

Forza Petroleum Q2 2023 Financial and Operational Results

25.07.2023 | [Newsfile](#)

Results significantly impacted by the continuing shutdown of the Kurdistan Oil Export Pipeline; production operations partially restarted in July to support local oil sales

Calgary, July 25, 2023 - [Forza Petroleum Ltd.](#) (TSX: FORZ) ("Forza Petroleum" or the "Corporation") today announces its financial and operational results for the three and six months ended June 30, 2023. All dollar amounts set forth in this news release are in United States dollars.

Financial Highlights:

- Revenue of \$1.3 million for Q2 2023, consisting of an average realized sales price of \$28.28/barrel of oil ("bbl") on working interest oil sales of 39,300 bbl and \$0.2 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 September 2022, with a \$63 million balance outstanding for oil sales from October 2022 through March 2023.
- Payment for local oil sales completed during the quarter were settled by buyers in advance.
- Field operating costs, representing the Corporation's working interest share of operating expenses, of \$4.4 million for Q2 2023 versus \$6.0 million for Q2 2022.
- Field operating costs decreased versus the comparable period because of decreases in facilities, security, diesel and equipment costs resulting primarily from reduced operations.
- Loss of \$131.3 million (\$0.22 per common share) in Q2 2023 versus profit of \$31.5 million (\$0.05 per common share) in Q2 2022 primarily the result of impairment expense and a decrease in net revenue.
- Net cash used in operating activities was \$5.8 million in Q2 2023 versus net cash generated from operating activities of \$45.6 million in Q2 2022.
- Net cash used in investing activities during Q2 2023 was \$2.6 million, primarily consisting of costs related to drilling commitments, versus \$18.7 million in Q2 2022.
- \$71.2 million of cash and cash equivalents as of June 30, 2023.

Operations Update:

- Average gross (100%) oil production of 605 bbl/d (working interest 400 bbl/d) in Q2 2023, exclusively from the Banan-4 well in the Banan West fault block which was being produced at a restricted rate rather than shut-in to minimize risk of damage to well facilities.
- Given the previously announced suspension of the Corporation's work program for the balance of 2023, activity was limited during the second quarter of 2023.
- Installation of a pipeline connecting the Banan field to the Hawler production facilities at the Demir Dagh field is nearing completion with commissioning expected during the third quarter of 2023.

- The Corporation's work program for the balance of 2023 remains suspended pending reopening of the Kurdistan Oil Export Pipeline and clarity regarding collection of overdue payments for oil sales and the terms applicable for future oil sales.

Liquidity Outlook:

- The Corporation expects cash on hand as of June 30, 2023, cash receipts from oil sales, and, if required, up to \$15 million in funding from the Corporation's principal shareholder, will fund its forecasted capital expenditures and operating and administrative costs through the end of September 2024 and the \$76.2 million in deferred purchase consideration due and payable in connection with the original acquisition of the Hawler license area.

CEO's Comment

Commenting today, Forza Petroleum's Chief Executive Officer, Shane Cloninger, stated:

"With the Kurdistan Oil Export Pipeline (KOEP) closed for the entire second quarter, production from the Hawler license area remained substantially shut-in. The Corporation was limited in its ability to generate revenue, primarily from the sale of oil-in-inventory to the local market.

Concerning the reopening of the KOEP, there continues to be a lack of clarity surrounding the steps towards a resolution among the Kurdistan Regional Government, the Federal Government of Iraq and officials in the Republic of Turkey. No timeline has been provided to the Corporation regarding when exports will resume.

Due to the above and the ongoing delay in collection of overdue payments for oil sales, Forza Petroleum's work program for the balance of 2023 remains suspended. Additional efforts have been made to reduce operating and administrative costs, as well as renegotiating facilities, equipment, and security expenditures. Further cost cutting will be required in the event the export pipeline does not reopen in the near-term.

In the meantime, the Corporation has pursued oil sales to the local market to cover necessary costs. In early July, OP Hawler Kurdistan Limited, the Corporation's operating subsidiary in the Kurdistan Region, entered a 31-day contract to sell gross (100%) 8,000 bbl/d at \$29/bbl. Full payment in accordance with production sharing contract entitlements was received from the buyer in advance.

A strong balance sheet, lean cost structure, and a supportive principal shareholder enable Forza Petroleum to endure an extended closure of the KOEP. We remain hopeful that meetings between the relevant governments will result in a prompt reopening of exports and resolution of all matters relating to the sale of oil produced from the Kurdistan Region."

Selected Financial Results

Financial results are prepared in accordance with International Financial Reporting Standards ("IFRS") and the reporting currency is US dollars. The following table summarizes selected financial highlights for Forza Petroleum for the three- and six-month periods ended June 30, 2023 and June 30, 2022, as well as the year ended December 31, 2022.

