FORZA PETROLEUM

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2021 AND 2020

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In accordance with subsection 4.3(3) of National Instrument 51-102 – *Continuous Disclosure Obligations*, Forza Petroleum Limited discloses that its auditors have not reviewed the unaudited condensed consolidated interim financial statements as at and for the three and nine months ended September 30, 2021 and 2020.

Consolidated Statements of Profit / (Loss) and Comprehensive Income / (Loss)

		Three months ended September 30		Nine months ended September 30	
$000s	**Note**	**2021**	**2020**	**2021**	**2020**
Revenue		48,727	21,984	130,129	58,075
Royalties		(19,951)	(9,001)	(53,330)	(24,883)
Net revenue		**28,776**	**12,983**	**76,799**	**33,192**
Operating expense		(7,256)	(7,061)	(20,736)	(18,271)
Depreciation, depletion and amortization	**5, 6**	(8,810)	(4,687)	(26,042)	(13,946)
Impairment expense	**5, 6**	-	-	-	(237,169)
General and administration		(1,479)	(3,368)	(3,489)	(8,291)
Other income / (expense)	**20**	736	1,656	5,561	(3,414)
Gain on deconsolidation of subsidiary	**11b**	-	-	15,725	-
Gain on settlement of borrowings		-	26,892	-	26,892
Change in fair value of contingent consideration	**24**	(3,752)	6,764	(12,172)	7,016
Profit / (Loss) from operations		**8,215**	**33,179**	**35,646**	**(213,991)**
Finance income / (expense)	**21**	386	(2,527)	(55)	(8,015)
Foreign exchange (losses) / gains		(56)	(27)	102	6
Profit / (loss) before income tax		**8,545**	**30,625**	**35,693**	**(222,000)**
Income tax expense	**19**	(973)	(486)	(2,605)	(1,305)
Profit / (loss) for the period		**7,572**	**30,139**	**33,088**	**(223,305)**
Comprehensive income / (loss) for the period		**7,572**	**30,139**	**33,088**	**(223,305)**
Earnings / (loss) per share (basic and diluted)	**16**	**0.01**	**0.05**	**0.06**	**(0.40)**

Consolidated Statements of Financial Position

$000s	Note	September 30 2021	December 31 2020
Non-current assets			
Intangible assets	**5**	47,748	48,893
Property, plant and equipment	**6**	493,476	506,980
Deferred tax assets		233	229
		541,457	**556,102**
Current assets			
Inventories	**7**	9,202	8,786
Trade and other receivables	**8**	32,933	26,026
Other current assets	**9**	2,693	1,340
Cash and cash equivalents	**10**	19,491	13,158
		64,319	**49,310**
Total assets		**605,776**	**605,412**
Current liabilities			
Trade and other payables	**11**	19,694	46,156
ZOG credit facility	**13**	-	5,000
		19,694	**51,156**
Non-current liabilities			
Trade and other payables	**11**	68,555	56,632
Retirement benefit obligation		1,732	1,760
Decommissioning obligation	**14**	25,852	39,485
		96,139	**97,877**
Total liabilities		**115,833**	**149,033**
Equity			
Share capital	**15**	1,363,221	1,362,633
Reserves	**17**	23,070	23,182
Accumulated remeasurement of defined benefit obligation, net of income tax		(5,637)	(5,637)
Accumulated deficit		(890,711)	(923,799)
Total equity		**489,943**	**456,379**
Total equity and liabilities		**605,776**	**605,412**

The consolidated financial statements were approved by the Board of Directors and authorized for issue on November 10, 2021.

On behalf of the Board of Directors:

signed
Sami Zouari
Director

signed
Peter Newman
Director

Consolidated Statements of Changes in Equity

$000s	Note	Share capital	Reserves	Accumulated deficit	Accumulated remeasurement of defined benefit obligation	Total equity
Balance at January 1, 2020		**1,361,043**	**18,594**	**(815,056)**	**(5,529)**	**559,052**
Loss for the period		-	-	(223,305)	-	(223,305)
Shares issued for LTIP	**15, 17**	1,590	(1,590)	-	-	-
Issue of warrants	**17**	-	3,647	-	-	3,647
Share based payment expense	**17**	-	2,404	-	-	2,404
Balance at September 30, 2020		**1,362,633**	**23,055**	**(1,038,361)**	**(5,529)**	**341,798**
Profit for the period		-	-	114,562	-	114,562
Share based payment expense	**17**	-	127	-	-	127
Loss on defined benefit obligation, net of tax		-	-	-	(108)	(108)
Balance at December 31, 2020		**1,362,633**	**23,182**	**(923,799)**	**(5,637)**	**456,379**
Profit for the period		-	-	33,088	-	33,088
Shares issued for LTIP		588	(588)	-	-	-
Share based payment expense	**17**	-	476	-	-	476
Balance at September 30, 2021		**1,363,221**	**23,070**	**(890,711)**	**(5,637)**	**489,943**

