acquisition liability of $14.3 million for the period ending June 30, 2022 has been recorded as a finance expense in the consolidated statement of comprehensive income.

As of June 30, 2022, the Company forecasts the share acquisition liability to be paid out to Kerogen through 2024, however the timing of payment is subject to future changes based upon the amount of revenue and timing of cash receipts from the KRG.

(17) Lease Liabilities

As of June 30, 2022, current lease liabilities of $0.3 million and non-current lease liabilities of $0.3 million are included on the accompanying statement of financial position. These lease liabilities are related to the fixed rent component of office space leases. As of December 31, 2021, current lease liabilities of $0.3 million and non-current lease liabilities of $0.4 million are included on the accompanying statement of financial position. These lease liabilities are related to the fixed rent component of office space leases.

In thousands of US dollar	**Six months ended June 30, 2022 (unaudited)**	**May 27, 2021 to December 31, 2021 (audited)**
Lease liabilities		
Balance at beginning of period	685	2,910
Remeasurement of lease liability	-	(504)
Lease payments	(147)	(1,744)
Interest expense	15	23
Balance at June 30	**553**	**685**
Current portion (within one year)	277	269
Non-current portion (two to five years)	276	416
	553	**685**

The identified lease liabilities have no significant impact on the Company's financing or debt covenants. The Company does not have any residual value guarantees. Extension options are included in the lease liability when, based on management's judgment, it is reasonably certain that an extension will be exercised. The Company also has short-term apartment and office leases. Some office leases include a variable rent component. Total payments for short-term leases and the variable rent component of office leases were $0.4 million and $0.1 million for the period ended June 30, 2022 and the period from May 27, 2021 to June 30, 2021, respectively, and were recognized within general and administrative expenses.

In thousands of US dollar	**June 30, 2022 (unaudited)**	**December 31, 2021 (audited)**
Lease maturity analysis		
Year 1	-	-
Year 2	243	320
Year 3	310	365
Year 4	-	-
Year 5	-	-
	553	**685**
Amounts payable under leases		
Within one year	298	295
Two to five years	284	434
	582	**729**
Less future interest charges	(29)	(44)
Less future remeasurement of lease liability	-	-
Net present value of lease obligations	**553**	**685**

(18) Decommissioning Provisions

In thousands of US dollar	**Six months ended June 30, 2022 (unaudited)**	**Period from May 27, 2021 to December 31, 2021 (unaudited)**
Decommissioning provisions		
Beginning balance	8,939	6,417
Additions	4,712	2,355
Accretion expense	211	167
Balance at period end	**13,862**	**8,939**

Provision for decommissioning costs is made in full when the Company has an obligation associated with future plugging and abandonment costs on its oil properties. The amount recognized is the present value of the estimated future expenditure. An amount equivalent to the discounted initial provision for decommissioning costs is capitalized and amortized over the life of the underlying asset on a unit of production basis over proven reserves. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the oil and gas asset.

(19) Financial Instruments – Fair Value

In thousands of US dollar	**June 30, 2022 (unaudited)**	**December 31, 2021 (audited)**
Financial assets		
Cash and cash equivalents	167,300	180,592
Restricted cash	22,683	25,163
Trade and other receivables	143,844	137,108
Intercompany receivables	705	122
Short-term investments	117,217	-
	451,749	**342,985**
Financial liabilities		
Trade and other payables	67,392	63,488
Current and non-current share acquisition liability	114,469	100,135
Current and non-current debt - bonds	196,014	206,998
Current and non-current debt - loans	49,000	49,000
	426,875	**419,621**

Fair values of financial assets and trade and other payables:

The Company considers that the carrying value of its financial assets excluding short-term investments and the carrying value of its trade and other payables approximates their fair values due to the short-term maturity of these instruments. Short-term investments (see note 11) are marked to fair value using quoted prices at the end of each reporting period.