	Three Months Ended June 30		Six Months Ended June 30		Year Ended December 31
(\$ in millions unless otherwise indicated)	2023	2022	2023	2022	2022
Revenue	1.3	98.8	49.1	181.1	323.8
Working Interest Production (bbl)	35,800	873,200	783,400	1,725,800	3,442,000
Average WI Production per day (bbl/d)	400	9,600	4,300	9,500	9,400
Working Interest Oil Sales (bbl)	39,300	877,500	777,400	1,728,500	3,445,400

Average Realized Sales Price (\$/bbl)	28.28	94.28	52.88	87.77	78.71	
Operating Expense	6.7	9.3	15.2	17.9	37.2	
Field Operating Costs (\$/bbl) ⁽¹⁾	111.07	6.85	12.71	6.75	7.02	
Operating Expense (\$/bbl)	170.87	10.54	19.55	10.38	10.80	
(Loss) / Profit	(131.3	) 31.5	(133.1	) 53.8	(138.0)
Basic and Diluted (Loss) / Profit per Share (\$/sh)	(0.22	) 0.05	(0.22	) 0.09	(0.23)
Net Cash (used in) / generated from Operating Activities	(5.8	) 45.6	12.8	58.2	112.0	
Net Cash used in Investing Activities	(2.6	) (18.7	) (12.7	) (39.4	) (65.5)
Capital Additions ⁽²⁾	2.2	10.3	16.4	29.3	58.9	
Cash and Cash Equivalents	71.2	43.5	71.2	43.5	71.1	
Total Assets	322.0	633.9	322.0	633.9	448.2	
Total Liabilities	124.1	112.9	124.1	112.9	117.4	
Total Equity	197.9	521.1	197.9	521.1	330.7	

(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 changes to the decommissioning obligation.

- Revenue decreased to \$1.3 million in Q2 2023 versus \$98.8 million in Q2 2022 due primarily to a 70% decrease in realized average oil sales prices and a 96% decrease in oil sales volumes. Gross (working interest) production and sales of oil in Q2 2023 were 35,800 barrels and 39,300 barrels, respectively, versus 873,200 barrels and 877,500 barrels, respectively, for Q2 2022. Sales volumes in Q2 2023 were significantly impacted by the shutdown of the Kurdistan Oil Export Pipeline. The average oil sales price realized in Q2 2023 was \$28.28 per barrel versus \$94.28 for Q2 2022. In addition to oil sales, revenue for Q2 2023 includes the recovery of \$0.2 million of carried costs, versus the recovery of \$16.0 million of carried costs in Q2 2022.
- Operating expense, which includes the Corporation's carry of partner costs, decreased to \$6.7 million in Q2 2023 versus \$9.3 million in Q2 2022 and is primarily attributable to decreases in facilities, diesel, security and equipment costs. Costs were lower on decreased activity, including production operations that were substantially shut-in. Operating expenses on a per barrel basis were significantly impacted by the shutdown of the Kurdistan Oil Export Pipeline and substantial shut-in of production from the Hawler license area.
- General and administration expense of \$1.4 million in Q2 2023 was comparable to \$1.4 million in Q2 2022 with reduced accruals for discretionary compensation in Q2 2023 offset by decreased time-writing to projects. Of general and administration expense, 65% is forecast to be cost recoverable from the Corporation's oil and gas operations.
- Loss for the three months ended June 30, 2023 was \$131.3 million compared to profit of \$31.5 million for Q2 2022. The weakened result is primarily attributable to an \$121.4 million impairment expense relating to the Hawler license area and a \$57.5 million decrease in net revenue resulting from decreases in both realized average oil sales prices and oil sales volumes.
- Sales volumes were 96% lower in Q2 2023 versus Q2 2022, due primarily to the shutdown of the Kurdistan Oil Export Pipeline, and 95% lower versus Q1 2023.
- Cash used in operating activities was \$5.8 million in Q2 2023 compared to cash generated from operating activities of \$45.6 million in Q2 2022. The decrease mainly relates to lower crude oil sales revenue payments received, with the Ministry of Natural Resources settling no outstanding sales invoices during Q2 2023.
- Cash used in investing activities was \$2.6 million in Q2 2023 compared to \$18.7 million in Q2 2022.

- Capital additions in Q2 2023, which excludes non-cash changes to the decommissioning obligation, totalled \$2.2 million compared to \$10.3 million in Q2 2022. Spending was limited, consisting of \$2.0 million of drilling costs that were previously committed to and could not be deferred or avoided. Capital expenditures during the quarter also included \$0.2 million of facilities expenditures and \$0.1 million of directly attributable support costs.
- Cash and cash equivalents decreased to \$71.2 million at June 30, 2023 from \$79.6 million at March 31, 2023 reflecting \$5.8 million used in operating activities and \$2.6 million used in investing activities.
- The Corporation is obligated to make a further payment to the seller of the Hawler license area in the amount of \$76.2 million. Any settlement of the amount, due and payable as of March 31, 2023, is subject to receipt of a payment direction and appropriate documentation to comply with settlement regulations. Once that is satisfactorily received, based on historical experience with the counterparty, it is expected that agreement could be reached for payments to be scheduled to align with the Corporation's cash resources, if necessary.
- As at July 25, 2023, there are outstanding: (i) 600,306,357 common shares, and (ii) unvested Long Term Incentive Plan awards which are expected to result in the issuance of up to an additional 13,629,978 common shares upon vesting.

Regulatory Filings

This announcement coincides with the filing with the Canadian securities regulatory authorities of Forza Petroleum's unaudited condensed consolidated financial statements for the three and six months ended June 30, 2023 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. Further information about Forza Petroleum is available at www.forzapetroleum.com or under Forza Petroleum's profile at www.sedar.com.

For additional information about Forza Petroleum, please contact:

Kevin McPhee
General Counsel and Corporate Secretary
Tel.: +41 (0) 58 702 93 00
info@forzapetroleum.com

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 June 30, 2023, cash receipts from oil sales and, if required, up to \$15 million in funding from the Corporation's principal shareholder, will fund the Corporation's forecasted capital expenditures and operating and administrative costs through the end of September 2024 and the \$76.2 million in deferred purchase consideration owing 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, future requirements for additional funding, the expected timing for settlement of liabilities including the deferred purchase consideration arising from the acquisition of OP Hawler Kurdistan Limited in 2011, cost recoverability of general and administration expense, 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, 2023 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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