Consolidated Statements of Cash Flows

$000s	Note	Three months ended September 30 2021	Three months ended September 30 2020	Nine months ended September 30 2021	Nine months ended September 30 2020
Operating activities					
Profit / (Loss)		7,572	30,139	33,088	(223,305)
Items not involving cash	**18**	11,647	(26,300)	17,319	231,821
Change in retirement benefit obligation		139	(138)	(78)	(612)
Changes in non-cash working capital	**18**	(5,447)	(79)	(20,527)	5,596
Net cash generated from operating activities		**13,911**	**3,622**	**29,802**	**13,500**
Investing activities					
Acquisition of intangible assets	**5**	(3)	-	(8)	(740)
Acquisition of property, plant and equipment		(7,654)	(3,293)	(18,461)	(11,689)
Net cash used in investing activities		**(7,657)**	**(3,293)**	**(18,469)**	**(12,429)**
Financing activities					
Interest paid	**12**	-	-	-	(4,025)
(Repayment) / Drawdown on ZOG Credit Facility	**13**	(5,000)	5,000	(5,000)	5,000
Net cash (used in) / generated by financing activities		(5,000)	5,000	**(5,000)**	**975**
Net increase in cash and cash equivalents		**1,254**	**5,329**	**6,333**	**2,046**
Cash and cash equivalents at beginning of the period	**10**	18,237	5,629	13,158	8,912
Cash and cash equivalents at end of the period		**19,491**	**10,958**	**19,491**	**10,958**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Forza Petroleum Limited (the "Company" or "FPL") is a public company incorporated in Canada under the Canada Business Corporations Act and is the holding company for the Forza Petroleum group of companies (together the "Group" or "Forza Petroleum"). The address of the registered office of FPL is 3400 First Canadian Centre 350, 7th Avenue Southwest, Calgary, Alberta, Canada T2P 3N9. The Group's controlling shareholder is Zeg Oil and Gas Limited ("ZOG") (incorporated in the British Virgin Islands) and its ultimate controlling parent is SBK Investment Holdings Limited (incorporated in the British Virgin Islands). The Group's ultimate controlling party is Baz Karim.

The Group's principal activities are to acquire and develop exploration and production assets in order to produce hydrocarbons and to increase oil and gas reserves.

The worldwide outbreak of the COVID-19 virus has not caused any significant disruption of Forza Petroleum's production operations, all of which are in the Kurdistan Region of Iraq ("KRI"). The Group has taken precautions to protect its employees and contractors and does not at this time expect that the virus outbreak will restrict operations.

The unaudited condensed consolidated interim financial statements (the "Financial Statements") were authorized for issue by the Board of Directors on November 10, 2021.

2. Summary of significant accounting policies

a. Basis of preparation

The Company's Financial Statements for the three and nine months ended September 30, 2021 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim financial reporting". The Financial Statements should be read in conjunction with Forza Petroleum's annual consolidated financial statements for the year ended December 31, 2020, which have been prepared in accordance with International Financial Reporting Standards (IFRS). The accounting policies included in the annual consolidated financial statements for the year ended December 31, 2020 are applicable to these Financial Statements.

The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

The preparation of financial statements in conformity with IFRS requires the use of critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in the annual consolidated financial statements for the year ended December 31, 2020 and have been updated in these Financial Statements as required.

The Financial Statements are presented in the US Dollar currency (USD), which is also the functional currency of the Company.

b. Going concern

These Financial Statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business for the foreseeable future. During the nine months ended September 30, 2021, the Group met its day to day working capital requirements and funded its capital and operating expenditures through cash reserves and receipt of its share of oil sales revenues from the Hawler license area.

The Directors have carefully considered the forecast cash flows for the 15 months following September 30, 2021, and they expect that cash resources will be sufficient to fund the Group's capital and operating expenditures and to meet forecast obligations as they fall due within that period.

2. Summary of significant accounting policies (continued)

c. New and amended standards issued but not yet effective

At the date of authorization of these Financial Statements, the following standards applicable to the Group were issued but not yet effective:

New and Amended Standards	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
Classification of Liabilities as Current or Non-Current (Amendments to IFRS 1)	January 1, 2023
Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023
Disclosure of Accounting Policies (Amendments to IAS 1)	January 2, 2023

Management has reviewed the impact of the new and amended standards listed above and has concluded that if these standards were applied to these Financial Statements, they would not have a material impact.

3. Financial risk management

The financial risk management disclosure contained in Forza Petroleum's annual financial statements for the year ended December 31, 2020 is applicable to these Financial Statements.

