



Update on Commissioning of New 25,000 BOPD Production Facility and Changes to Oil Sales Agreement with the Kurdistan Regional Government

26 October 2022

HKN is pleased to announce the commissioning of our 25,000 bopd facility and the commencement of export via pipeline for oil produced from that facility. Production rates from the new wells and facility are expected to exceed 20,000 bopd by the end of October.

In addition, HKN has amended its agreement with the Kurdistan Regional Government (KRG), effective September 1, 2022. The amended agreement sets the price for Sarsang crude at the market price realized by the KRG for the Kurdistan blend (KBT) sold at Ceyhan, Turkey, such price further adjusted for oil quality. In addition, the amendment establishes terms for export via pipeline directly from the Sarsang Block boundary. This will allow for the export of 90% of Sarsang crude entirely through pipelines and significantly reduce the use of trucks for oil transport.

HKN believes KBT is similar in quality to the published Kirkuk Ceyhan blend and that market prices for these blends have suffered in part due to competition with heavily discounted Russian crude. Due to Sarsang's high API and low sulfur relative to KBT, we expect a quality uplift over KBT. For September sales, HKN estimates that using the KBT reference price results in an approximately \$9 reduction in the net realized price for Sarsang crude from the previous pricing structure. We cannot predict with certainty how KBT will price relative to Dated Brent in the coming months.