

Forza Petroleum Announces Going Private Transaction

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Consideration of CAD 0.15 per common share delivers 36% premium, and provides immediate and certain cash value to minority shareholders

Calgary, December 11, 2023 - [Forza Petroleum Ltd.](#) (TSX: FORZ) ("Forza Petroleum" or the "Corporation") today announced that it has entered into an arrangement agreement (the "Agreement") with Zeg Oil and Gas Ltd. ("Zeg Oil") and a newly formed wholly-owned subsidiary of Zeg Oil (the "Purchaser") pursuant to which the Purchaser has agreed to acquire all of the outstanding common shares of the Corporation (the "Common Shares") that are not already owned by the Purchaser or Zeg Oil by way of a court-approved plan of arrangement (the "Arrangement") at a purchase price of CAD 0.15 per Common Share in cash (the "Consideration").

In addition, and pursuant to the Arrangement, all share awards outstanding under the long-term equity incentive plan of the Corporation (each, a "Share Award"), will be cancelled and the holders of Share Awards will be entitled to receive a cash payment equal to the Consideration for each Share Award held.

The Corporation expects to mail a management proxy circular (the "Circular") in the coming weeks for a special meeting of securityholders, expected to be held in February 2024, to approve the Arrangement (the "Special Meeting"). Closing of the Arrangement is subject to customary conditions, including, among others, (i) receipt of court approvals; and (ii) the approval of the Arrangement by a "majority of the minority" vote (see below).

Assuming the approval by securityholders of the Arrangement at the Special Meeting, and timely receipt of all other required approvals, the transaction is expected to close during the first quarter of 2024.

Transaction Rationale

Key aspects of the rationale for the transaction include the following:

- **Substantial Premium to Share Price.** The Consideration to be paid pursuant to the Arrangement for each Common Share represents a premium of approximately 36% to the closing price per Common Share on December 8, 2023, the last trading day prior to the date of this announcement, and a premium of approximately 31% to the volume-weighted average trading price of the Common Shares for the 20 trading days ended December 8, 2023.
- **Certainty of Value and Immediate Liquidity.** The Consideration to be received by holders of Common Shares other than the Purchaser and Zeg Oil (the "Minority Shareholders") is payable entirely in cash and provides Minority Shareholders with certainty of value and immediate liquidity and removes the uncertainties to Minority Shareholders associated with the potential future performance of the Corporation, including those related to reopening of the Kurdistan Export Oil Pipeline, disputes between the Kurdistan Region of Iraq and the Federal Government of Iraq regarding regulation of the oil and gas industry, the validity of the Hawler Production Sharing Contract, future pricing for oil sales, collectability of overdue receivables for past oil sales, as well as other risks that are beyond the control of the Corporation and its management.
- **Increased Efficiency and Focus.** Going private is expected to provide Forza Petroleum meaningful cost savings in the near-term while allowing sharper focus on potential future strategic opportunities and navigating the current business uncertainty in the Kurdistan Region of Iraq.

- Improved Access to Capital. A private company with streamlined ownership is expected to improve access to capital relative to what has been achievable with a small and illiquid publicly traded float.
- Certainty of Closing. The all-cash Consideration is not subject to any financing condition.
- No Credible Alternatives. The same risks and uncertainties that have prevented the Corporation from successfully advancing execution of its existing strategic plan since March 2023 have, in the past, resulted in discussions with third parties regarding potential corporate transactions not advancing beyond the preliminary stages. The Arrangement represents the best current prospect for maximizing value for Minority Shareholders and improves the likelihood of the long-term survival of the business.
- Increasingly Vulnerable Working Capital. To fulfil its potential, upon the renewal of access to crude oil export markets, Forza Petroleum's business will require significant further capital expenditures for the exploration, appraisal, development and maintenance of its Hawler license area. Forza Petroleum also has a significant financing and carry obligation for its partners' share of contractor costs, and current liabilities include US\$76.2 million owed under the purchase consideration obligation to the vendor of the Hawler license area. As disclosed for recent periods, significantly due to the prolonged delay in receiving proceeds of past oil sales, Forza Petroleum's ability to continue as a going concern is increasingly dependent on commitments from its principal shareholder, Zeg Oil, to provide additional equity or debt capital to fund cash outflows. If the Arrangement were not to close, there would be no certainty that Zeg Oil would continue to provide commitments of this nature, nor be able to increase its commitments in response to the Corporation's evolving working capital needs.