Fair values of debt:

The Company obtained quoted prices for the HKN Energy $100 million bond and HKN III $100 million bond (see note 15), noting that the bonds were trading at 98.166 percent of par and 97.848 percent of par, respectively, at June 30, 2022. Therefore, the fair value of the HKN Energy and HKN III bonds approximated $98.2 million and $97.8 million, respectively, at June 30, 2022. The bonds were trading at 103.576 percent of par and 103.422 percent of par, respectively, at December 31, 2021. Therefore, the fair value of the HKN Energy and HKN III bonds approximated $103.6 million and $103.4 million, respectively, at December 31, 2021. The Company considers the carrying value of the HKN Energy $49.0 million DFC loan (see note 15) to approximate fair value at June 30, 2022 and December 31, 2021. The fair values of the Company's debt are estimated based upon observable inputs that are classified as Level 2 in the fair value hierarchy.

(20) Commitments and Contingencies

The Company is not currently a party to any litigation that it believes would have a materially adverse effect on the Group's business, financial condition, results of operations, or liquidity, other than the matter previously described in note 1.

HKN Energy and its co-venturer have certain commitments defined by the PSC that are contingent upon the timing and length of the exploration, development, and production periods. These include Contractor obligations of $0.3 million due in each year (unpaid amounts are accrued as PSC obligations within trade and other payables) and total aggregate payments of up to $37.5 million due upon meeting four defined thresholds during the development phase of the PSC, of which $2.5 million and $5.0 million were paid by the Contractor to the KRG in 2014 and 2018, respectively. The third defined production threshold of 25 million barrels of crude oil was met in April 2020, and the required $10.0 million was offset against the outstanding oil sales receivables from the KRG (see further discussion in note 22). HKN Energy's working interest share of the $2.5 million and $5.0 million production bonuses paid, as well as the $10.0 million production bonus offset against receivables, were expensed within operating expenses for the periods during which the payments were made. The fourth defined production threshold will be reached when production from the contract area reaches a cumulative amount of 50 million barrels of crude oil and $20.0 million will be owed by the Contractor to the KRG. HKN Energy anticipates reaching the fourth production threshold in 2022. The production bonuses represent an outflow of HKN Energy's resources as an economic benefit to the KRG, rather than as an exchange for a service, and are therefore accounted for in accordance with IFRIC 21 *Levies* which requires that the obligation be recognized on the date at which the production milestone is reached.

In addition, 20% of HKN Energy's profit petroleum is committed to a capacity building fund as set forth in the PSC. HKN Energy plans to settle all obligations through either cash payments to the KRG or through satisfying these commitments in kind, through programs approved by the KRG.

The Company projects to have cash flows sufficient to satisfy the Company's obligations for the twelve months from the date the consolidated financial statements were authorized to be issued.

(21) Related Party Transactions

On a periodic basis, net amounts due to and from affiliates under common control are settled through cash payments and cash receipts from affiliates. During the period ended June 30, 2022, and the period from May 27, 2021 to June 30, 2021, the Company paid general and administrative expenses of $0.6 million and $0.2 million, respectively, to related entities for management and administrative services provided to the Company, and rent. At June 30, 2022 and December 31, 2021 there was a net related party receivable outstanding of $0.7 million and $0.1 million respectively, as intercompany receivables on the accompanying consolidated statement of financial position.

(22) Oil Sales Receivables and Offsetting of Liabilities owed to the KRG

In December 2020 and May 2021, the KRG presented plans to the Company detailing how it would pay the overdue November 2019 through February 2020 oil sales invoices, amounting to $88.5 million of receivables from oil sales and transportation costs ($68.6 million net to the Company). Under the terms of the plans, certain outstanding liabilities owed by the Company to the KRG would be offset against oil sales receivables. The Company was also entitled to supplemental payments on monthly invoices when Dated Brent prices exceeded $50 per barrel.

