

HKN Energy LTD.



August 2022

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

Steady Triassic production of approximately 30k bopd since late 2020 primarily from Swara Tika field

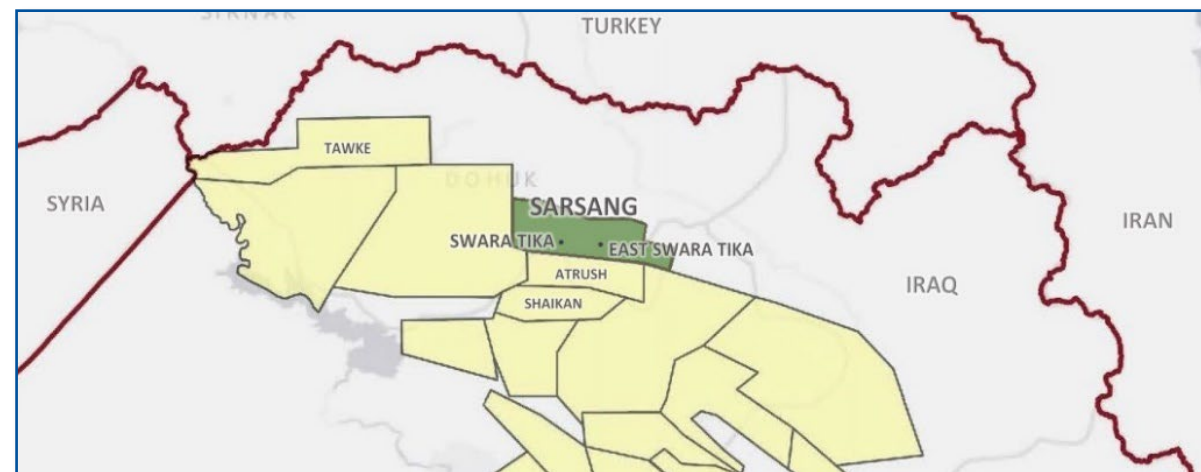
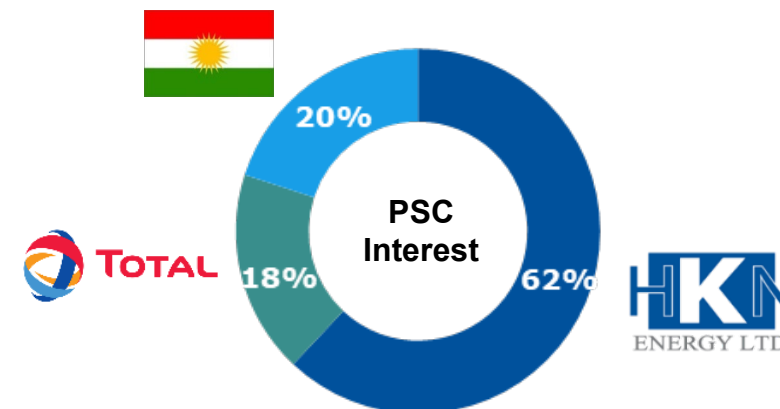
High quality crude of 37-39 API

First oil on new 25k bopd facility expected in September 2022

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
- 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

