

# HKN Energy LTD.



January 18, 2022

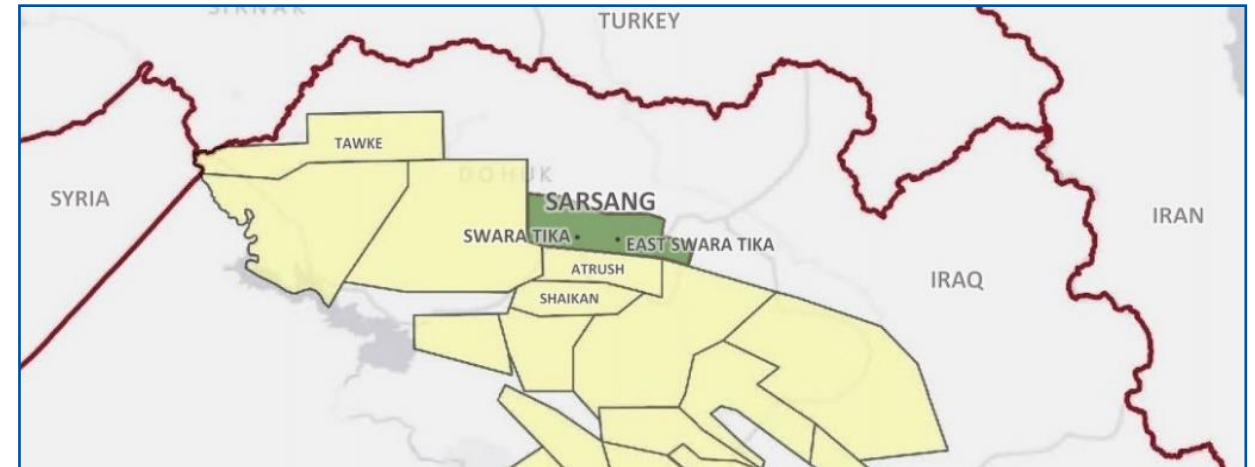
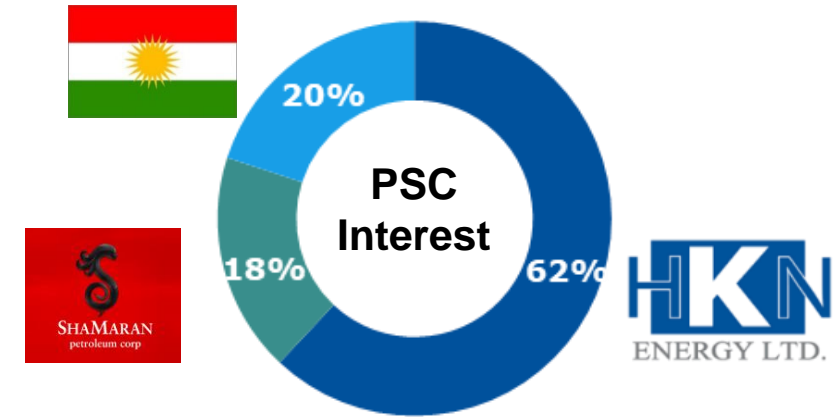
**Corporate Update  
Pareto Conference**

# HKN Energy Ltd. Overview

## A Leading Kurdistan E&P Company

- **PSC Interest:**
  - 62% operated interest in the Sarsang Block of Northern Kurdistan
- **Production & Reserves:**
  - Increasing Triassic production from 11 wells and 3 facilities in the Swara Tika field
  - High quality crude of 37-39 API
  - Over 200 million barrels of gross 2P reserves remaining on block
- **Significant Future Upside:**
  - Development of Triassic in East Swara Tika Field
  - Jurassic reservoir across the Sarsang Block

## Sarsang Block partners and location



# HKN Energy Ltd. 2022 Highlights

**33.1k bopd**

Production (gross), increase from 30.0k bopd in 2021

**54.3 MMbbl**

Cumulative production (gross) as of 31 December 2022

**\$325.2 million**

Cash payments received in 2022 for oil sales (\$409.6 million Revenue)