Effective January 2022, the KRG implemented a price adjustment that is not in accordance with the current sales contract in order to account for increased export pipeline tariffs incurred by the KRG. This resulted in an adjustment of $5.1 million related to 2021 oil sales, and it was communicated by the KRG that this amount was being offset against amounts owed for the November 2019 to February 2020 oil sales invoices; thus, the Company recorded the $5.1 million as an impairment of receivables. An additional $6.6 million has been withheld, or is expected to be withheld at time of payment, from monthly invoice payments for oil sales in the first half of 2022. The $6.6 million was recorded as an additional impairment of receivables.

As of June 30, 2022, the Company has received supplemental payments totaling $58.0 million and has offset liabilities owed to the KRG totaling $25.4 million. Additionally, the $5.1 million related to the 2021 oil sales price adjustment was communicated by the KRG as being offset against November 2019 through February 2020 oil sales invoices. No further supplemental payments or offsets are anticipated in regards to the November 2019 through February 2020 oil sales invoices.

The Company continues to record revenue in accordance with the price stipulated in the sales contract. Although the Company is in discussions with the KRG regarding the above-mentioned price adjustment, it has recorded the $11.7 million impairment allowance for its receivables as discussed above, pending a more definitive agreement with the KRG.

(23) Subsequent Events

On July 7, 2022, HKN Energy received a $43.7 million payment from the KRG. Of this amount, $43.4 million was attributable to April 2022 oil sales ($33.6 million net to HKN Energy).

On August 10, 2022, HKN Energy made a $150 million dividend payment to its common shareholders ($101.6 million to its Class A shareholder and $48.4 million to its Class B shareholder) in the form of cash and short-term investments. As the Class A shareholder of HKN Energy, HKN III received $101.6 million of cash and short-term investments.

The Company has evaluated subsequent events from the consolidated statement of financial position date through August 16, 2022, the date at which the consolidated financial statements were authorized to be issued, and determined that there are no other items to disclose.

EXHIBIT 1

HKN ENERGY III, LTD.

Consolidated Statement of Financial Position

June 30, 2022

In thousands of US dollar

	HKN Energy III, Ltd. Unconsolidated	HKN Energy, Ltd.	Eliminations	HKN Energy III, Ltd. Consolidated
	June 30, 2022 (Unaudited)	June 30, 2022 (Unaudited)	June 30, 2022 (Unaudited)	June 30, 2022 (Unaudited)
ASSETS				
Non-current assets				
Property and equipment - oil properties (net)	-	447,589	-	447,589
Other property and equipment (net)	-	4,022	-	4,022
Investment in equity affiliate	456,827	-	(456,827)	-
Total non-current assets	**456,827**	**451,611**	**(456,827)**	**451,611**
Current assets				
Inventory	-	13,089	-	13,089
Prepaid expenses	-	639	-	639
Trade and other receivables	-	143,844	-	143,844
Intercompany receivables	(17)	722	-	705
Short-term investments	-	117,217	-	117,217
Cash and cash equivalents	2,848	164,452	-	167,300
Restricted cash	12,000	10,683	-	22,683
Total current assets	**14,831**	**450,646**	**-**	**465,477**
TOTAL ASSETS	**471,658**	**902,257**	**(456,827)**	**917,088**
EQUITY AND LIABILITIES				
Equity				
Share capital	1	1	(1)	1
Additional paid-in capital	149,381	539,937	(539,937)	149,381
Retained earnings	108,218	134,380	(134,380)	108,218
Equity attributable to HKN Energy III, Ltd.	**257,600**	**674,318**	**(674,318)**	**257,600**
Noncontrolling interest	-	-	217,491	217,491
Total equity	**257,600**	**674,318**	**(456,827)**	**475,091**
Non-current liabilities				
Debt (net of issuance costs and fees)	98,455	140,266	-	238,721
Share acquisition liability	56,860	-	-	56,860
Lease liabilities	-	276	-	276
Decommissioning provisions	-	13,862	-	13,862
Total non-current liabilities	**155,315**	**154,404**	**-**	**309,719**
Current liabilities				
Trade and other payables	1,134	66,258	-	67,392
Debt	-	7,000	-	7,000
Share acquisition liability	57,609	-	-	57,609
Current lease liabilities	-	277	-	277
Total current liabilities	**58,743**	**73,535**	**-**	**132,278**
Total liabilities	**214,058**	**227,939**	**-**	**441,997**
TOTAL EQUITY AND LIABILITIES	**471,658**	**902,257**	**(456,827)**	**917,088**

EXHIBIT 1

HKN ENERGY III, LTD.

