

Forza Petroleum Q3 2021 Financial and Operational Results and 2022 Capital Budget

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Forza Petroleum achieves fifth consecutive quarterly profit; expects to complete three additional wells before year-end

Calgary, November 10, 2021 - [Forza Petroleum Ltd.](#) (TSX: FORZ) ("Forza Petroleum" or the "Corporation") today announces its financial and operational results for the three and nine months ended September 30, 2021. All dollar amounts set forth in this news release are in United States dollars.

Financial Highlights:

- Revenue of \$48.7 million for Q3 2021, consisting of an average realized sales price of \$56.81/barrel of oil ("bbl") on working interest oil sales of 718,500 bbl and \$7.9 million in recovery of carried costs
- The Corporation has received full payment in accordance with production sharing contract entitlements for all oil sales into the Kurdistan Oil Export Pipeline through August 2021, including full recovery of previously deferred receivables relating to November 2019 through February 2020 oil sales
- Field production costs, representing the Corporation's working interest share of operating expenses, of \$4.7 million (\$6.57/bbl) for Q3 2021 versus \$4.6 million (\$6.57/bbl) for Q3 2020
- Field production costs per bbl are flat versus the comparable period as a 3% increase in production volumes was offset by a 3% increase in absolute costs
- Profit of \$7.6 million (\$0.01 per common share) in Q3 2021 versus profit of \$30.1 million in Q3 2020 (\$0.05 per common share) which result was boosted by a one-time gain of \$26.9 million recorded on the settlement of a loan facility
- Net cash generated from operating activities was \$13.9 million in Q3 2021 versus \$3.6 million in Q3 2020
- Net cash used in investing activities during Q3 2021 was \$7.7 million, including payments related to drilling and facilities work in the Hawler license area, versus \$3.3 million in Q3 2020
- \$19.5 million of cash and cash equivalents as of September 30, 2021

Operations Update:

- Average gross (100%) oil production of 12,000 bbl/d (working interest 7,800 bbl/d) in Q3 2021, down marginally versus Q2 2021 as a result of shut-ins at the Zey Gawra field during July 2021 to replace leased processing facilities with lower cost facilities and anticipated declines in oil production rates at the Zey Gawra field
- Although the Banan-8 and Zey Gawra-6 wells, completed in May 2021 and August 2021, respectively, contributed incremental production during the third quarter, efforts continue to optimize production from the two wells
- A horizontal sidetrack of the previously drilled Demir Dagh-2 well targeting the Cretaceous reservoir was completed in September 2021 and is now the second most prolific producer in the Hawler license area, contributing approximately 2,000 bbl/d to gross (100%) export volume

- The Corporation mobilized a second drilling rig and, during September 2021, both a Demir Dagh well targeting the Cretaceous reservoir and a Zey Gawra well targeting the Tertiary reservoir were spudded, representing the fifth and sixth wells of an active year for the Corporation
- Equipment was mobilized in October 2021 to begin construction of the gathering system to serve the western flank of the Hawler license area
- The worldwide outbreak of the COVID-19 virus, including within Iraq, has not significantly impacted operations. The Corporation has taken precautions to protect its employees and contractors but does not at this time expect that the virus outbreak will restrict operations

Q4 2021 Forecasted Capital Expenditures:

- Forza Petroleum forecasts \$48 million of capital expenditure for 2021, down from \$62 million forecast on August 10, 2021, resulting from lower than estimated drilling costs, delays in construction of the West Hawler gathering system, and unscheduled well interventions delaying certain planned activity
- For the balance of 2021, the Corporation plans to complete the Demir Dagh-12 and Zey Gawra-7 wells that are currently being drilled, to spud and complete the first well in the Demir Dagh Tertiary reservoir, to complete a workover on the Zey Gawra-6 well completed earlier in the year, and to spud a well targeting the Tertiary reservoir of the Zey Gawra field
- The Corporation also plans to complete the installation of the river crossing portion of the West Hawler gathering system flowlines and to undertake other minor facilities and maintenance projects

2022 Budgeted Capital Expenditures:

Forza Petroleum budgeted capital expenditures for 2022 are \$81 million and dedicated exclusively to the Hawler license area. Planned investments include:

- 11 wells including, in no particular order, completion of the Zey Gawra Tertiary well to be spudded in December 2021 and a second well targeting the Zey Gawra Tertiary reservoir, a Zey Gawra Cretaceous well, a well targeting the Cretaceous reservoir in a previously undrilled structure west of the currently developed Zey Gawra field, two side tracks of existing wells targeting the Demir Dagh Cretaceous reservoir, three additional wells targeting the Demir Dagh Cretaceous reservoir, the completion of the Ain Al Safra-2 well that was suspended prior to testing the Triassic reservoir due to the invasion of ISIS in 2014, and a well targeting the Cretaceous reservoir of the Banan field east of the Great Zab river;
- processing facilities and pipelines connecting each of the Banan field and the Zey Gawra field to the Hawler production facilities at the Demir Dagh field; and
- pads, flowlines and infrastructure modifications needed to accommodate incremental drilling and production and to reduce operating costs.

Liquidity Outlook:

- The Corporation expects cash on hand as of September 30, 2021 and cash receipts from net revenues from export sales exclusively through the Kurdistan Oil Export Pipeline to fund its forecasted capital expenditures and operating and administrative costs through the end of December 2022.

CEO's Comment

Commenting today, Forza Petroleum's Chief Executive Officer, Vance Querio, stated:

"Another quarter of record revenue bolsters our earlier decision to contract a second drilling rig and to accelerate investment in the Hawler license area. We anticipate completing another three wells and increasing production over current rates before the end of the year.

Production rate gains are also anticipated from wells completed earlier this year as well interventions are

completed and facilities are optimized to support these wells. The success of the Demir Dagh-2 side track, completed in September, gives us renewed confidence in the potential of the Demir Dagh Cretaceous reservoir, where we have our largest volume of proved plus probable (2P) oil reserves, which will continue to be a focus of our investment plans for 2022.

We have budgeted \$81 million of capital expenditure for 2022 exclusively for the Hawler license area. The drilling or completion of eleven wells are planned, including completion of the Ain Al Safra-2 well in the Triassic reservoir and a well targeting an undrilled segment of the Zey Gawra field. We forecast that cash generated from operating activities will be sufficient to fund our most aggressive work program since 2015.

I would like to acknowledge the unsurpassed commitment and efforts of our staff and the support of our board of directors and the Ministry of Natural Resources of the Kurdistan Region of Iraq, without which our ambitious plans could not be achieved. With our success in 2021 as a foundation we expect to produce more oil and generate more revenue in 2022 than ever before."

Selected Financial Results

Financial results are prepared in accordance with International Financial Reporting Standards ("IFRS") and the reporting currency is US dollars. References in this news release to the "Group" refer to Forza Petroleum and its subsidiaries. The following table summarizes selected financial highlights for Forza Petroleum for the three- and nine-month periods ended September 30, 2021 and September 30, 2020, as well as the year ended December 31, 2020.

	Three Months Ended September 30		Nine Months Ended September 30		Year Ended December 31
(\$ in millions unless otherwise indicated)	2021	2020	2021	2020	2020
Revenue	48.7	22.0	130.1	58.1	82.0
Working Interest (WI) Production (bbl)	717,200	702,000	2,123,400	1,783,000	2,511,500
Average WI Production per day (bbl/d)	7,800	7,600	7,800	6,500	6,900
Working Interest Oil Sales (bbl)	718,500	698,900	2,123,000	1,783,200	2,512,100
Average Realized Sales Price (\$/bbl)	56.81	26.35	51.34	28.55	28.23
Operating Expense	7.3	7.1	20.7	18.3	24.8
Field Production Costs (\$/bbl) ⁽¹⁾	6.57	6.57	6.35	7.38	6.93
Operating expenses (\$/bbl)	10.10	10.11	9.77	10.25	9.87
Profit (Loss)	7.6	30.1	33.1	(223.3)	(108.7)
Basic and Diluted Earnings / (Loss) per Share (\$/sh)	0.01	0.05	0.06	(0.40)	(0.19)
Net Cash generated from Operating Activities	13.9	3.6	29.8	13.5	22.1
Net Cash used in Investing Activities	(7.7)	(3.3)	(18.5)	(12.4)	(18.8)
Capital Expenditure ⁽²⁾	10.0	2.0	25.3	6.7	18.1
Cash and Cash Equivalents	19.5	11.0	19.5	11.0	13.2
Total Assets	605.8	491.0	605.8	491.0	605.4
Total Liabilities	115.8	149.2	115.8	149.2	149.0
Total Equity	489.9	341.8	489.9	341.8	456.4

(1) Field production costs represent Forza Petroleum's working interest share of gross production costs and exclude the partner share of production costs carried by Forza Petroleum.

