

HKN Energy III, Ltd.

Operational & Corporate Update

HKN Energy III, Ltd. (“HKN III”) presents an operating and financial update for the twelve months ended December 31, 2023. HKN III holds an approximately 68% ownership interest in HKN Energy Ltd. (“HKN Energy”), whose principal activity is the exploration, development, and production of oil in the Sarsang Block in northern Kurdistan.

Distributions and Bond Repurchases

- On December 28, 2023, HKN Energy declared a distribution of \$50.0 million. \$40.0 million was paid in December 2023, with the balance paid in January 2024. HKN III received \$33.9 million of the total dividend.
- HKN Energy repurchased and retired HKN Energy Nordic Bonds with a par value of \$30.9 million during August to December 2023. In January 2024, HKN Energy called the remaining \$69.1 million par value of HKN Energy Nordic Bonds.
- HKN III repurchased and retired HKN III Nordic Bonds with a par value of \$4.85 million during December 2023.

Operational and Financial Update

- HKN Energy’s Sarsang gross production during Q4 2023 averaged 38k bopd.
- Due to pressure created by the closure of the Iraq-Turkey pipeline, HKN Energy’s revenue decreased 45.9% for the fourth quarter of 2023 from the comparable period in 2022. The decrease reflects an 11.1% decrease in production and a 39.1% decrease in realized oil price from \$68.96 in Q4 2022 to \$42.00 in Q4 2023.
- For the full year 2023, HKN Energy’s revenue decreased 50.9% compared to 2022. Production decreased by 10.3% and realized oil price decreased by 45.2%.
- HKN Energy’s CAPEX spend was \$52.1 million (net to HKN Energy) in 2023.
- HKN III’s stand-alone cash balance on January 31, 2024, was \$65.0 million, including restricted cash of \$12.2 million. HKN Energy’s cash balance on January 31, 2024, was \$42.1 million, including restricted cash of \$4.8 million.
- HKN Energy continues to sell oil in the domestic market. If current conditions persist, we are targeting production of approximately 30k to 35k bopd during 2024.

Summary of Results – HKN Energy III, Ltd. Consolidated and Unconsolidated ⁽¹⁾

		Q4 2023 (unaudited)	Q4 2022 (unaudited)	12 Months Ended 2023 (unaudited)	12 Months Ended 2022 (unaudited)
HKN Energy III, Ltd. Consolidated:					
Production (gross)	Bopd	38,249	43,038	29,732	33,162
Production (net) ⁽²⁾	Bopd	23,715	26,684	18,434	20,560
Revenue	USDm	\$ 57,490	\$ 106,206	\$ 203,326	\$ 414,001
Operating cash flow	USDm	\$ 46,796	\$ 53,617	\$ 140,019	\$ 276,448
Capex	USDm	\$ (5,802)	\$ (41,916)	\$ (52,113)	\$ (123,887)
Free cash flow ⁽³⁾	USDm	\$ 40,994	\$ 11,701	\$ 87,906	\$ 152,561
Cash (incl. restricted) at 31 December	USDm	\$ 152,836	\$ 143,901	\$ 152,836	\$ 143,901
Short Term Investments at 31 December	USDm	\$ -	\$ 6,667	\$ -	\$ 6,667
Restricted cash at 31 December	USDm	\$ 20,805	\$ 22,595	\$ 20,805	\$ 22,595
Debt at 31 December ⁽⁴⁾	USDm	\$ 202,750	\$ 245,500	\$ 202,750	\$ 245,500
HKN Energy III, Ltd. Unconsolidated:					
Cash (incl. restricted) at 31 December	USDm	\$ 58,034	\$ 22,159	\$ 58,034	\$ 22,159
Restricted cash at 31 December	USDm	\$ 12,166	\$ 12,046	\$ 12,166	\$ 12,046
Debt at 31 December ⁽⁴⁾	USDm	\$ 95,150	\$ 100,000	\$ 95,150	\$ 100,000

Notes:

- (1) For legal organizational chart please refer to <https://www.hknenergy.com/investors/legal-organizational-chart/>
- (2) Net based on HKN Energy's 62% PSC interest in the Sarsang Block.
- (3) 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 and excludes the purchase of short-term investments.
- (4) Face value of debt.

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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.