Consolidated Statement of Comprehensive Income

Six months ended June 30, 2022

In thousands of US dollar

	HKN Energy III, Ltd. Unconsolidated	HKN Energy, Ltd.	Eliminations	HKN Energy III, Ltd. Consolidated
	2022 (Unaudited)	2022 (Unaudited)	2022 (Unaudited)	2022 (Unaudited)
Continuing operations				
Revenue	-	211,720	-	211,720
Operating expenses	-	18,293	-	18,293
Oil transportation expenses	-	4,449	-	4,449
Depletion, depreciation and amortization	-	41,954	-	41,954
Cost of sales	-	64,696	-	64,696
Impairment of trade receivables	-	9,053	-	9,053
Gross profit	**-**	**137,971**	**-**	**137,971**
General and administrative expenses	70	9,600	-	9,670
Profit of equity affiliate	82,763	-	(82,763)	-
Profit from operating activities	**82,693**	**128,371**	**(82,763)**	**128,301**
Finance income	-	250	-	250
Finance expenses	(6,273)	(6,403)	-	(12,676)
Finance expense - change in share acquisition liability	(14,334)	-	-	(14,334)
Other expense	-	(53)	-	(53)
Total profit	**62,086**	**122,165**	**(82,763)**	**101,488**
Other comprehensive expense				
Unrealized loss on short-term investments	(314)	(463)	314	(463)
Total comprehensive income	**61,772**	**121,702**	**(82,449)**	**101,025**
Less: Profit attributable to noncontrolling interest	-	-	(39,402)	(39,402)
Plus: Other comprehensive expense attributable to noncontrolling interest	-	-	149	149
Total comprehensive income attributable to HKN Energy III, Ltd.	**61,772**	**121,702**	**(121,702)**	**61,772**

EXHIBIT 1

HKN ENERGY III, LTD.

Unconsolidated Cash Flow Statement

Six months ended June 30, 2022

In thousands of US dollar

	2022 (Unaudited)
OPERATING ACTIVITIES	
Profit	62,086
Adjustments to add non-cash items:	
Finance expense	6,273
Finance expense - change in share acquisition liability	14,334
Income of equity affiliates	(82,763)
Changes in working capital and provisions:	
Intercompany receivables	17
Prepaid expenses	7
Trade and other payables	(70)
Cash used in operations	**(116)**
Interest paid	(6,000)
Net cash used in operating activities	**(6,116)**
Net decrease in cash and cash equivalents, and restricted cash	**(6,116)**
Cash and cash equivalents, and restricted cash at beginning of the period	20,964
Cash and cash equivalents, and restricted cash at end of the period	**14,848**
Of which restricted cash	12,000

EXHIBIT 1

HKN ENERGY III, LTD.

Unconsolidated Statement of Changes in Equity

Six months ended June 30, 2022

In thousands of US dollar

	Share capital	Additional paid-in capital	Retained earnings	Equity attributable to HKN Energy III, LTD.	Total equity
Total equity as of January 1, 2022 (Audited)	**1**	**149,381**	**46,446**	**195,828**	**195,828**
Profit for the period	-	-	62,086	62,086	**62,086**
Unrealized loss on short-term investments	-	-	(314)	(314)	**(314)**
Total comprehensive income	**-**	**-**	**61,772**	**61,772**	**61,772**
Total equity as of June 30, 2022 (Unaudited)	**1**	**149,381**	**108,218**	**257,600**	**257,600**

At June 30, 2022, there were 200,000 common shares authorized at a $0.01 par value, with 100,000 common shares issued and outstanding. As of June 30, 2022, the Company held no treasury shares.