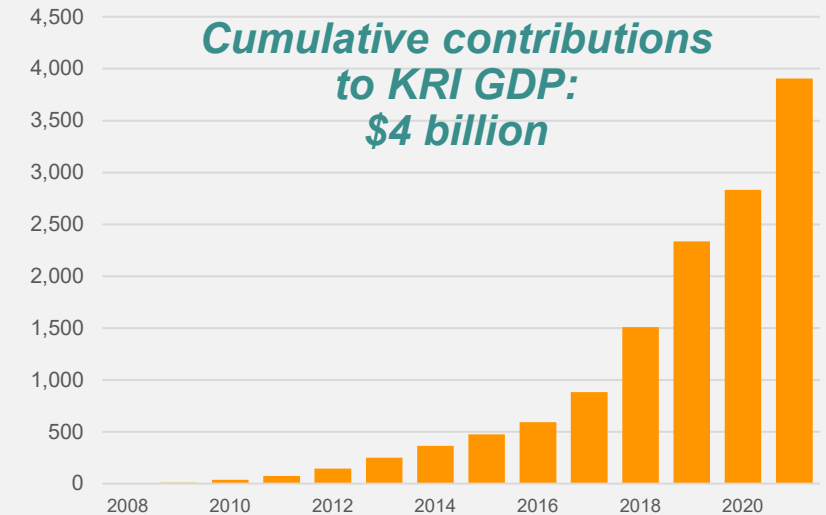
Social priorities

- \$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)



*Based on external consultant economic impact analysis

Operational Results & Outlook



Operating Highlights

Overview

Production

- Averaged 29.7k bopd compared to 28.9k bopd in 1H 2021; Sarsang cumulative production reached 47.6 million barrels as of 30 June 2022

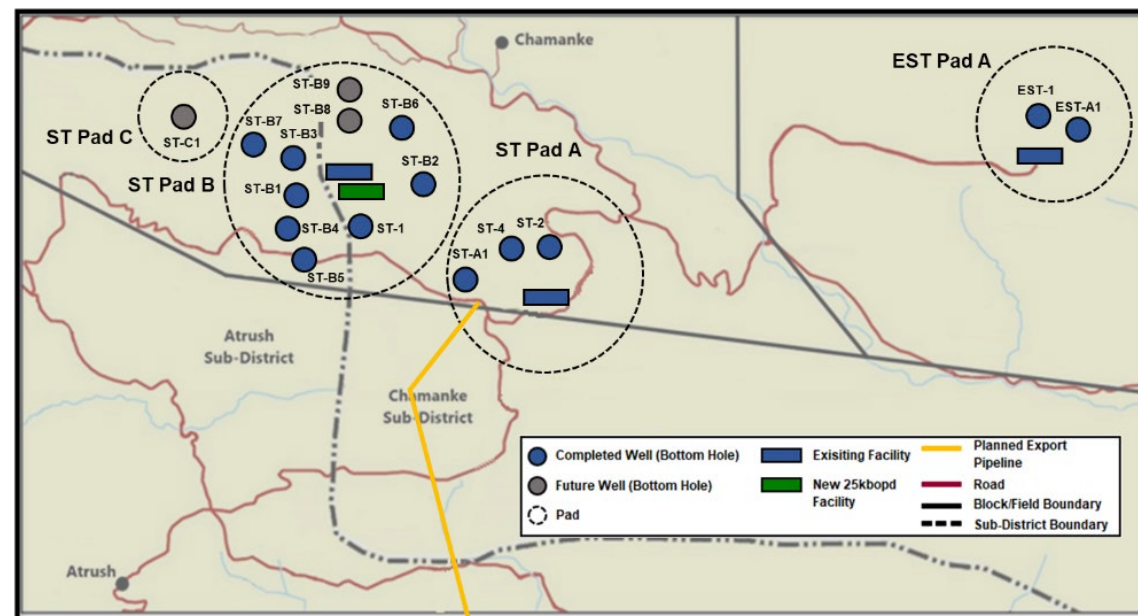
Drilling

- Spudded the ST-B8 well in the beginning of August and expect to drill the ST-B9 well immediately thereafter

Facilities

- The new 25k bopd facility on Swara Tika remains on target for first oil in September 2022

Illustration of Sarsang block infrastructure



2022 1H
key
figures:

80%

Revenue Increase
from 1H 2021

\$25.3/bbl

Operating break-
even¹

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

Near-term Priority: Production Growth

Overview

Maintain stable production of 27 – 30k bopd prior to commissioning of 25k bopd facility

Produce 45k – 50k bopd following commissioning and optimization 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

