

Forza Petroleum Q1 2022 Financial and Operational Results

14.05.2022 | [Newsfile](#)

Forza Petroleum achieves another record quarter posting its highest oil sales volumes and revenue in company history

Calgary, May 13, 2022 - [Forza Petroleum Ltd.](#) (TSX: FORZ) ("Forza Petroleum" or the "Corporation") today announces its financial and operational results for the three months ended March 31, 2022. All dollar amounts set forth in this news release are in United States dollars.

Financial Highlights:

- Revenue of \$82.4 million for Q1 2022, consisting of an average realized sales price of \$81.07/barrel of oil ("bbl") on working interest sales of 851,000 bbl and \$13.4 million in recovery of carried costs
 - The Corporation has received full payment in accordance with production sharing contract entitlements for all oil sales to the Kurdistan Regional Government through January 2022
- Field operating costs, representing the Corporation's working interest share of operating expenses, of \$5.6 million (\$6.64/bbl) for Q1 2022 versus \$4.0 million (\$5.89/bbl) for Q1 2021
 - Field operating costs per bbl are up 13% versus the comparable period as a result of increased costs for security and diesel, partially offset by higher production
- Profit of \$22.2 million (\$0.04 per common share) in Q1 2022 versus profit of \$21.2 million in Q1 2021 (\$0.04 per common share)
 - Profit in Q1 2021 included a one-time gain of \$15.7 million on the deconsolidation of a subsidiary
- Net cash generated from operating activities was \$12.6 million in Q1 2022 versus \$4.2 million in Q1 2021
- Net cash used in investing activities during Q1 2022 was \$20.6 million, including payments related to drilling and facilities work in the Hawler license area, versus \$7.2 million in Q1 2021
- \$16.6 million of cash and cash equivalents as of March 31, 2022

Operations Update:

- Average gross (100%) oil production of 14,600 bbl/d (working interest 9,500 bbl/d) in Q1 2022
- Average gross (100%) oil production of 15,100 bbl/d (working interest 9,800 bbl/d) for April 2022
- Three wells were drilled and completed during the first quarter of 2022. The Demir Dagh-10H and Zey Gawra-9H wells are on production and completion of the Demir Dagh-3H well has been suspended temporarily while on-going fluid and rock compatibility studies are completed.
- The Demir Dagh-14 well targeting the Cretaceous reservoir of the Demir Dagh field was spudded on March 22, 2022 and total-depth of the pilot hole was reached on May 9, 2022. Drilling operations are somewhat behind schedule but the Corporation expects to complete the well later this month and turn it over to production in early June. A second drilling rig under contract with the Corporation has been demobilized from the Hawler license area for maintenance, inspection and recertification.
- The worldwide outbreak of the COVID-19 virus, including within Iraq, has not directly impacted the Corporation's operations and all extraordinary procedures and restrictions implemented by the Corporation to limit the risk of infection and illness among staff have been discontinued.

2022 Forecasted Work Program:

- Forza Petroleum forecasts \$72 million of capital expenditure for 2022, down from \$81 million budgeted, resulting from the delay of certain activity into 2023 and decreased estimated costs for the pipeline connecting the Zey Gawra field to the Hawler production facilities at the Demir Dagh field
- The Corporation continues to pursue the major elements of its 2022 work program including further development of the Demir Dagh Cretaceous reservoir with the drilling of the Demir Dagh-14 well, drilling one more new well targeting the Cretaceous reservoir, and side tracking and recompleting the existing Demir Dagh-9 well. Additional work in the program includes the completion of the Ain al Safra-2 well, drilling one new well in each of the Tertiary and Cretaceous reservoirs of the Zey Gawra field, conversion of an abandoned Zey Gawra well into a water disposal well, and spudding a well to appraise the potential of both the Tertiary and Cretaceous reservoirs in an undrilled structure west of the developed Zey Gawra field. The Corporation also intends to redrill the horizontal drain of the temporarily abandoned Zey Gawra-6 well in the Cretaceous reservoir.
- Installation of 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 has been delayed by supply chain issues in acquiring the necessary line pipe

Liquidity Outlook:

- The Corporation expects cash on hand as of March 31, 2022 and cash receipts from net revenues from sales, exclusively made to the Kurdistan Regional Government at the tie-in to the Kurdistan Oil Export Pipeline, will fund its forecasted capital expenditures and operating and administrative costs through the end of June 2023 and fund the \$76.2 million in deferred purchase consideration that falls due in 2023 in connection with the original acquisition of the Hawler license area.

CEO's Comment

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

"We are extremely proud of our achievement in steadily increasing our production capacity over the past several years and we have produced more than 14,700 barrels per day on average since the beginning of 2022. As a result of this production, combined with the highest oil sales prices in more than seven years, Forza Petroleum posted a record \$82.4 million of revenue for Q1 2022.

The execution of our work program proceeded according to plan during the first quarter of this year although some of the wells completed are not yet as productive as we had forecast, either because of unexpected geological circumstances or unanticipated complications with our completions. We are working to resolve these issues through revised completion procedures and relocation of horizontal drains in some reservoirs.

We continue to pursue a program that includes the completion of ten producing wells and the spudding of an eleventh well in 2022, as budgeted, but periodically adjust plans to align with available resources. Our program has incurred some relatively minor delay recently due to drilling issues in the Demir Dagh-14 pilot hole and we are not immune to the impediments caused by shortages of both services and materials that routinely occur in the oil and gas industry in the aftermath of rapidly increasing crude oil prices, exacerbated this time around by the lingering effects of COVID-19, especially in China, and the conflict in Ukraine.

We recognize that it will be challenging for us to maintain the aggressive schedule of development activities that we embarked on at the beginning of this year, but our robust cash flow will allow us to pursue our program at whatever pace is otherwise achievable. We look forward to delivering more oil to the Kurdistan Regional Government and more value to our shareholders during the remainder of 2022."