(2) Excludes non-cash additions / (credits) relating to the change in estimates used to calculate the decommissioning obligation.

- Revenue increased to \$48.7 million in Q3 2021 versus \$22.0 million in Q3 2020. Revenue from oil sales increased \$22.4 million due primarily to a 116% increase in realized average oil sales prices and a 3% increase in oil sales volumes. Gross (working interest) sales of oil in Q3 2021 were 718,500 barrels versus 698,900 barrels for Q3 2020. Sales volumes for the earlier period were impacted by the continuation of a temporary shut-in of Banan field production for the first ten days of July 2020. The average oil sales price realized in Q3 2021 was \$56.81 per barrel versus \$26.35 for Q3 2020. In addition to oil sales, revenue for Q3 2021 includes the recovery of \$7.9 million of carried costs.

- Operating expense, which includes the Corporation's carry of partner costs, increased to \$7.3 million in Q3 2021 versus \$7.1 million in Q3 2020. Some savings accrued during the earlier period from the continuation of a temporary shut-in of Banan field production. Operating expenses on a per barrel basis were flat in Q3 2021 versus Q3 2020. A 3% increase in operating expense was offset by a 3% increase in sales volumes.
- General and administration expense decreased to \$1.5 million in Q3 2021 versus \$3.4 million in Q3 2020 due primarily to lower personnel costs resulting from corporate restructuring activity during 2020. Of this general and administration expense, 54% is forecast to be cost recoverable from the Corporation's oil and gas operations.
- Profit for the three months ended September 30, 2021 was \$7.6 million compared to \$30.1 million for Q3 2020. Profit for the three months ended September 30, 2020 includes a one-time gain of \$26.9 million recorded upon settlement of a loan facility.
- Sales volumes were 3% higher in Q3 2021 versus Q3 2020 due primarily to incremental production from new wells offset by the continuation of a temporary shut-in of Banan field production for the first ten days of July 2020 and anticipated declines at the Zey Gawra field, and 2% lower versus Q2 2021 as a result of anticipated declines at the Zey Gawra field and periodic shut-in of recently completed wells to undertake interventions and optimize production.
- Cash generated from operating activities was \$13.9 million in Q3 2021 compared to \$3.6 million in Q3 2020. The increase mainly relates to higher crude oil sales revenue received during the period, partially offset by an increase in cash payments to settle operating trade and other payables.
- Cash used in investing activities was \$7.7 million in Q3 2021 compared to \$3.3 million in Q3 2020 when activity was restricted because of global and industry uncertainty.
- Capital expenditures in Q3 2021, which excludes non-cash adjustments to decommissioning obligations, totalled \$10.0 million compared to \$2.0 million in Q3 2020. In Q3 2021, \$9.0 million was invested in drilling activities in the Hawler license area at the Demir Dag and Zey Gawra fields. Q3 2021 capital expenditures also included \$0.7 million of facilities expenditures and \$0.3 million of directly attributable support costs.
- Cash and cash equivalents increased to \$19.5 million at September 30, 2021 from \$18.2 million at June 30, 2021 reflecting \$13.9 million generated from operating activities partially offset by \$7.7 million used in investing activities and the \$5 million repayment of the credit facility with Zeg Oil and Gas Limited.
- The Corporation is obligated to make further payments to the vendor of the Hawler license area contingent upon declaration of a second commercial discovery in the Hawler license area.

- In the event the contingent obligation is triggered, a lump-sum payment of \$66.0 million plus accrued interest would be payable. The estimated fair value of the contingent consideration as at September 30, 2021 was \$68.6 million. As at September 30, 2021, the total balance of principal and accrued interest potentially owed under the contingent consideration obligation was \$76.2 million.