**\$145.5 million**

Total HKN Energy Ltd. Debt (Face Value)

**\$127.9 million**

Cash plus short-term U.S. Treasury investments as of 31 December 2022 (including restricted cash)

**121 km<sup>2</sup>**

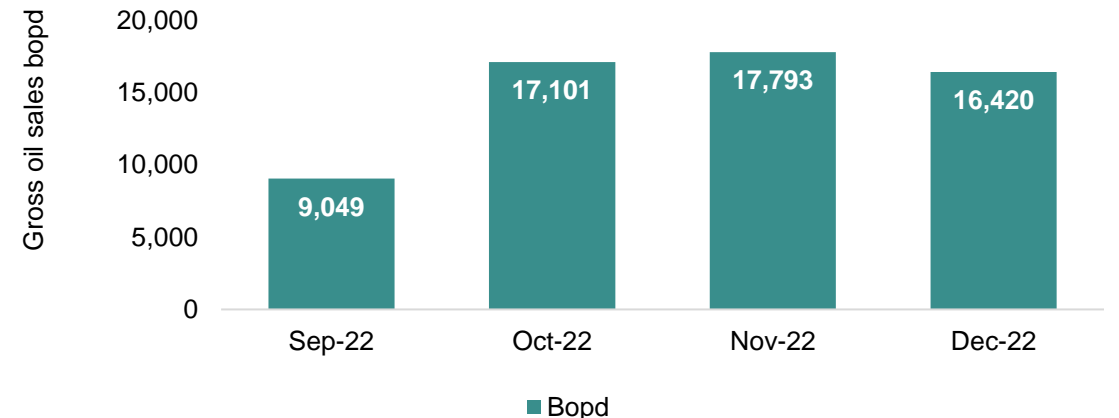
Successfully completed 3D seismic across the western half of Swara Tika

# New Pad B 25k bopd Facility

- **The new 25k bopd facility on Swara Tika achieved first oil in September 2022 and is currently producing approximately 16k bopd**
  - Direct export through pipeline
- **Work on additional facility enhancements continues**
  - Amine system which allows HKN to utilize natural gas as fuel and reduce OPEX - Q1 2023
  - Truck loading to provide export flexibility – Q1 2023
- **Current production short of facility capacity**
  - Lower productivity from 2 wells despite strong reservoir properties
  - Reservoir in 1 well to the west appears less fractured (drilled without benefit of 3D seismic)
- **Planned activities to reach full facility capacity**
  - Tie-in newly drilled ST B-8 well in Q1 2023
  - Cross-functional project to improve productivity from existing wells