4. Joint arrangements

The Group participates in one joint arrangement to facilitate the exploration, development and production of oil and gas as follows:

License Area	Classification	Location	Working interest
Hawler	Joint operation	Iraq – Kurdistan Region	65%

5. Intangible assets

$000s	Exploration & Evaluation costs	Computer Software	Total
Cost			
At January 1, 2020	**101,783**	**2,225**	**104,008**
Additions	775	-	775
Disposal of subsidiary (note 12)	(53,676)	-	(53,676)
At September 30, 2020	**48,882**	**2,225**	**51,107**
Additions	1	-	1
At December 31, 2020	**48,883**	**2,225**	**51,108**
Additions	8	-	8
Decommissioning(1)	(1,143)	-	(1,143)
At September 30, 2021	**47,748**	**2,225**	**49,973**
Accumulated amortization and impairment			
At January 1, 2020	**-**	**2,201**	**2,201**
Amortization	-	10	10
At September 30, 2020	**-**	**2,211**	**2,211**
Amortization	-	4	4
At December 31, 2020	**-**	**2,215**	**2,215**
Amortization	-	10	10
At September 30, 2021	**-**	**2,225**	**2,225**
Carrying amount			
At September 30, 2021	47,748	-	47,748
At December 31, 2020	48,883	10	48,893

5. Intangible assets (continued)

(1) Included in additions for the nine months ended September 30, 2021 is a $1.1 million non-cash credit relating to a change in estimates used to calculate the decommissioning obligation (note 14).

The carrying amounts of intangible E&E assets relate to the Hawler license area (Ain al Safra sub-contract area) at both September 30, 2021 and December 31, 2020.

On July 23, 2020, the Group's 100% shareholding in OP AGC Central Limited, the company that holds the interest in the AGC Central license area, was transferred to an affiliate of The Addax and Oryx Group PLC as consideration for the full settlement of borrowings, including accrued interest outstanding. Refer to note 12 for further information.

The carrying amounts for E&E assets represent costs incurred on exploration projects. For the purpose of impairment assessments and testing, E&E assets are aggregated in CGUs. Determination of what constitutes a CGU is subject to management judgments and the circumstances.

The Group continues to judge that the Hawler – Ain al Safra sub-contract area constitutes an individual CGU and that there are no indicators suggesting that the carrying amount of the exploration and evaluation asset exceeds its recoverable amount. The Group plans to advance appraisal of the Ain al Safra sub-contract area by completing the Ain al Safra-2 well during the first half of 2022.

6. Property, plant and equipment

The Group's principal property, plant and equipment comprises its oil and gas assets in the Hawler license area in the Kurdistan Region of Iraq. No assets have been pledged as security.

$000s	Oil and gas Assets	Fixtures and Equipment	Total
Cost			
At January 1, 2020	**938,882**	**3,549**	**942,431**
Additions	7,267	1	7,268
Decommissioning(1)	17,480	-	17,480
At September 30, 2020	**963,629**	**3,550**	**967,179**
Additions	10,912	-	10,912
Decommissioning(1)	22	-	22
At December 31, 2020	**974,563**	**3,550**	**978,113**
Additions	25,333	-	25,333
Decommissioning(1)	(12,800)	-	(12,800)
At September 30, 2021	**987,096**	**3,550**	**990,646**
Accumulated depreciation, depletion and impairment			
At January 1, 2020	**327,463**	**3,416**	**330,879**
Impairment (2)	238,245	-	238,245
Depreciation	-	56	56
Depletion	13,853	-	13,853
At September 30, 2020	**579,561**	**3,472**	**583,033**
Impairment reversal (3)	(120,953)	-	(120,953)
Depreciation	-	19	19
Depletion	9,034	-	9,034
At December 31, 2020	**467,642**	**3,491**	**471,133**
Depreciation	-	57	57
Depletion	25,980	-	25,980
At September 30, 2021	**493,622**	**3,548**	**497,170**
Carrying amount			
At September 30, 2021	493,474	2	493,476
At December 31, 2020	506,921	59	506,980

(1) Non-cash additions / (credits) relating to changes in estimates used to calculate the decommissioning obligation (note 14).

6. Property, plant and equipment (continued)

(2) As at March 31, 2020 the Group recorded an impairment charge of $238.2 million relating to the Hawler license area. The impairment charge represented the difference between the estimated recoverable amount of the Hawler license area CGU and its carrying amount prior to the impairment charge.

(3) As at December 31, 2020, the Group recorded a $121.0 million impairment reversal relating to the Hawler license area. The impairment reversal represented the difference between the estimated recoverable amount of the Hawler license area CGU and its carrying amount prior to the impairment reversal.

The change in the Company's majority shareholder during 2020 represented a change in control under the Hawler license area Production Sharing Contract ("PSC"). In securing consent for the change in control of the Group's interest in the Hawler license area from the Ministry of Natural Resources of the KRI ("MNR"), the Group agreed to amend certain terms of the PSC governing the Hawler license area effective from July 1, 2020 ("2020 PSC Amendments"). Specifically, the Group agreed to a 22% reduction in the Group's recoverable cost pool related to its interest and to finance all costs attributed to the 35% interest it does not own for the duration of the development period, without a cap on such financing facility.