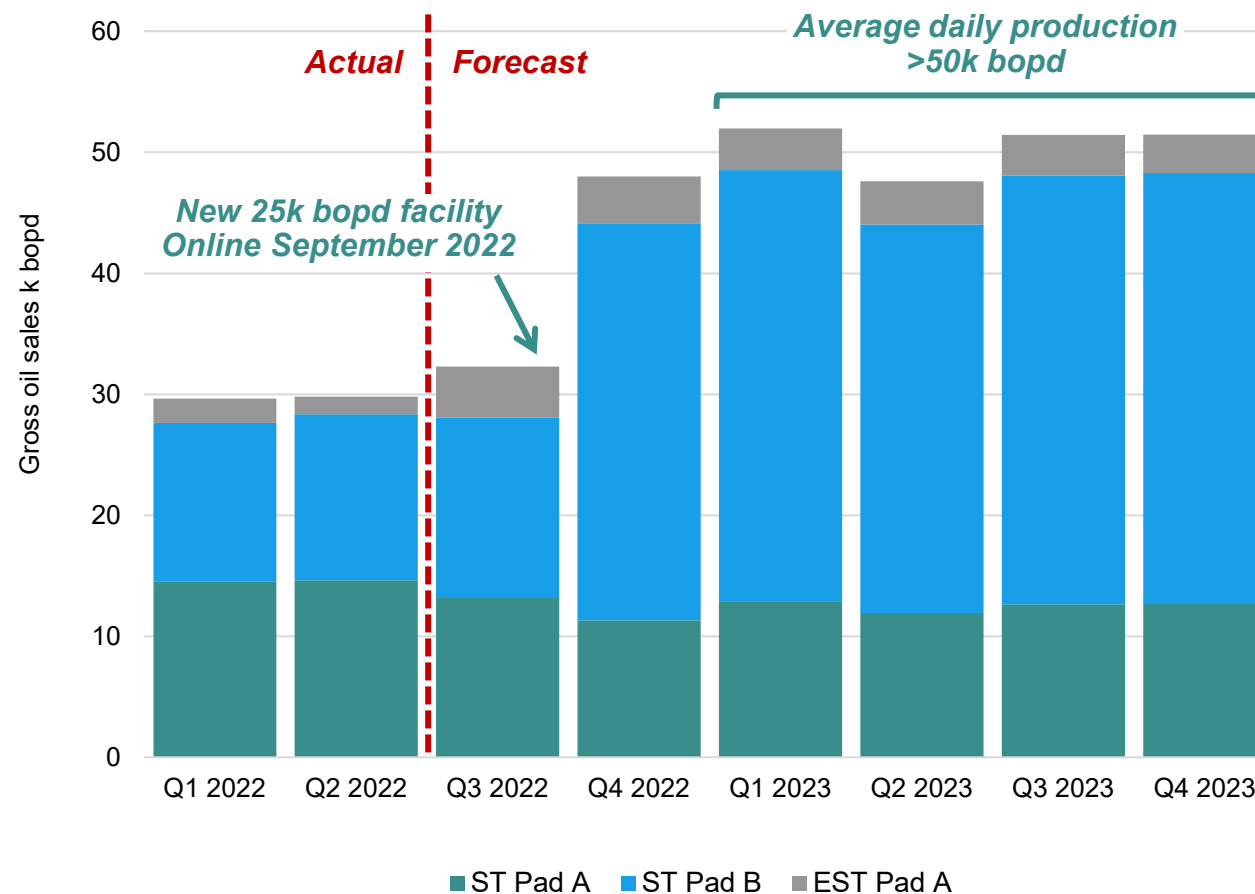
Acquire 3D seismic over western half of Swara Tika Structure