- On July 9, 2021, Forza Petroleum entered into an agreement with the vendor of the Hawler license area which established that no contingent consideration would become due as a result of a second commercial discovery prior to March 31, 2023. The forbearance agreement contemplates that the parties will undertake reasonable best efforts to negotiate a settlement of the outstanding contingent consideration obligation.

- As at November 10, 2021, there are outstanding: (i) 584,976,202 common shares, (ii) unvested Long Term Incentive Plan awards which are expected to result in the issuance of up to an additional 20,742,033 common shares upon vesting, and (iii) 39,281,804 warrants that were issued in prior years in connection with amendments to a previous loan agreement that was fully settled in 2020.

Regulatory Filings

This announcement coincides with the filing with the Canadian securities regulatory authorities of Forza Petroleum's audited condensed consolidated financial statements for the three and nine months ended September 30, 2021 and the related management's discussion and analysis thereon. Copies of these documents filed by Forza Petroleum may be obtained via www.sedar.com and the Corporation's website, www.forzapedroleum.com.

ABOUT FORZA PETROLEUM LIMITED

[Forza Petroleum Ltd.](#) is an international oil exploration, development and production company. The Corporation's shares are listed on the Toronto Stock Exchange and trade under the symbol "FORZ." Forza Petroleum has a 65% working interest in and operates the Hawler license area in the Kurdistan Region of Iraq, which has yielded oil discoveries in four areas, three of which are contributing to production while appraisal and development activity continues. Further information about Forza Petroleum is available at www.forzapetroleum.com or under Forza Petroleum's profile at www.sedar.com.

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Reader Advisory Regarding Forward-Looking Information

Certain statements in this news release constitute "forward-looking information", including statements related to forecast and budgeted work program and capital expenditure, drilling and well workover plans, development plans and schedules and chance of success, future drilling of wells and the reservoirs to be targeted, future facilities work, ultimate recoverability of current and long-term assets, possible commerciality of our projects, future expenditures and sources of financing for such expenditures, expectations that cash on hand as of September 30, 2021 and cash receipts from net revenues from export sales exclusively through the Kurdistan Oil Export Pipeline will fund the Corporation's forecasted capital expenditures and operating and administrative costs through the end of December 2022, expectations regarding future revenue and production, the issuance of shares as a result of the vesting of Long Term Incentive Plan awards and the exercise of warrants, future requirements for additional funding, expectations that the COVID-19 virus outbreak will not restrict operations, estimates for the fair value of the contingent consideration arising from the acquisition of OP Hawler Kurdistan Limited in 2011, the expected timing for settlement of liabilities including the contingent consideration arising from the acquisition of OP Hawler Kurdistan Limited in 2011, and statements that contain words such as "may", "will", "could", "should", "anticipate", "believe", "intend", "expect", "plan", "estimate", "potentially", "project", or the negative of such expressions and statements relating to matters that are not historical fact, constitute forward-looking information within the meaning of applicable Canadian securities legislation.

Although Forza Petroleum believes these statements to be reasonable, the assumptions upon which they are based may prove to be incorrect. For more information about these assumptions and risks facing the Corporation, refer to the Corporation's Annual Information Form dated March 23, 2021 available at www.sedar.com and the Corporation's website at www.forzapetroleum.com. Further, statements including forward-looking information in this news release are made as at the date they are given and, except as required by applicable law, Forza Petroleum does not intend, and does not assume any obligation, to update any forward-looking information, whether because of new information, future events or otherwise. If the Corporation does update one or more statements containing forward-looking information, it is not obligated to, and no inference should be drawn that it will make additional updates with respect thereto or with respect to other forward-looking information. The forward-looking information contained in this news release is expressly qualified by this cautionary statement.

Reader Advisory Regarding Certain Figures

Unless provided otherwise, all production and capacity figures and volumes cited in this news release are gross (100%) values, indicating that figures (i) have not been adjusted for deductions specified in the production sharing contract applicable to the Hawler license area, and (ii) are attributed to the license area as a whole and do not represent Forza Petroleum's working interest in such production, capacity or volumes.

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