## Production Ramp Up – 25k bopd Facility



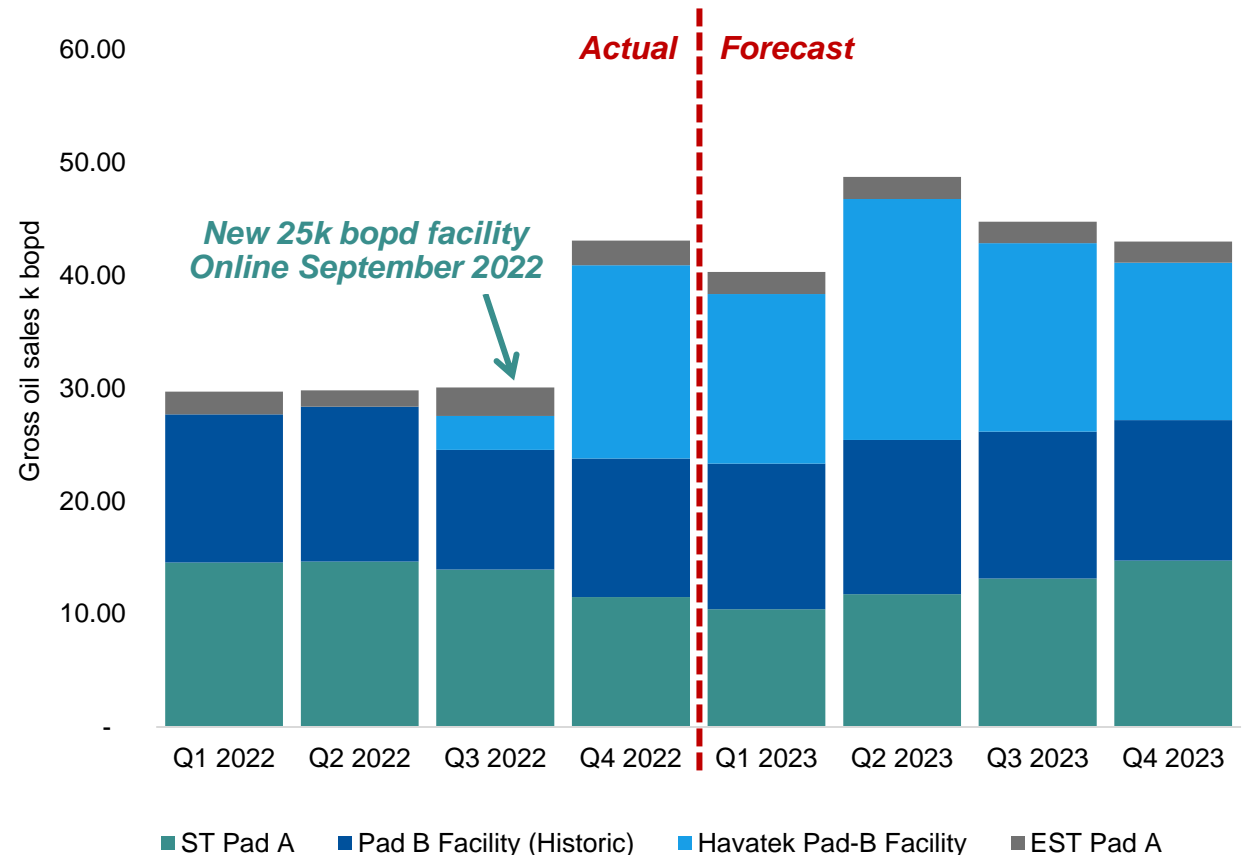
# Sarsang Block Production and Guidance

## Overview

- **Historic Pad B facility production remains strong and consistent at about 14k bopd**
- **Pad A facility production has declined to approximately 10k bopd**
  - Reduced choke on ST-A1 well as trace water production began; facility is unable at present to handle water production
  - ST-A1 not currently producing after a leak developed during well intervention in Q4 2022
  - Mitigation plans include:
    - Spud the ST-A2 well in mid-January and bring on production (late Q2 2023)
    - Add a separator and a disposal well to improve water handling capability (Q3 2023)
    - Remediate ST-A1 well (timing unclear)
- **EST facility production steady at over 2k bopd**

## Sarsang Production by Pad

Production guidance for 2023 lowered to 40-45k bopd (gross)