Previously, the PSC required the Group to finance only the third party costs attributable to a 20% interest in the license, to a maximum of $300 million. The MNR agreed to waive any rights to perform an audit of costs incurred prior to January 1, 2021.

For the purpose of impairment assessments and testing in accordance with IAS 36, oil and gas assets are aggregated in CGUs. Determination of what constitutes a CGU is subject to management judgments and the circumstances. Management has determined that the Hawler license area, excluding the Ain al Safra sub-contract area, which is a separate E&E asset (note 5), constitutes the Group's single CGU which contains property, plant and equipment.

Management has determined that as at September 30, 2021, there are no new substantive indicators suggesting that the carrying amount of the Hawler license area Oil and Gas assets exceeds its recoverable amount nor were there indicators suggesting that the previously recognized impairment losses no longer exist or may have materially decreased.

7. Inventories

$000s	September 30 2021	December 31 2020
Oil inventory	259	218
Materials, net of provision	8,943	8,568
	9,202	**8,786**

The cost of oil inventory is expensed through production and depletion expenses in the period during which it is sold. As at September 30, 2021, the Group's working interest share of oil inventory was 12,380 bbl (December 31, 2020 – 10,760 bbl).

The Group has adjusted the carrying value of materials inventory to management's estimate of net realizable value. The provision at September 30, 2021 is $4.9 million (December 31, 2020: $6.9 million) and income of $2.0 million has been included in other income/(expense) during the nine months ended September 30, 2021 to reflect the change in the provision (nine months ended September 30, 2020 – expense $1.9 million).

No inventories have been pledged as security during the period.

8. Trade and other receivables

$000s	September 30 2021	December 31 2020
Revenue receivables, net of provision	31,481	24,622
Other receivables	1,452	1,404
	32,933	**26,026**

8. Trade and other receivables (continued)

Trade and other receivables are denominated in US Dollars and is a reasonable approximation of the fair value. The revenue balance at December 31, 2020 is presented net of an expected loss provision of $3.6 million. No provision has been recorded at September 30, 2021.

9. Other current assets

$000s	September 30 2021	December 31 2020
Deposits	1,737	1,068
Prepaid charges and other current assets	956	272
	2,693	**1,340**

10. Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term deposits with an original maturity of three months or less. The carrying amounts are reasonable approximations of the fair value.

11. Trade and other payables

$000s	September 30 2021	December 31 2020
Trade accounts payable	6,095	14,113
Other payables and accrued liabilities	13,599	16,318
	19,694	**30,431**
HMB license arbitration award	-	15,725
Current portion	**19,694**	**46,156**
Contingent consideration, non-current (note 24a)	68,555	56,632
Total trade and other payables	**88,249**	**102,788**

The carrying amounts of trade accounts payables and other payables and accrued liabilities, as presented above, are reasonable approximations of their fair values.

a. Contingent consideration

As at September 30, 2021, the Group has recognized a non-current liability of $68.6 million (December 31, 2020 - $56.6 million, non-current) representing the estimated fair value of contingent consideration arising upon the acquisition of OP Hawler Kurdistan Limited. The liability is presented at fair value estimated using the expected present value technique where the projected contingent future cash out flow has been discounted at a rate of 10% (note 24a).

b. HMB license arbitration award

On April 23, 2018, OP Congo SA (the "Seller"), a wholly-owned subsidiary of the Company, entered into an agreement providing for the sale of a 30% working interest in the Haute Mer B exploration license offshore Congo (Brazzaville) ("HMB License") to the HMB License's operator (the "Buyer") (the "Sale Agreement"). The Sale Agreement provided for the Seller's interest in the HMB License to be transferred for cash consideration of $13.3 million.

During the second quarter of 2019, the Buyer and other members of the HMB License contractor group relinquished their rights to explore and produce crude oil from the license area.

Contrary to the Seller's position that all conditions to closing were either satisfied or waived, the Buyer declined to close the transaction and purported to terminate the Sale Agreement. The matter was referred to arbitration.

11. Trade and other payables (continued)

b. HMB license arbitration award (continued)

On January 31, 2020, the arbitration tribunal released its decision rejecting the Seller's position that all conditions to closing had been either satisfied or waived and that the Buyer was required to close the transaction and acquire the Seller's interest. The tribunal awarded $15.7 million to the Buyer including $15.1 million in respect of the Seller's share of HMB License expenditures incurred by the Buyer following the date of and in accordance with the Sale Agreement.

OP Congo SA initiated liquidation proceedings in Congo (Brazzaville) during the year ended December 31, 2020. The liquidation was opened and a liquidation trustee appointed by the Pointe-Noire Tribunal of Commerce on March 24, 2021. From such date, the Company no longer has control over this entity and OP Congo SA has been deconsolidated from the Group, resulting in a $15.7 million gain during the nine months ended September 30, 2021.