Special Committee and Independent Valuation

A Special Committee of independent directors was established by the Board of Directors of the Corporation (the "Board") to consider and evaluate the initial non-binding confidential offer from Zeg Oil to acquire all of the issued and outstanding Common Shares not already owned by it (the "proposed transaction"), negotiate revisions to the proposed transaction considered necessary or advisable, initiate and conduct discussions and negotiations with any third parties regarding any other transaction which might be in the best interests of the Corporation, and evaluate the terms of any proposals that would be an alternative to the proposed transaction.

In connection with its review, the Special Committee retained Cormark Securities Inc. ("Cormark Securities") to prepare an independent, formal valuation of the Common Shares, in accordance with applicable securities law, and a fairness opinion.

Cormark Securities has provided the Special Committee with a formal valuation of the Common Shares which determined that, as of December 6, 2023, and subject to the assumptions, limitations and qualifications to be set out in Cormark Securities' written valuation report, the fair market value of the Common Shares ranged between CAD 0.12 and CAD 0.17 per Common Share. Cormark Securities has also provided an opinion to the Special Committee that, as of December 6, 2023, and subject to the assumptions, limitations and qualifications to be set out in Cormark Securities' written fairness opinion, the consideration to be received by the Minority Shareholders pursuant to the Arrangement is fair, from a financial point of view, to such shareholders.

The written valuation report and fairness opinion, together with a summary of each, will be included in the Circular.

After careful deliberation, and with receipt of an oral summary of the formal valuation and fairness opinion of Cormark Securities, the Special Committee unanimously determined and recommended that (i) the Board determine the Arrangement is fair to the Minority Shareholders and is in the best interests of the Corporation and that the Arrangement Agreement be approved by the Board, and (ii) the Board recommend that Minority Shareholders and holders of Share Awards vote in favour of the resolution approving the Arrangement at the Special Meeting. Further rationale for the recommendations made by the Special Committee will be set out in the management proxy Circular.

Recommendation of the Board of Directors

The Board (excluding the only conflicted director, who did not participate in deliberations), having received

the unanimous recommendation of the Special Committee, and with a view to the formal valuation and fairness opinion of Cormark Securities, determined that the Arrangement is fair to the Minority Shareholders and in the best interests of Forza Petroleum. It unanimously (excluding the only conflicted director) recommends that Minority Shareholders and holders of Share Awards vote in favour of the resolution approving the Arrangement at the Special Meeting.

Vance Querio, Chair of the Board, said, "We are pleased to be able to present this win-win transaction to securityholders for their consideration. Notwithstanding the uncertainty and risks the business faces in the Kurdistan Region of Iraq, the offer provides Minority Shareholders the opportunity to divest their position at a significant premium to the current share price, without bank commission and without the challenges of selling into a market for the Common Shares that is thinly traded. The Corporation also stands to benefit by reducing overhead, improving access to capital as a private company, and focusing all its resources towards navigating the continuing uncertainty of operating an oil and gas company in the Kurdistan Region of Iraq. The Board is confident that this transaction represents the best path forward for Forza Petroleum and for its shareholders."

Additional Transaction Details

The Purchaser has been incorporated under the laws of the Province of British Columbia for the express purpose of acquiring Common Shares pursuant to the Arrangement and has sufficient available funds to pay the aggregate Consideration. The transaction is not subject to a financing condition. Under the Arrangement Agreement, Zeg Oil has guaranteed performance by the Purchaser of its obligations, including payment of the aggregate Consideration.

The Purchaser, Zeg Oil and their affiliates, together with joint actors, control, directly or indirectly, 500,431,626 Common Shares, representing approximately 82.5% of the issued and outstanding Common Shares.

The transaction is to be completed by way of an arrangement under the Canada Business Corporations Act. The Arrangement is subject to the approval at the Special Meeting by (i) at least 66 $\frac{2}{3}$ % of the votes cast by all holders of Common Shares, (ii) at least 66 $\frac{2}{3}$ % of the votes cast by holders of Common Shares and holders of Share Awards, voting together as a single class, with each holder entitled to one vote per Common Share and one vote per Share Award, and (iii) a "majority of the minority" vote, being a simple majority of the votes cast by holders of Common Shares, excluding the votes in respect of Common Shares held or controlled by persons to be excluded from the vote pursuant to Multilateral Instrument 61-101 - Protection of Minority Securityholders in Special Transactions. The votes excluded as provided above consist of the votes in respect of the 500,431,626 Common Shares controlled by the Purchaser, Zeg Oil, or their affiliates or joint actors. Completion of the transaction is subject to other customary conditions, including receipt of court approval.