- Evaluating timing of 3D seismic program on East Swara Tika

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 September 2022

- Pre-commissioning and commissioning activities continue to be on schedule
- All prime equipment vendors are now on site assisting with commissioning
- The ready for start-up audit is presently scheduled to commence on August 22nd
- Production ramp-up expected for 30+ days after first oil and tie-in of 5 previously drilled wells
- Strategy for post-first oil operation and facility upgrades, including:
 - Use of amine system for fuel gas generation
 - Tanker loading



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
- 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. 1H 2022 Highlights

29.7k bopd

Production (gross), increase from 28.9k bopd in 1H 2021

47.6 MMbbl

Cumulative production (gross) as of 30 June 2022

\$164.8 million

1H 2022 Operating Cash Flow

\$178.0 million

Cash payments received in 1H 2022 for oil sales (\$211.7 million Revenue)

\$149.0 million

Total HKN Energy Ltd. Debt (Face Value)

\$292.4 million

Cash plus short-term U.S. Treasury investments as of 30 June 2022 (including restricted cash)

\$115.2 million

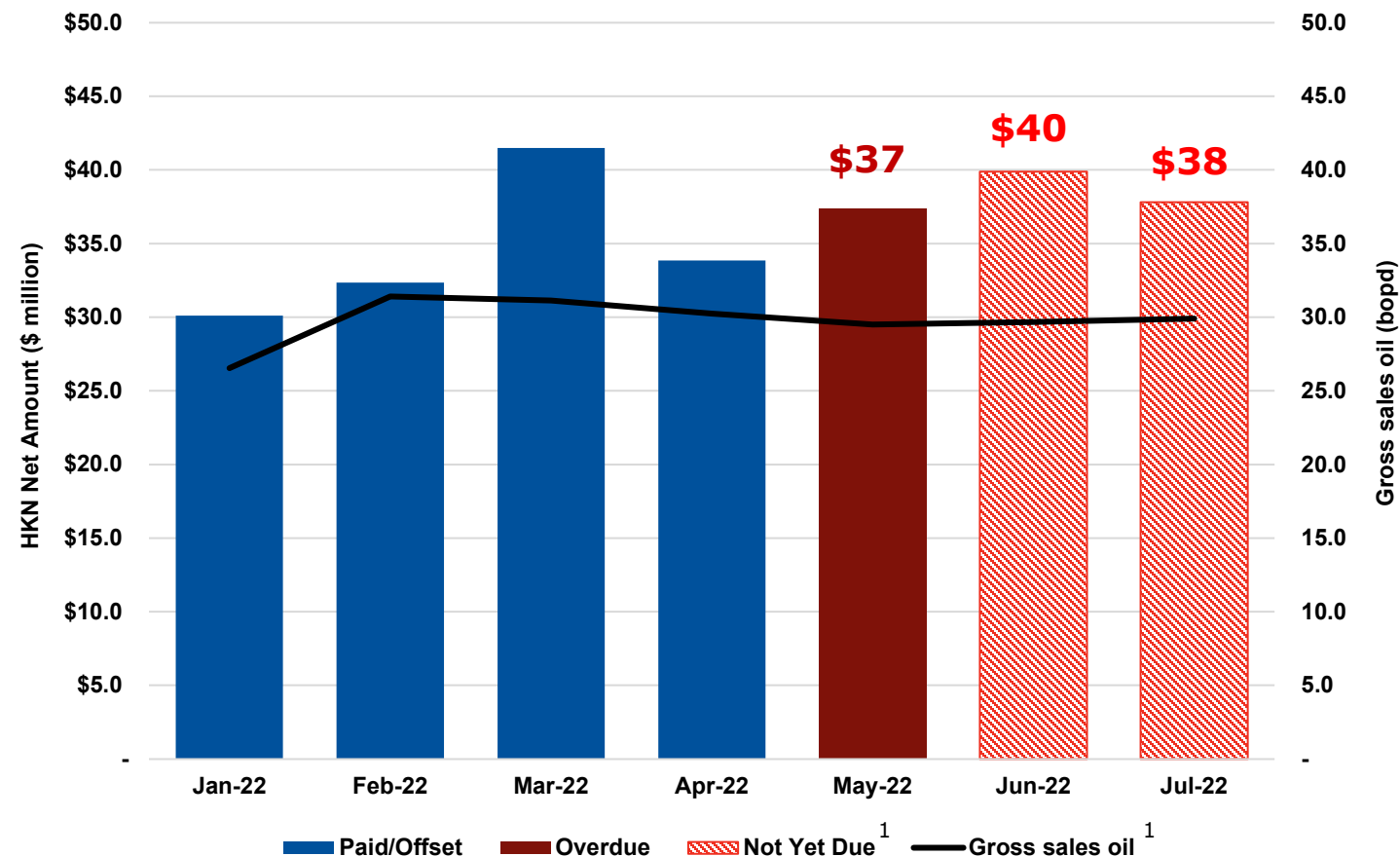
1H 2022 Free Cash Flow, increase from \$45.8 million in 1H 2022