12. Borrowings

Prior to July 23, 2020, the Group's indirect controlling shareholder was The Addax and Oryx Group PLC ("AOG"). On March 11, 2015, the Group entered into a committed and unsecured term loan facility agreement (the "Loan Facility") with a subsidiary of AOG (the "Lender"). The carrying value of the Loan Facility was measured at amortized cost using the effective interest rate method, and its components are summarized in the table below:

At January 1, 2020	**79,883**
Interest expense	4,471
Deferred financing costs (note 15b)	(2,404)
Accretion of deferred financing costs	2,578
Payment of accrued interest	(4,025)
Settlement (non-cash)	(80,503)
At December 31, 2020 and September 30, 2021	**-**

The Loan Facility was fully drawn and had an initial maturity of March 10, 2018 (the "Maturity Date"). The Loan Facility was subsequently amended in April 2017, December 2018 and March 2020, ultimately extending the Maturity Date to July 1, 2021, in consideration for amended interest settlement terms and the successive issuances of warrants to subscribe for an aggregate of 39,281,804 common shares in the Company. On July 23, 2020, the Borrowings were settled in full, including accrued interest, through the transfer of the Group's 100% shareholding in OP AGC Central Limited, the company that holds an interest in the AGC Central license area. A gain of $26.9 million was recorded upon settlement of the Borrowings amount and transfer of the shareholding in OP AGC Central Limited during the third quarter of 2020. The Borrowings amounted to $80.5 million (including accrued interest) at the date of final settlement.

13. ZOG Credit Facility

On August 26, 2020, the Group entered into an interest free $10 million credit facility agreement with ZOG (the "ZOG Credit Facility") of which $5 million was drawn during the year ended December 31, 2020. The ZOG Credit Facility matured during the first quarter of 2021. By letters dated March 9, 2021 and June 10, 2021, ZOG waived the requirement to repay the balance borrowed before December 31, 2021. The $5 million drawn under the ZOG Credit Facility was repaid during the three months ended September 30, 2021.

14. Decommissioning obligation

The Group has obligations to decommission its oil and gas assets upon cessation of operations. In calculating the value of the Group's future decommissioning obligation at September 30, 2021, management has made significant assumptions and estimates based on an assessment of the current economic environment and factors specific to the assets to be decommissioned. These estimates are reviewed annually and when circumstances suggest that such revisions are required. Actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning may depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil prices, which are inherently uncertain.

Decommissioning obligations, all of which relate to the Hawler license area in the KRI are forecast to be incurred in 2038.

At June 30, 2021, the Group revised the cost estimates used to calculate the decommissioning obligation based on an updated engineering assessment of resources, and the latest contractual prices for equipment and services, required for decommissioning activities.

The estimated net present value of the decommissioning obligation at September 30, 2021 is $25.9 million (December 31, 2020 - $39.5 million) based on the Group's undiscounted liability of $33.4 million (December 31, 2020 - $60.4 million).

The assumed inflation rate used in the calculation to determine the carrying value of the decommissioning obligation was updated on June 30, 2021 to 0.9% (December 31, 2020 – 1.2%). The assumed discount rate was also reviewed as at June 30, 2021 and was updated to 2.0% (December 31, 2020 – 2.4%).

$000s	**Nine months ended September 30, 2021**	**Year ended December 31, 2020**
Decommissioning obligation, beginning of the period	**39,485**	**20,692**
Change in future cash flow estimates due to 2020 PSC Amendments (note 6)	-	13,611
Change in cost estimates	(19,535)	-
Change in inflation rate	(1,869)	4,190
Change in discount rate	2,636	455
Property development activity	4,831	67
	25,548	**39,015**
Accretion expense	304	470
Decommissioning obligation, end of the period	**25,852**	**39,485**

15. Share capital

a. Issued common shares

	Number of shares	**Share capital**
		$000s
At January 1, 2020	**552,481,662**	**1,361,043**
Issue of shares for LTIP	25,715,556	1,590
At September 30, 2020 and December 31, 2020	**578,197,218**	**1,362,633**
Issue of shares for LTIP	6,778,984	588
At September 30, 2021	**584,976,202**	**1,363,221**

The Company has unlimited authorized share capital at September 30, 2021.

2021 share capital transactions

On September 1, 2021, the Company issued 6,778,984 common shares to employees under the Group's LTIP.

15. Share capital (continued)

a. Issued common shares (continued)

2020 share capital transactions

On July 23, 2020 and July 31, 2020, respectively, the Company issued 10,248,050 common shares and 15,467,506 common shares to employees under the Group's LTIP.

b. Warrants

In 2019 and then in March 2020, respectively, in accordance with successive amendments to the Loan Facility (note 12), the Group issued warrants to an affiliate of the Lender to acquire firstly 6,132,804 and then 33,149,000 common shares of the Company. The exercise prices of the two tranches of warrants are, respectively, $0.2094 and $0.1633 per common share. The warrants expire on November 13, 2021 and March 10, 2023, respectively, and comprise a total of 39,281,804 warrants outstanding and exercisable as at September 30, 2021.