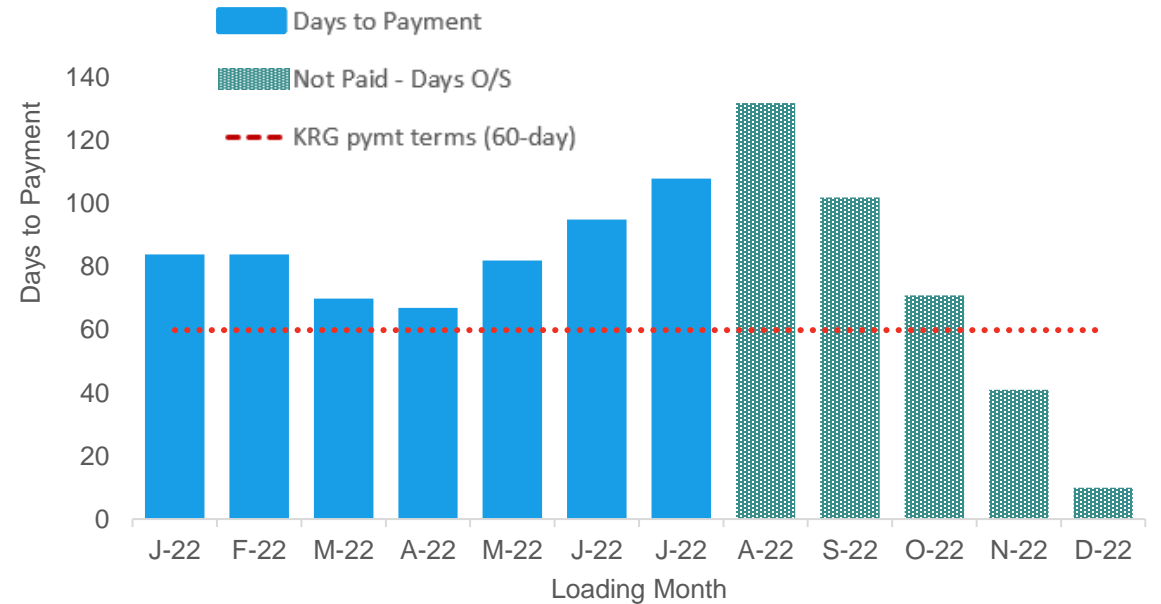


# 2022 Oil Sales and Receivables

## Overview

- **\$168 million in outstanding receivables at year end**
  - \$97 million of which is past due
- **Only 10 payments received in 2022**
- **HKN amended its oil sales agreement with KRG effective September 2022**
  - Oil price now referenced to Kurdistan blend (KBT) rather than dated Brent price
- ***KRG unwillingness to make payments on timely basis is forcing HKN to reconsider development spending in 2023***

## Days to Payment and Detail of Unpaid Receivables



## Recent Price History

Loading Period	Brent Price	Net Realized Price <sup>1</sup>	Differential
January - August 2022	\$107.28	\$98.03	\$9.25
September 2022	\$89.76	\$72.10	\$17.67
October 2022	\$93.33	\$74.24	\$19.09
November 2022	\$91.42	\$71.71	\$19.71
December 2022	\$80.92	\$62.16 <sup>2</sup>	\$18.16 <sup>2</sup>

1. Net of transportation costs  
 2. Preliminary estimates as pricing has not been confirmed

Loading Period	Invoice Amount	Net HKN Amount
Aug-22	\$42,766,607	\$33,144,120
Sep-22	\$33,911,973	\$26,281,779
Oct-22	\$48,490,478	\$37,580,120
Nov-22	\$49,795,294	\$38,591,353
Dec-22	\$41,102,763 <sup>2</sup>	\$31,854,642 <sup>2</sup>

# Value Creation Priorities

## Near-term (2023)

- Optimize production
- All Swara Tika production facilities expected to tie-in to export pipeline by Q3 2023
- Continue debt service and return of capital to investors
- Improve operating efficiency and reduce OPEX at all production facilities
- Manage water treatment and disposal
- Progress development of western half of Swara Tika field (Pad C)



## Mid-term (2024-2026)

- Maintain Swara Tika production plateau by keeping all 3 facilities full
- Advance gas handling solution
- Return capital to debt and equity investors
- Prepare development plan for EST
- Assess Jurassic reservoir