\$489.1 million

Cost recovery balance at 30 June 2022

Oil Sales Payments and Receivables (2022)

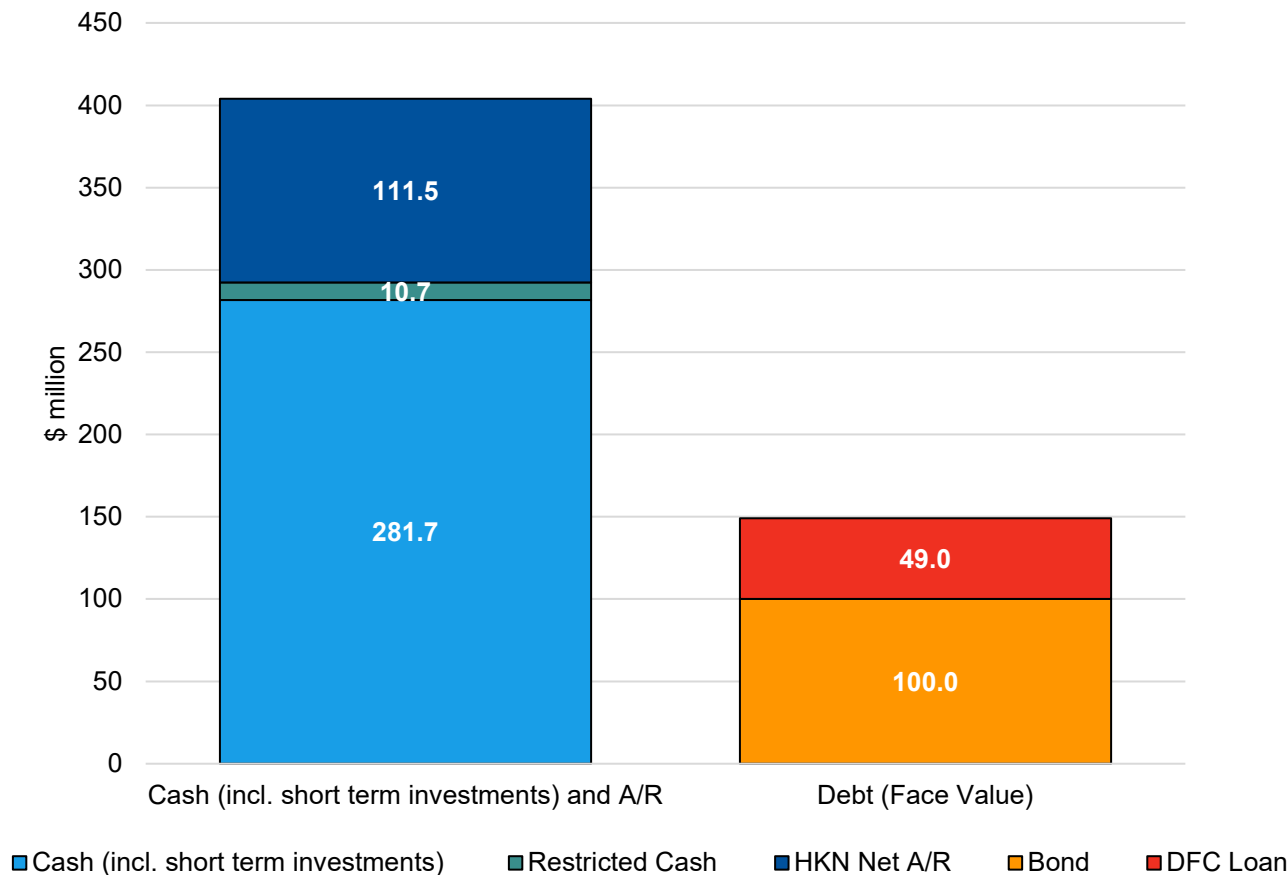
- Oil is sold to the KRG
- During 1H 2022, HKN received payments for oil sales an average of 80 days after invoices. The current Oil Sales Agreement with the KRG has a stated 60-day payment term
- Payments and amounts outstanding include transportation cost owed to HKN by the KRG
- HKN has booked an allowance for Bad Debt Expense of \$9.1 million (net to HKN)