In connection with the change of control of the Company in July 2020, the outstanding warrants were all transferred by the affiliate of the Lender to ZOG on July 23, 2020.

16. Basic and diluted earnings / (loss) per share

The earnings / (loss) and weighted average number of common shares used in the calculation of the basic and diluted earnings / (loss) per share are as follows:

	Three months ended September 30		Nine months ended September 30	
$000s	**2021**	**2020**	**2021**	**2020**
Profit / (loss) for the period attributable to equity holders	7,572	30,139	33,088	(223,305)
Weighted average number of common shares for basic and diluted earnings / (loss) per share(1)	580,407,756	570,702,845	578,752,872	558,599,724
$				
Basic and Diluted earnings / (loss) per share	**0.01**	**0.05**	**0.06**	**(0.40)**

(1) The unvested LTIP shares and outstanding warrants are excluded as they are anti-dilutive.

17. Reserves

$000s	**Share based payments**	**Other Reserves**	**Total reserves**
At January 1, 2020	**15,951**	**2,643**	**18,594**
Share based payment transactions	3,647	-	3,647
Issue of warrants (note 15b)	2,404	-	2,404
Issue of shares for LTIP	(1,590)	-	(1,590)
At September 30, 2020	**20,412**	**2,643**	**23,055**
Share based payment transactions	127	-	127
At December 31, 2020	**20,539**	**2,643**	**23,182**
Share based payment transactions	476	-	476
Issue of shares for LTIP	(588)	-	(588)
At September 30, 2021	**20,427**	**2,643**	**23,070**

18. Supplemental cash flow information

Items not involving cash	**Three months ended September 30**		**Nine months ended September 30**	
$000s	**2021**	**2020**	**2021**	**2020**
Gain on deconsolidation of subsidiary	-	-	(15,725)	-
Gain on settlement of borrowings	-	(26,892)	-	(26,892)
Depreciation, depletion and amortization	8,810	4,687	26,042	13,946
Share based payment expense	37	1,311	96	2,530
Impairment expense / (reversal)	-	-	-	237,169
Unrealized foreign exchange (gains) / losses	51	21	(123)	(5)
Non-cash income tax expense	(6)	2	(4)	4
Finance (income) / expense	(386)	2,524	55	8,000
General and administration	103	351	311	1,016
Change in fair value of contingent consideration	3,752	(6,764)	12,172	(7,016)
Other (income) / expense	(736)	(1,660)	(5,561)	2,908
Operating expense	22	120	56	161
Items not involving cash	**11,647**	**(26,300)**	**17,319**	**231,821**

Changes in non-cash working capital	**Three months ended September 30**		**Nine months ended September 30**	
$000s	**2021**	**2020**	**2021**	**2020**
Inventories	336	(88)	1,608	(917)
Trade and other receivables	(6,609)	3,140	(13,834)	(5,563)
Other current assets	(460)	(186)	(1,353)	353
Trade and other payables	3,510	1,595	(409)	4,478
Change in non-cash working capital	**(3,223)**	**(1,819)**	**(13,988)**	**(1,649)**

The cash flows relating to non-cash working capital relate to the following activities:

	Three months ended September 30		**Nine months ended September 30**	
$000s	**2021**	**2020**	**2021**	**2020**
Operations	(5,447)	(79)	(20,527)	5,596
Investing – PP&E	2,224	(1,740)	6,539	(7,245)
Cash flows relating to non-cash working capital	**(3,223)**	**(1,819)**	**(13,988)**	**(1,649)**

Other cash flow information	**Three months ended September 30**		**Nine months ended September 30**	
$000s	**2021**	**2020**	**2021**	**2020**
Cash income taxes paid	-	-	21	96

19. Income tax expense

	Three months ended September 30		**Nine months ended September 30**	
$000s	**2021**	**2020**	**2021**	**2020**
Current income tax expense	979	483	2,609	1,301
Deferred tax on LTIP shares	(6)	3	(4)	4
Income tax expense	**973**	**486**	**2,605**	**1,305**

19. Income tax expense (continued)

The Group is subject to income taxes in certain jurisdictions where it holds interests in exploration and development licenses or has taxable operations. Current income tax expense relates to tax on profits from oil sales in the KRI and on taxable profits from operations of the Group's Swiss and Maltese subsidiaries. For the nine months ended September 30, 2021, income taxes in the amount of $2.4 million related to oil sales in the KRI (2020 - $1.3 million) were deemed to be collected by the government through its allocation of Profit Oil under the Hawler PSC.

20. Other income / (expense)

The components of other income / (expense) for the periods indicated are as follows:

		Three months ended September 30		Nine months ended September 30	
$000s	**Note**	**2021**	**2020**	**2021**	**2020**
Reduction / (Increase) of provision against trade and other receivables	**8**	152	1,952	3,539	(2,875)
Reduction / (increase) of materials inventory provision	**7**	584	(782)	2,022	(1,851)
Restructuring charge[(1)]		-	-	-	(558)
Curtailment of retirement benefit obligation		-	487	-	1,821
Other		-	(1)	-	49
Other income / (expense)		**736**	**1,656**	**5,561**	**(3,414)**

(1) During the three months ended March 31, 2020, the Group effected a workforce re-organization as part of its efforts to reduce costs and recorded a restructuring charge.

