Forza Petroleum Q1 2021 Financial and Operational Results

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Increased revenue and collection of overdue receivables strengthen Forza Petroleum's financial outlook

Calgary, May 6, 2021 - Forza Petroleum Ltd. (TSX: FORZ) ("Forza Petroleum" or the "Corporation") today announces its financial and operational results for the three months ended March 31, 2021. All dollar amounts set forth in this news release are in United States dollars.

Financial Highlights:

- Revenue of $35.7 million for Q1 2021, consisting of an average realized sales price of $44.44/barrel of oil ("bbl") on working interest sales of 673,400 bbl and $5.8 million in recovery of carried costs.

- Except for a $10.1 million outstanding balance for historical oil sales, the Corporation has now received full payment in accordance with production sharing contract entitlements for all oil sales into the Kurdistan Oil Export Pipeline through February 2021.

- Field production costs, representing the Corporation's working interest share of operating expenses, of $4.0 million ($5.89/bbl) for Q1 2021 versus $5.9 million ($6.97/bbl) for Q1 2020.

- Field production costs per bbl are down 15% versus the comparable period as a result of decreased costs for security and diesel, and savings achieved through the Banan-4 well workover, partially offset by lower production.

- Profit of $21.2 million ($0.04 per common share) in Q1 2021, which includes a one-time gain of $15.7 on the deconsolidation of a subsidiary, versus loss of $249.6 million in Q1 2020 ($0.45 per common share).

- Loss in Q1 2020 primarily attributable to a non-cash impairment charge of $238.2 million related to the Hawler license area, resulting from significantly lower forecast oil prices at that time.

- Net cash generated from operating activities was $4.2 million in Q1 2021 versus $6.8 million in Q1 2020.
- Net cash used in investing activities during Q1 2021 was $7.2 million, including payments related to drilling and facilities work in the Hawler license area, versus $8.5 million in Q1 2020.
- $10.2 million of cash and cash equivalents as of March 31, 2021.

Operations Update:

- Average gross (100%) oil production of 11,500 bbl/d (working interest 7,500 bbl/d) in Q1 2021.
- Average gross (100%) oil production of 12,400 bbl/d (working interest 8,000 bbl/d) for April 2021, increased from Q1 2021 primarily as a result of the incremental contribution from the Zey Gawra-5 well completed and put on production in February 2021.

- The Banan-8 well targeting the Cretaceous reservoir of the Banan field east of the Great Zab river was spudded on April 14, 2021. The well has reached total depth in a planned pilot hole and evaluation of the Cretaceous reservoir is underway. Recently completed evaluation of the shallow Tertiary Pila Spi reservoir revealed that there is no oil column in the reservoir at this location. The Corporation continues to analyze the results to determine where the Tertiary reservoir can be successfully developed east of the Great Zab river and how the recently obtained data may impact reserves that were attributed to the Banan Pila Spi reservoir at December 31, 2020.
- 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.

2021 Forecasted Work Program:

- For the balance of 2021, the Corporation plans to complete the Ain al Safra-2 well and drill at least three further wells, including one in the Zey Gawra field targeting the Cretaceous reservoir, one in the Banan field east of the Great Zab river targeting the Tertiary reservoir and a well in the Demir Dagh field targeting the Cretaceous reservoir.
- The Corporation also plans to install a gathering system to eliminate trucking in the western part of the Hawler license area to reduce environmental impact and operating expense, and to undertake other facilities and maintenance projects.

Liquidity Outlook:

- The Corporation expects cash on hand as of March 31, 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 March 2022, and to settle all payables currently due to suppliers. The contingent consideration obligation is anticipated not to become payable before 2022.

CEO's Comment

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

"The resumption of our development drilling program on January 1, 2021, which started bearing fruit in the form of new production before the end of February, along with recovering prices for oil, has resulted in the Corporation realizing nearly $36 million of revenue for Q1 2021, one of our best quarters ever. The Ministry of Natural Resources of the Kurdistan Region of Iraq continues to make monthly payments against both current and overdue receivables and Forza Petroleum continues to build a strong financial foundation to support a full work program for 2021.

"After drilling the Banan-8 well targeting the Cretaceous reservoir in the eastern area of the Banan field, we plan to use the drilling rig we have under contract to drill three more wells. We also plan to complete the Ain al Safra-2 well and to install a gathering system to eliminate trucking in the western part of the Hawler production area to reduce environmental impact and operating expense. Additional development activity that can be completed and funded this year is being considered. We continue to forecast that our 2021 work program can be funded entirely from internally generated cash flow.

"Momentum continues to build after the successful completion of the Zey Gawra-5 well in February. Our small but dedicated staff and our directors are all enthusiastic about the progress we expect to make in 2021."

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, 2021 and March 31, 2020, as well as the year ended December 31, 2020.

