

Forza Petroleum Q1 2023 Financial and Operational Results

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Operations remain mostly suspended pending restart of the Kurdistan Oil Export Pipeline

Calgary, May 9, 2023 - [Forza Petroleum Ltd.](#) (TSX: FORZ) ("Forza Petroleum" or the "Corporation") today announces its financial and operational results for the three months ended March 31, 2023. All dollar amounts set forth in this news release are in United States dollars.

Financial Highlights

- Revenue of \$47.8 million for Q1 2023, consisting of an average realized sales price of \$54.19/barrel of oil ("bbl") on working interest sales of 738,100 bbl and \$7.8 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 September 2022
- Field operating costs, representing the Corporation's working interest share of operating expenses, of \$5.5 million (\$7.47/bbl) for Q1 2023 versus \$5.6 million (\$6.64/bbl) for Q1 2022
- Field operating costs per bbl are up 13% versus the comparable period as a result of decrease in sales volumes, partially offset by lower facilities rental rates, as negotiated in 2022
- Loss of \$1.8 million in Q1 2023 versus profit of \$22.2 million in Q1 2022
- Net cash generated from operating activities was \$18.6 million in Q1 2023 versus \$12.6 million in Q1 2022
- Net cash used in investing activities during Q1 2023 was \$10.1 million, including payments related to drilling and facilities work in the Hawler license area, versus \$20.6 million in Q1 2022
- \$79.6 million of cash and cash equivalents as of March 31, 2023

Operations Update

- Average gross (100%) oil production of 12,800 bbl/d (working interest 8,300 bbl/d) in Q1 2023
- The Zey Gawra-10H well, drilled late in 2022, was completed and turned over to production early in Q1 2023
- As a result of the previously announced shutdown of the Kurdistan Oil Export Pipeline on March 25, 2023, production during April 2023 was limited to a minimal volume necessary to maintain operational readiness for a restart of production operations. Substantially all production remains shut in
- The Demir Dagħ-15 well targeting the Cretaceous reservoir of the Demir Dagħ field was spudded on January 13, 2023 and total-depth of the horizontal drain was reached on March 29, 2023. The well has been suspended

2023 Forecasted Work Program

- Because of the shutdown of the Kurdistan Oil Export Pipeline and a lack of clarity regarding the restart of operations and collection of overdue and future payments for oil sales, Forza Petroleum has suspended its work program for the balance of 2023.
- Forza Petroleum forecasts \$24.1 million of capital expenditure for 2023, down from \$68.3 million forecast in its news release dated March 16, 2023. Forecast investments for the balance of the year are limited to completion of the West Hawler Gathering System and stimulation of the Demir Dagħ-9 well.

Liquidity Outlook

- The Corporation expects cash on hand as of March 31, 2023 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 2024, including the \$76.2 million in deferred purchase consideration owing in connection with the original acquisition of the Hawler license area.
- Forza Petroleum's principal shareholder has firmly indicated it will provide up to \$10 million until September 30, 2023, if needed, to fund cash outflows.

Annual Meeting of Shareholders

Forza Petroleum will hold an annual and special meeting of shareholders at the offices of Forza Petroleum Services SA at Route de Pré-Bois 14, 1216 Cointrin, Switzerland on Tuesday, June 27, 2023, at 4:00 p.m. (Central European Summer Time). Holders of record of common shares at the close of business on May 1, 2023, the record date for the meeting, will be entitled to notice of and to attend and vote at the meeting.

Full details regarding the business of the meeting can be found in the related Management Proxy Circular which, in the coming days, will be mailed to shareholders and published online at www.forzapetroleum.com and on the Corporation's profile on SEDAR (www.sedar.com).

CEO's Comment

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

"Forza Petroleum had a productive first quarter, generating more than \$18 million from operating activities. A new well in the Zey Gawra field was completed and turned over to production, while another new well, targeting the Cretaceous reservoir in the Demir Dagħ field, reached total depth before the end of the quarter. The team also successfully progressed construction of the West Hawler Gathering System, the commissioning of which is expected later this month. The use of these facilities reduce reliance on road tankers, improving the safety, environmental impact, and costs associated with operations in this part of the Hawler license area.

"Unfortunately, the achievements during the quarter were overshadowed with news of the shut-in of the Kurdistan Oil Export Pipeline at the end of the period. Absent any immediately available alternative sales channels, and with our own storage quickly nearing capacity, we were forced to shut in substantially all production from the Hawler license area.

"We are encouraged by news of progress being made by the Kurdistan Regional Government and the Iraqi Federal Government towards restarting the Kurdistan Oil Export Pipeline, and consider the pipeline shut-in and related pause in settlement of receivables for oil sales to be temporary. While steps have already been taken to reduce operating costs across the business, Forza Petroleum is maintaining operational readiness and the ability to restart production and deliveries to the Kurdistan Oil Export Pipeline within 48 hours following the restart of pipeline operations.