The Purchaser and the Corporation intend to cause the Common Shares to be delisted from the Toronto Stock Exchange promptly following closing of the Arrangement and to apply to the securities regulatory authorities to request that the Corporation cease being a reporting issuer under applicable Canadian securities laws and to otherwise terminate the Corporation's public reporting requirements.

Further details regarding the terms and conditions of the transaction are set out in the Arrangement Agreement, which will be publicly filed by Forza Petroleum under its profile at www.sedarplus.com. Additional information regarding the terms of the Arrangement Agreement, the background of the transaction and the formal valuation and fairness opinion will be provided in the Circular, which will also be filed at www.sedarplus.com.

Voting Agreements

Certain of the directors and officers of the Corporation who hold Common Shares and/or Share Awards, together with other Minority Shareholders, have entered into voting and support agreements ("Voting Agreements") pursuant to which they have agreed, subject to the terms of such agreements, to vote the Common Shares and/or Share Awards over which they exercise voting control in favour of the resolution approving the Arrangement at the Special Meeting.

The 28,141,230 total Common Shares subject to the Voting Agreements represent (i) approximately 4.6% of the total number of issued and outstanding Common Shares; and (ii) approximately 26.6% of the total number of issued and outstanding Common Shares entitled to vote in the 'majority of the minority' vote pursuant to applicable securities laws.

In the event the Arrangement Agreement is terminated in accordance with its terms, obligations under the Voting Agreements automatically terminate.

Advisors

Fasken Martineau DuMoulin LLP is legal counsel to Forza Petroleum. The Special Committee has engaged Stewart McKelvey as legal counsel and Cormark Securities to provide an independent formal valuation and fairness opinion of the Common Shares. Cormark Securities has engaged Stikeman Elliott LLP as legal counsel to support their mandate.

Blake, Cassels & Graydon LLP is legal counsel to Zeg Oil and the Purchaser.

Regulatory Filings

Copies of the Arrangement Agreement and each of the Voting Agreements will be publicly filed by Forza Petroleum and will be available under the Corporation's profile at www.sedarplus.com and the Corporation's website, www.forzapetroleum.com. A Material Change Report related to the Arrangement Agreement will be filed in accordance with applicable securities laws.

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.sedarplus.com.

For additional information about Forza Petroleum, please contact:

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Early Warning Information

Zeg Oil currently owns and controls 500,152,674 Common Shares, representing approximately 82.5% of the Common Shares outstanding immediately prior to the execution of the Agreement. Following completion of the Arrangement, Zeg Oil will own and control all of the issued and outstanding Common Shares. An updated early warning report will be filed by Zeg Oil and will be available at www.sedarplus.com or may be obtained directly from Zeg Oil upon request to Sylvia Frett by telephone at +1 284 949 8445.

The head office of the Corporation is located at 3400 First Canadian Centre, 350 7th Av. SW, Calgary, Alberta, Canada, T2P 3N9.

The head office of Zeg Oil is located at 4301 Trinity Chambers, Road Town, Tortola, British Virgin Islands.

Reader Advisory Regarding Forward-Looking Information

Certain statements in this news release constitute "forward-looking information", including statements related to (a) the terms and conditions of the Arrangement; (b) holding the Special Meeting and required securityholder approvals; (c) the contents and mailing of the related management proxy circular; (d) the satisfaction of the conditions precedent to the Arrangement, including obtaining the required securityholder and court approvals for the Arrangement; (e) the timing and completion of the Arrangement; (f) the consideration to be paid to Minority Shareholders and holders of Share Awards and other benefits of the Arrangement to securityholders; (g) cancellation of Share Awards; and (h) the Purchaser's and Corporation's intention to cease to be listed on the Toronto Stock Exchange and to cease to be a reporting issuer. 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, also 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. The assumptions relied on to support these statements include that the transaction will proceed according to the Corporation's anticipated timelines, all conditions to the closing of the transaction will be met, the transaction will be completed on the terms currently contemplated, the Arrangement Agreement will not be terminated prior to closing, and that required votes for securityholder approval of the Arrangement will be obtained.

For more information about risks facing the Corporation, refer to the Corporation's Annual Information Form dated March 23, 2023 available at www.sedarplus.com and the Corporation's website at www.forzapedroleum.com.

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.

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