1) 60-day payment terms

Strong Balance Sheet

Cash, A/R, & Debt at 30 June 2022 *(Before August Dividend)*



DFC Loan (\$49 million)

- Matures May 2029
- First amortization payment of \$1.75MM in August 2022
- Blended interest rate of 6.79%

Bond (\$100 million)

- Matures March 2024
- Semi-annual interest payments
- Coupon rate 11%

Dividend of \$150 million declared and paid in August 2022

- HKN Energy Ltd maintained net cash position following payment of dividend
- Dividend paid to HKN Energy III Ltd (\$101.6MM) and HKN Energy II Ltd (\$48.4MM)

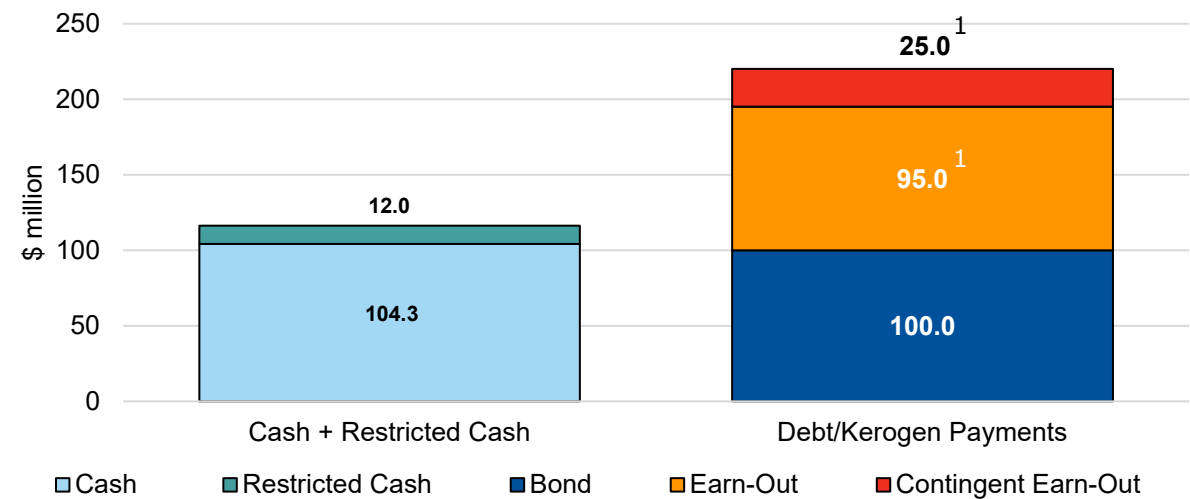
HKN Energy III



HKN Energy III Ltd.