"To preserve liquidity, the Corporation's work program for the balance of 2023 has been largely suspended. Our investment plans will be reassessed once oil production and deliveries have restarted, any changes to

oil sales terms are clarified, and receipt of payments for oil sales has regularized.

"In the meantime, we remain closely engaged with all stakeholders regarding the pipeline restart and will continue to monitor the situation and take further actions as necessary."

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, 2023 and March 31, 2022, as well as the year ended December 31, 2022.

	Three Months Ended March 31		Year Ended December 31	
(\$ in millions unless otherwise indicated)	2023	2022	2022	
Revenue	47.8	82.4	323.8	
Working Interest Production (bbl)	747,700	852,600	3,442,000	
Average WI Production per day (bbl/d)	8,300	9,500	9,400	
Working Interest Oil Sales (bbl)	738,100	851,000	3,445,400	
Average Realized Sales Price (\$/bbl)	54.19	81.07	78.71	
Operating Expense	8.5	8.7	37.2	
Operating Expense (\$/bbl)	11.49	10.21	10.80	
Field Operating Costs (\$/bbl) ⁽¹⁾	7.47	6.64	7.02	
(Loss) / Profit	(1.8) 22.2	(138.0)
Basic and Diluted (Loss) / Earnings per Share (\$/sh)	(0.00) 0.04	(0.23)
Net Cash generated from Operating Activities	18.6	12.6	112.0	
Net Cash used in Investing Activities	(10.1) (20.6) (65.5)
Capital Additions ⁽²⁾	14.2	19.1	58.9	
Cash and Cash Equivalents	79.6	16.6	71.1	
Total Assets	451.7	612.5	448.2	
Total Liabilities	122.7	123.2	117.4	
Total Equity	329.0	489.9	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 additions / (credits) to the decommissioning obligation due to changes in estimates and drilling activity during the period.

- Revenue decreased to \$47.8 million in Q1 2023 versus \$82.4 million in Q1 2022 due to a 33% decrease in average oil sales prices and a 13% decrease in oil sales volumes. Gross (working interest) production and sales of oil in Q1 2023 were 747,700 barrels and 738,100 barrels, respectively, versus 852,600 barrels and 851,000 barrels, respectively, for Q1 2022. The average oil sales price realized in Q1 2023 was \$54.19 per barrel versus \$81.07 for Q1 2022. In addition to oil sales, revenue includes the recovery of carried costs.
- Operating expense, which includes the Corporation's carry of partner costs, decreased 2% to \$8.5 million in Q1 2023 versus \$8.7 million in Q1 2022 due primarily to decreased facilities costs. The decreased facilities costs were due to a new facilities rental contract which contained lower rates compared to the previous contract. Operating expenses on a per barrel basis increased in Q1 2023 versus Q1 2022 due primarily to a 13% decrease in oil sales volumes.

- General and administration expense decreased to \$1.6 million in Q1 2023 versus \$1.7 million in Q1 2022 due primarily to higher performance related bonuses paid in Q1 2022 than were previously accrued. Of this general and administration expense, 50% is cost recoverable from the Corporation's oil and gas operations.
- Loss for the three months ended March 31, 2023 was \$1.8 million compared to profit of \$22.2 million in Q1 2022. The change in result is primarily attributable to a \$20.4 million decrease in net revenue resulting from decreased realized sales price, oil sales volumes and recovery of carried costs.
- Sales volumes decreased 13% and 10% versus Q1 2022 and Q4 2022, respectively, due to natural declines and the shutdown of the Kurdistan Oil Export Pipeline on March 25, 2023, partially offset by the contribution of production from new wells.
- Net cash generated from operating activities was \$18.6 million in Q1 2023 compared to \$12.6 million in Q1 2022. The increase mainly reflects higher revenue received during the period and a decrease in cash payments relating to operating expenses, partially offset by an increase in royalties paid during Q1 2023.
- Net cash used in investing activities decreased to \$10.1 million in Q1 2023 as compared to \$20.6 million in Q1 2022 due to decreased drilling and facilities costs.
- Capital additions in Q1 2023 totalled \$14.2 million as compared to \$19.1 million in Q1 2022. In Q1 2023, \$13.0 million of capital expenditures related to drilling activities were incurred in the Hawler license area primarily at the Demir Dag and Ain al Safra fields. Q1 2023 capital expenditures also included \$1.0 million of facilities expenditures and \$0.2 million on directly attributable support costs.
- Cash and cash equivalents increased to \$79.6 million at March 31, 2023 from \$71.1 million at December 31, 2022, reflecting \$18.6 million generated from operating activities partially offset by \$10.1 million used in investing activities. Two revenue payments were received during the three months ended March 31, 2023.
- The Corporation is obligated to make a further payment to the seller of the Hawler license area in the amount of \$76.2 million. Forza Petroleum intends to settle the deferred purchase consideration in full upon receipt of a payment direction and appropriate documentation to comply with settlement regulations.
- As at May 9, 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 condensed consolidated financial statements for the three months ended March 31, 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.

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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, 2023 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 2024 and fund 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 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, 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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