	Three Months Ended March 31		Year Ended December 31
($ in millions unless otherwise indicated)	2021	2020	2020
Revenue	35.7	31.9	82.0
Working Interest Production (bbl)	675,400	842,000	2,511,500
Average WI Production per day (bbl/d)	7,500	9,300	6,900
Working Interest Oil Sales (bbl)	673,400	842,800	2,512,100
Average Realised Sales Price ($/bbl)	44.44	34.03	28.23
Operating Expense	6.1	7.7	24.8
Field Production Costs ($/bbl)(1)	5.89	6.97	6.93
Field Netback ($/bbl)(2)	15.82	9.65	6.79
Operating expenses ($/bbl)	9.06	9.11	9.87
Forza Petroleum Netback ($/bbl)(3)	21.26	11.28	8.25
Profit (Loss)	21.2	(249.6)	(108.7)
Basic and Diluted Earnings (Loss) per Share ($/sh)	0.04	(0.45)	(0.19)
Net Cash generated from Operating Activities	4.2	6.8	22.1
Net Cash used in Investing Activities	(7.2)	(8.5)	(18.8)
Capital Expenditure	7.0	4.7	36.5
Cash and Cash Equivalents	10.2	3.2	13.2
Total Assets	604.5	522.2	605.4
Total Liabilities	126.8	209.5	149.0
Total Equity	477.7	312.7	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) Field Netback is a non-IFRS measure that represents the Group's working interest share of oil sales net of the Group's working interest share of royalties, the Group's working interest share of operating expenses and the Group's working interest share of taxes. Management believes that Field Netback is a useful supplemental measure to analyse operating performance and provides an indication of the results generated by the Group's principal business activities prior to the consideration of production sharing contract and joint operating agreement financing characteristics, and other income and expenses. Field Netback does not have a standard meaning under IFRS and may not be comparable to similar measures used by other companies.
(3) Forza Petroleum Netback is a non-IFRS measure that represents Field Netback adjusted to reflect the impact of carried costs incurred and recovered through the sale of cost oil during the reporting period. Management believes that Forza Petroleum Netback is a useful supplemental measure to analyse the net cash impact of the Group's principal business activities prior to the consideration of other income and expenses. Forza Petroleum Netback does not have a standard meaning under IFRS and may not be comparable to similar measures used by other companies.

- Revenue increased to $35.7 million in Q1 2021 versus $31.9 million in Q1 2020 due to a 31% increase in average oil sales prices partially offset by a 20% decrease in oil sales volumes. Gross (working interest) production and sales of oil in Q1 2021 were 675,400 barrels and 673,400 barrels, respectively, versus 842,000 barrels and 842,800 barrels, respectively, for Q1 2020. The average oil sales price realized in Q1 2021 was $44.44 per barrel versus $34.03 for Q1 2020. In addition to oil sales, revenue includes the recovery of carried costs.

- Operating expenses, which include the Corporation's carry of partner costs, decreased 21% to $6.1 million in Q1 2021 versus $7.7 million in Q1 2020 due primarily to cost savings from the Banan-4 workover executed in the fourth quarter of 2020, decreased security and diesel costs, and decreased production. Operating expenses on a per barrel basis were flat in Q1 2021 versus Q1 2020 as operating efficiencies were offset by increased carry costs. The Forza Petroleum Netback achieved in Q1 2021 was $21.26 per barrel. The Forza Petroleum Netback reflects the Field Netback plus adjustments for carried costs and is up 88% compared to Q1 2020 primarily because of an increase in realized sales prices.

- General and administration expense decreased to $1.1 million in Q1 2021 versus $2.7 million in Q1 2020 due primarily to lower personnel costs resulting from corporate restructuring activity during 2020.
- Profit for the three months ended March 31, 2021 was $21.2 million compared to a $249.6 million loss in Q1 2020. The improved result is primarily attributable to i) a $238.2 million impairment expense in Q1 2020 on the Hawler license area, ii) a $15.7 million gain resulting from the deconsolidation of a subsidiary in Q1 2021, iii) a $3.3 million decrease to the trade and other receivables provision during the three months ended March 31, 2021 compared to a $4.4 million increase to the provision during the same period in 2020, iv) a $1.5 million decrease to the materials inventory provision during the three months ended March 31, 2021 compared to a $4.6 million increase to the provision during the same period in 2020, v) a $3.2 million increase in net revenue resulting from increased realized sales price and recovery of carried costs, partially offset by lower sales volumes, vi) a $2.4 million reduction in financing costs following the settlement of the loan in July 2020, and vii) a $1.7 million decrease in general and administration expense primarily as a result of the corporate restructuring which was implemented in Q2 2020. These positive factors have been partially offset by a $4.2 million non-cash charge resulting from the increase in the fair value of the contingent consideration obligation compared to a $1.9 million gain in the comparable three months ending March 31, 2020.
- Sales volumes decreased 20% and 8% versus Q1 2020 and Q4 2020, respectively, due to natural declines in the oil rate from some Zey Gawra field producing wells and the reduction of total production rate from some wells in the Banan West fault block to prevent production of water and improve ultimate recovery from the reservoir.
- Net cash generated from operating activities was $4.2 million in Q1 2021 compared to $6.8 million in Q1 2020. The decrease mainly reflects increased cash payments to settle operating trade and other payables partially offset by improved receipt of payment for crude oil sales.
- Net cash used in investing activities decreased to $7.2 million in Q1 2021 as compared to $8.5 million in Q1 2020.
- Capital expenditures in Q1 2021 totalled $7.0 million as compared to $4.7 million in Q1 2020. In Q1 2021, $5.4 million of capital expenditures related to drilling activities were incurred in the Hawler license area primarily at the Banan and Zey Gawra fields. Q1 2021 capital expenditures also included $0.5 million of facilities expenditures and $0.2 million on directly attributable support costs.
- Cash and cash equivalents decreased to $10.2 million at March 31, 2021 from $13.2 million at December 31, 2020 reflecting $7.2 million used in investing activities partially offset by $4.2 million generated from operating activities.
- 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 March 31, 2021 was $60.9 million. As at March 31, 2021, the total balance of principal and accrued interest potentially owed under the contingent consideration obligation was $76.5 million.

- As at May 6, 2021, there are outstanding: (i) 578,197,218 common shares, (ii) unvested Long Term Incentive Plan awards which are expected to result in the issuance of up to an additional 16,716,008 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 months ended March 31, 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.forzapetroleum.com.

ABOUT FORZA PETROLEUM LIMITED

Forza Petroleum Ltd. (formerly Oryx Petroleum Corporation Limited) 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, 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 March 2022 and settlement of all payables currently due to suppliers, 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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