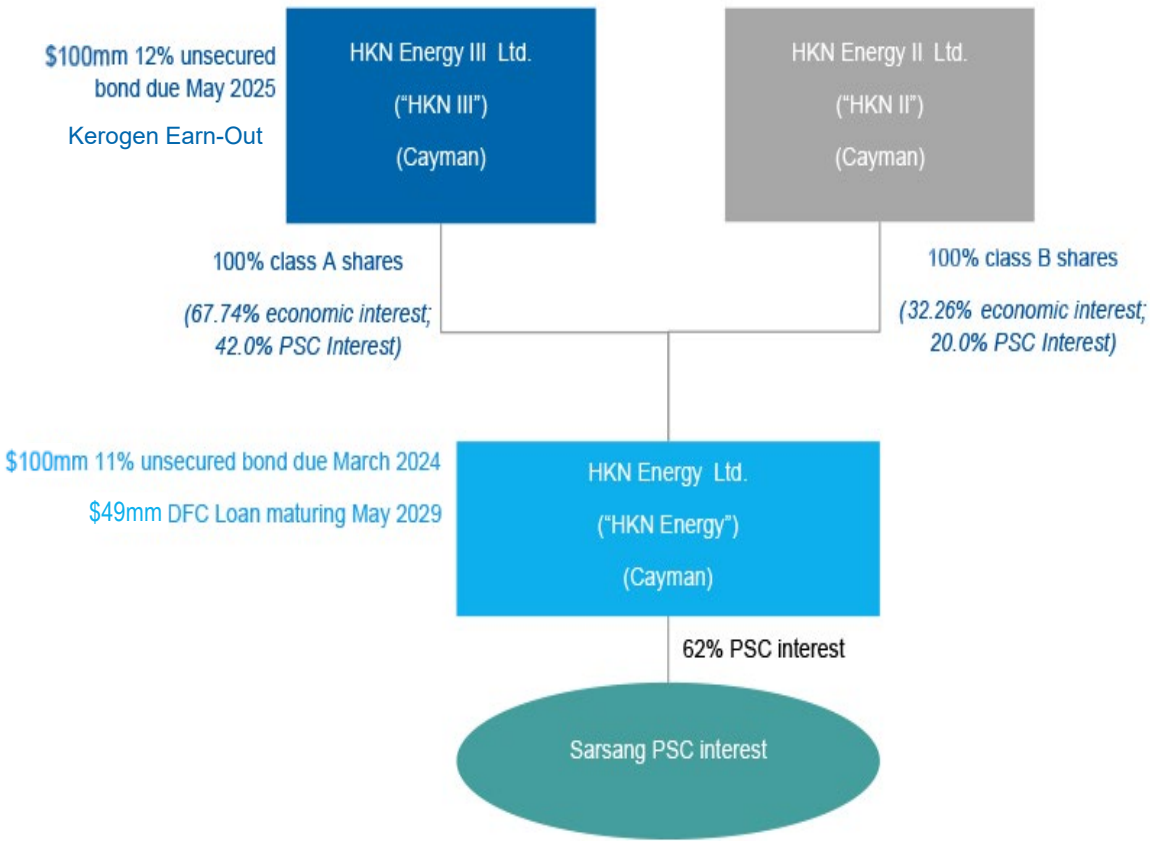
HKN III Balance Sheet Amounts Following August 2022 Dividend



• **Kerogen Payments¹**

- Payments to Kerogen, including any accelerated payments, will be made only if debt service payments are current and DSRA requirements are met
- Payment obligations to Kerogen are contingent on continued receipt of payment from the KRG for oil sales

Simplified Corporate Structure



1. HKN has accrued \$114.5MM of Earn-Out consideration as of 6/30/2022, which is the present value of \$120MM (\$95MM Earn-Out payment + \$25MM contingent payment)

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