21. Finance income / (costs)

The components of finance income / (costs) for the periods indicated are as follows:

		Three months ended September 30		Nine months ended September 30	
$000s	**Note**	**2021**	**2020**	**2021**	**2020**
Accretion of decommissioning obligation	**14**	65	117	304	353
Interest (reversed) / accrued on contingent consideration	**24**	(451)	68	(249)	599
Interest on borrowings	**12**	-	500	-	4,471
Accretion of deferred financing costs	**12**	-	1,841	-	2,578
Other		-	1	-	14
Finance (income) / expense		**(386)**	**2,527**	**55**	**8,015**

The Forbearance Agreement (see note 24a) establishes that interest will not accrue on the contingent liability from July 23, 2020 to March 31, 2023. Therefore, interest previously accrued from July 23, 2020 until July 8, 2021 was reversed and released to income during the three ended September 30, 2021.

22. Segment information

The Group has a single class of business which is to acquire, explore, develop and produce hydrocarbons from oil and gas assets. The Group operated in two geographical areas until July 23, 2020. During the third quarter of 2020, the Group ceased all its activities in West Africa (notes 5 and 12). Segment information related to the Middle East operating segment and corporate activities is as follows:

For the nine months ended September 30, 2021 **$000s**	**Middle East**	**Corporate**	**Total**
Revenue	130,129	-	130,129
Royalty	(53,330)	-	(53,330)
Net revenue	**76,799**	**-**	**76,799**
Operating expense	(20,736)	-	(20,736)
Depreciation, depletion and amortization	(25,975)	(67)	(26,042)
General and administration expense	(2,330)	(1,159)	(3,489)
Other income	5,561	-	5,561
Gain on deconsolidation of subsidiary	-	15,725	15,725
Change in fair value of contingent consideration	(12,172)	-	(12,172)
Segment result	**21,147**	**14,499**	**35,646**
Finance expense			(55)
Foreign exchange gain			102
Profit before income tax			**35,693**
Income tax expense			(2,605)
Profit for the period			**33,088**
Capital additions(1)	25,335	-	25,335
Segment assets as at September 30, 2021	604,793	983	605,776
Segment liabilities as at September 30, 2021	112,877	2,956	115,833

(1) Before non-cash credits relating to the change in estimates used to calculate the decommissioning obligation.

For the nine months ended September 30, 2020 **$000s**	**Middle East**	**West Africa**	**Corporate**	**Total**
Revenue	58,075	-	-	58,075
Royalty	(24,883)	-	-	(24,883)
Net revenue	**33,192**	**-**	**-**	**33,192**
Operating expense	(18,271)	-	-	(18,271)
Depreciation, depletion and amortization	(13,879)	-	(67)	(13,946)
Impairment	(238,245)	1,076	-	(237,169)
General and administration	(3,344)	(361)	(4,586)	(8,291)
Gain on settlement of borrowings	-	-	26,892	26,892
Other (expense) / income	(4,664)	(553)	1,803	(3,414)
Change in fair value of contingent consideration	7,016	-	-	7,016
Segment result	**(238,195)**	**162**	**24,042**	**(213,991)**
Finance expense				(8,015)
Foreign exchange gain				6
Loss before income tax				**(222,000)**
Income tax expense				(1,305)
Loss for the period				**(223,305)**
Capital additions(1)	6,743	397	1	7,141
Segment assets as at September 30, 2020	489,979	-	1,156	491,035
Segment liabilities as at September 30, 2020	129,164	15,725	4,348	149,237

(1) Before non-cash credits relating to the change in estimates used to calculate the decommissioning obligation.

22. Segment information (continued)

For the three months ended September 30, 2021 **$000s**	**Middle East**	**Corporate**	**Total**
Revenue	48,727	-	48,727
Royalty	(19,951)	-	(19,951)
Net revenue	**28,776**	**-**	**28,776**
Operating expense	(7,256)	-	(7,256)
Depreciation, depletion and amortization	(8,788)	(22)	(8,810)
General and administration expense	(650)	(829)	(1,479)
Other income	736	-	736
Gain on deconsolidation of subsidiary	-	-	-
Change in fair value of contingent consideration	(3,752)	-	(3,752)
Segment result	**9,066**	**(851)**	**8,215**
Finance costs			386
Foreign exchange gain			(56)
Profit before income tax			**8,545**
Income tax expense			(973)
Profit for the period			**7,572**
Capital additions[1]	10,007	-	10,007

(1) Before non-cash credits relating to the change in estimates used to calculate the decommissioning obligation.