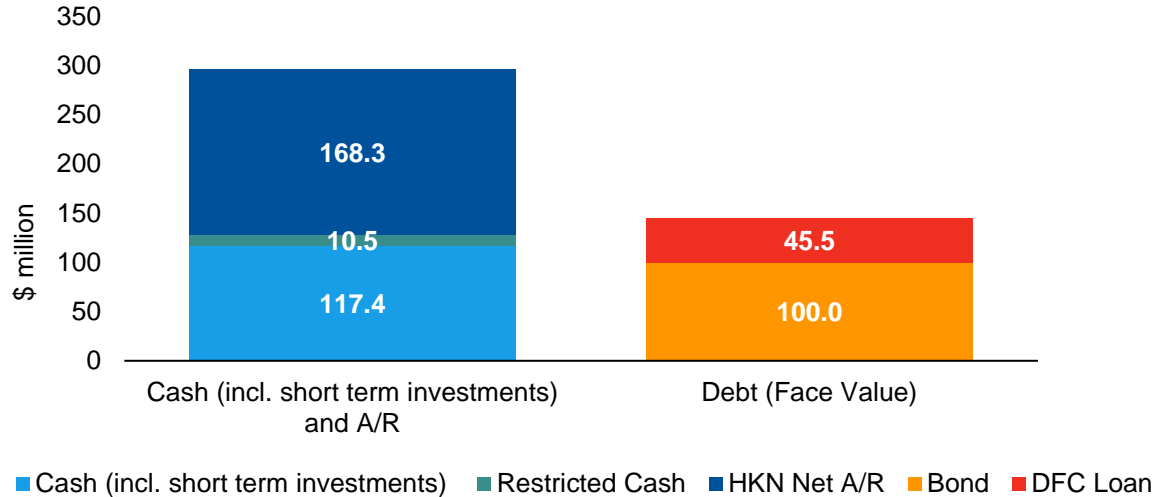
## Long-term (2027+)

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

**Priorities subject to change based on oil sales payments, and political and economic outlook**

# Strong Balance Sheet

## Cash, A/R, & Debt as of 31 December 2022



## Debt Details

- **DFC Loan (\$49 million)**
  - Matures May 2029
  - Amortization payments began in August 2022 (quarterly payments of \$1.75MM thereafter)
  - Blended interest rate of 6.79%
- **Bond (\$100 million)**
  - Matures March 2024
  - Semi-annual interest payments
  - Coupon rate 11%

## Highlights

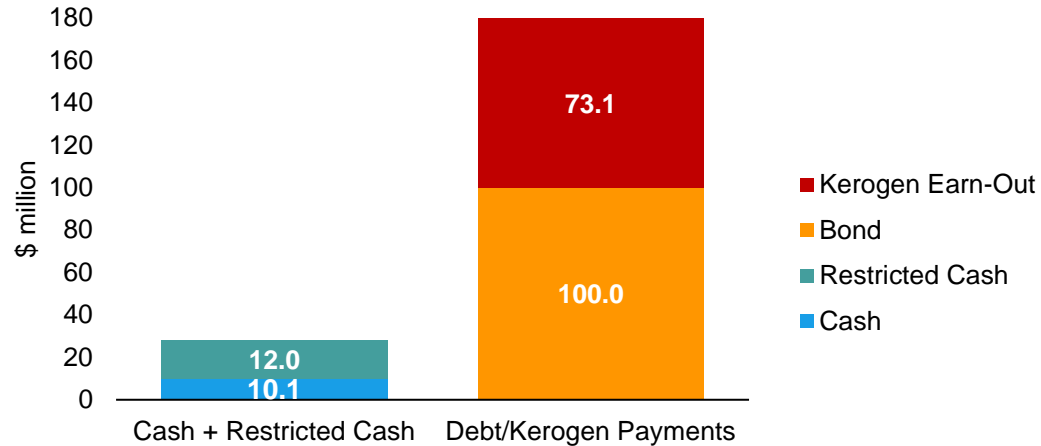
- **Dividends**
  - \$168 million declared and paid in August 2022
    - Dividend paid to HKN Energy III Ltd (\$113.8MM) and HKN Energy II Ltd (\$54.2MM)
  - \$24.8 million declared and paid in November 2022
    - Dividend paid to HKN Energy III Ltd (\$16.8MM) and HKN Energy II Ltd (\$8.0MM)
  - HKN Energy Ltd in a net cash position following payment of dividends
- **CAPEX guidance for 2023 increased slightly to \$95-\$115 million (net to HKN)**