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-month periods ended March 31, 2022 and March 31, 2021, as well as the year ended December 31, 2021.

(\$ in millions unless otherwise indicated)	Three Months Ended March 31		Year Ended December 31
	2022	2021	2021
Revenue	82.4	35.7	187.8
Working Interest Production (bbl)	852,600	675,400	2,886,600
Average WI Production per day (bbl/d)	9,500	7,500	7,900
Working Interest Oil Sales (bbl)	851,000	673,400	2,885,300
Average Realized Sales Price (\$/bbl)	81.07	44.44	54.52
Operating Expense	8.7	6.1	30.1
Operating Expense (\$/bbl)	10.21	9.06	10.42
Field Operating Costs (\$/bbl) ⁽¹⁾	6.64	5.89	6.78
Profit	22.2	21.2	10.3
Basic and Diluted Earnings per Share (\$/sh)	0.04	0.04	0.02
Net Cash generated from Operating Activities	12.6	4.2	51.2
Net Cash used in Investing Activities	(20.6) (7.2) (34.7
Capital Additions ⁽²⁾	19.1	7.0	45.8
Cash and Cash Equivalents	16.6	10.2	24.7
Total Assets	612.5	604.5	587.7
Total Liabilities	123.2	126.8	120.9
Total Equity	489.9	477.7	466.8

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

(2) Excludes non-cash additions / (credits) to the decommissioning obligation due to changes in estimates and drilling activity during the period.

- Revenue increased to \$82.4 million in Q1 2022 versus \$35.7 million in Q1 2021 due to an 82% increase in average oil sales prices and a 26% increase in oil sales volumes. Gross (working interest) production and sales of oil in Q1 2022 were 852,600 barrels and 851,000 barrels, respectively, versus 675,400 barrels and 673,400 barrels, respectively, for Q1 2021. The average oil sales price realized in Q1 2022 was \$81.07 per barrel versus \$44.44 for Q1 2021. In addition to oil sales, revenue includes the recovery of carried costs.
- Operating expense, which includes the Corporation's carry of partner costs, increased 42% to \$8.7 million in Q1 2022 versus \$6.1 million in Q1 2021 due primarily to increased security and diesel costs. The increased security costs were due to a higher rate in the first quarter of 2022, compared to a temporarily reduced rate in the first quarter of 2021. Diesel costs have increased due to both higher costs and increased activity during the three months ended March 31, 2022. Operating expenses on a per barrel basis increased in Q1 2022 versus Q1 2021 as operating expense increased 42% but was partially offset by a 26% increase in sales volumes.
- General and administration expense increased to \$1.7 million in Q1 2022 versus \$1.1 million in Q1 2021 due primarily to higher performance related bonuses paid in Q1 2022 than were previously accrued. Of this general and administration expense, 43% is cost recoverable from the Corporation's oil and gas operations.

- Profit for the three months ended March 31, 2021 was \$22.2 million compared to \$21.2 million in Q1 2021. The improved result is primarily attributable to a \$27.6 million increase in net revenue resulting from increased realized sales price, oil sales volumes and recovery of carried costs. Profit for Q1 2021 included a \$15.7 million gain resulting from the deconsolidation of a subsidiary.
- Sales volumes increased 26% and 12% versus Q1 2021 and Q4 2021, respectively, due to the contribution of production from new wells partially offset by natural declines in the oil rate from some Zey Gawra field producing wells.
- Net cash generated from operating activities was \$12.6 million in Q1 2022 compared to \$4.2 million in Q1 2021. The increase mainly reflects higher revenue received during the period, partially offset by an increase in royalties and cash payments relating to operating expenses.
- Net cash used in investing activities increased to \$20.6 million in Q1 2022 as compared to \$7.2 million in Q1 2021 due to increased drilling activity.
- Capital additions in Q1 2022 totalled \$19.1 million as compared to \$7.0 million in Q1 2021. In Q1 2022, \$18.1 million of capital expenditures related to drilling activities were incurred in the Hawler license area primarily at the Demir Dag and Zey Gawra fields. Q1 2022 capital expenditures also included \$0.6 million of facilities expenditures and \$0.4 million on directly attributable support costs.
- Cash and cash equivalents decreased to \$16.6 million at March 31, 2022 from \$24.7 million at December 31, 2021, reflecting \$20.6 million used in investing activities partially offset by \$12.6 million generated from operating activities. The cash balance was impacted by an additional month delay on outstanding payments during the first quarter of 2022. Two revenue payments were received during the three months ended March 31, 2022 compared to three revenue payments received during the three months ended December 31, 2021.
- The Corporation is obligated to make a further payment to the seller of the Hawler license area in the amount of \$76.2 million. In accordance with a forbearance agreement entered with the seller of the Hawler license area, and subject to pending negotiations to restructure the obligation, the full amount is forecast to become payable at the end of March 2023.
- As at May 13, 2022, 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) 33,149,000 warrants that were issued in 2020 in connection with an amendment to a loan agreement that was subsequently settled in full.

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 months ended March 31, 2022 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.forzapetroleum.com.

ABOUT FORZA PETROLEUM LIMITED

[Forza Petroleum Ltd.](http://www.forzapetroleum.com) 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 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 March 31, 2022 and cash receipts from net revenues from sales, exclusively made to the Kurdistan Regional Government at the tie-in to the Kurdistan Oil Export Pipeline, will fund the Corporation's forecasted capital expenditures and operating and administrative costs through the end of June 2023 and fund the \$76.2 million in deferred purchase consideration that falls due in 2023 in connection with the original acquisition of the Hawler license area, 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, the expected timing for settlement of liabilities including the purchase 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, 2022 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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