For the three months ended September 30, 2020 **$000s**	**Middle East**	**West Africa**	**Corporate**	**Total**
Revenue	21,984	-	-	21,984
Royalty	(9,001)	-	-	(9,001)
Net revenue	**12,983**	**-**	**-**	**12,983**
Operating expense	(7,061)	-	-	(7,061)
Depreciation, depletion and amortization	(4,664)	-	(23)	(4,687)
General and administration	(888)	-	(2,480)	(3,368)
Gain on settlement of borrowings	-	-	26,892	26,892
Other income	1,169	-	487	1,656
Change in fair value of contingent consideration	6,764	-	-	6,764
Segment result	**8,303**	**-**	**24,876**	**33,179**
Finance expense				(2,527)
Foreign exchange loss				(27)
Profit before income tax				**30,625**
Income tax expense				(486)
Profit for the period				**30,139**
Capital additions[1]	2,029	-	-	2,029

(1) Before non-cash credits relating to the change in estimates used to calculate the decommissioning obligation.

Non-current assets, aggregated by country, are as follows:

$000s	**September 30 2021**	**December 31 2020**
Iraq (Kurdistan Region)	541,224	555,815
Other	233	287
	541,457	**556,102**

23. Commitments

The Group has entered into agreements which contain provisions for the following spending commitments:

$000s	September 30 2021	December 31 2020
No later than one year	2,649	2,479
One to five years	9,915	9,915
Greater than five years	19,834	19,834
	32,398	**32,228**

The commitments noted above primarily reflect the Group's expected PSC costs relating to the Hawler license area. These commitments may be subject to change.

24. Contingent liabilities and consideration

a. Contingent consideration

During 2011, the Group acquired OP Hawler Kurdistan Limited ("OPHKL"). The related sale and purchase agreement ("the Purchase Agreement") establishes that additional consideration in the remaining amount of $66 million plus interest at USD LIBOR plus 0.25% per annum becomes payable if a second Hawler license area discovery, beyond the initially declared Demir Dagh commercial discovery, is declared to be commercial. While no such second declaration has arisen, a financial liability was recognized for the contingent consideration as part of the business combination accounting in 2011, in accordance with IFRS.

For the specific purpose of estimating the fair value of the contingent consideration obligation, management has applied the expected present value technique as it is believed that this is the manner in which a market participant would estimate a fair value. Management has accordingly set out possible future cash outflow scenarios and has aggregated the probability-weighted present value of each cash outflow forecast scenario, discounted at a rate of 10% per annum (2020 – 10% per annum).

On July 9, 2021 the Group entered into an agreement ("the Forbearance Agreement") with the seller of OPHKL which established that contingent consideration would not become due prior to March 31, 2023 in the event of a result of a second commercial discovery.

The Forbearance Agreement establishes that interest will not accrue on the contingent liability from July 23, 2020 to March 31, 2023. Therefore, interest accrued from July 23, 2020 until July 8, 2021 was reversed and released to income during the three months ended September 30, 2021.

The Forbearance Agreement contemplates that the parties will undertake reasonable best efforts to negotiate a settlement of the outstanding contingent consideration obligation under the Purchase Agreement. In consideration for such forbearance the Group has accepted that, to the extent that any distribution were to be made to the Company's shareholders during the forbearance period, an equivalent sum would become payable to the seller of OPHKL, up to the maximum amount of the contingent liability.

The balance of unpaid principal and accrued interest potentially owed under the contingent consideration obligation to the vendor of the Hawler license area as at September 30, 2021 was $76.2 million.

Management has exercised significant judgment and made significant estimates in order to identify the cash outflow forecast scenarios and possible future circumstances that may cause the contingent consideration to become payable, or not, in its entirety at various future dates or on a scheduled basis. The scenario outcomes range from Nil cash outflow in the event that the conditions causing the contingent consideration to become payable do not materialize, to a maximum of undiscounted principal and interest in the amount of $84.9 million, if the liability were ultimately to arise and payments were scheduled over time through 2026.

After applying the present value technique, the liability is thus presented at management's estimate of fair value which, as at September 30, 2021, amounted to $68.6 million (December 31, 2020 - $56.6 million) (note 11a). Under the terms of the Forbearance Agreement, no amounts would be due as a result of a declaration of commercial discovery prior to March 31, 2023, consequently, the liability has been classified as a non-current liability.

24. Contingent liabilities and consideration (continued)

a. Contingent consideration (continued)

The fair value of the liability was established using a combination of observable inputs other than quoted prices and unobservable inputs derived from management's internal analysis and judgment. As such it is classified as level 3 in the fair value hierarchy (December 31, 2020 – level 3).

b. Contingent liabilities

In the normal course of operations, the Group may be subject to litigation and claims. In management's estimation, other than as has been recognized or disclosed within these Financial Statements, no such litigation or claim, individually or in aggregate, is expected to result in a liability that would have a significant adverse effect on the financial position or results of operations of the Group.