

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name HKN Inc.		2 Issuer's employer identification number (EIN) 95-2841597	
3 Name of contact for additional information Sarah Gasch	4 Telephone No. of contact (817) 424-2424	5 Email address of contact investorrelations@hkninc.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 180 State Street Suite 200		7 City, town, or post office, state, and Zip code of contact Southlake, TX 76092	
8 Date of action October 31, 2012		9 Classification and description Reverse Split of Common Stock	
10 CUSIP number 40420K707	11 Serial number(s) Various	12 Ticker symbol HKNI	13 Account number(s)

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ **On October 31, 2012, the Company completed a 1 for 40 reverse stock split of its Common Stock.**

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ **As a result of the reverse stock split, each shareholder's overall basis in common stock will remain unchanged, however, the number of shares will be reduced by a factor of 40:1. This reduction in shares will adjust the amount of basis attributable to each share.**

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ **The old basis of each 40 shares of common stock should be aggregated. The aggregate amount of basis from each 40 shares represents the shareholders adjusted basis in each single share of remaining stock.**

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ IRC Sec 368(a)(1)(E)

18 Can any resulting loss be recognized? ▶ N/A

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ The net effect is no change in cost basis for shareholders holding the Company's stock pre-and-post of the reverse stock split.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here
Signature ▶  Date ▶ 1/11/13
Print your name ▶ Sarah B. Gasch Title ▶ Chief Financial Officer

Paid Preparer Use Only	Print/Type preparer's name <u>Gary W. Duncan</u>	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN <u>P00296525</u>
	Firm's name ▶ <u>Duncan & Associates, PC</u>			Firm's EIN ▶ <u>On Request</u>	
	Firm's address ▶ <u>6902 Wandering Way, Colleyville TX 76034</u>			Phone no. <u>On Request</u>	