# HKN Energy III



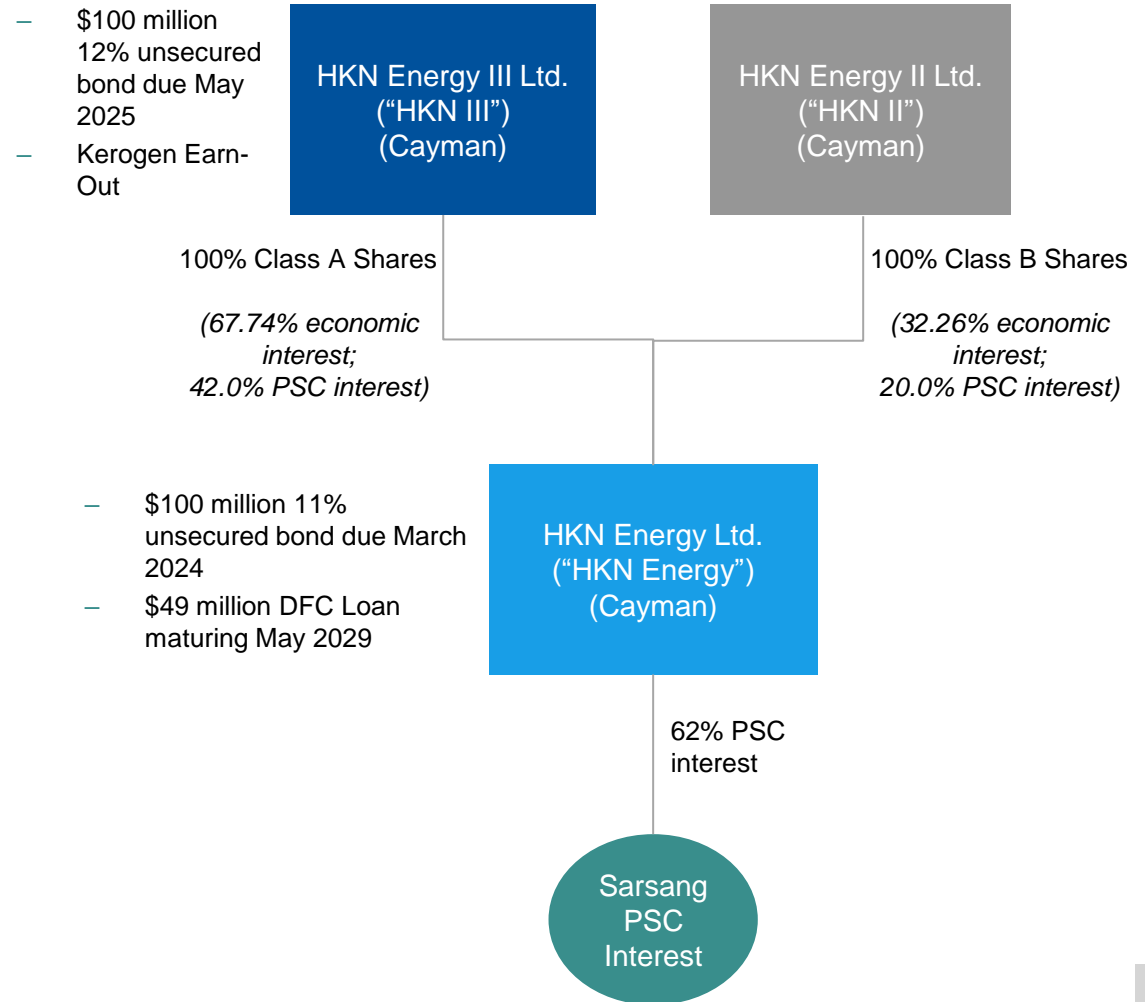
## Cash & Obligations as of 31 December 2022



## Kerogen Payments

- **2022 Payments to Kerogen**
  - \$40.2 million in August 2022
  - \$6.7 million in November 2022
- **2022 Distributions to Shareholders**
  - \$60.3 million in August 2022
  - \$10.0 million in November 2022

## Simplified Corporate Structure



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