FORZA PETROLEUM

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED
MARCH 31, 2022 AND 2021

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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 months ended March 31, 2022 and 2021.

Consolidated Statements of Profit and Other Comprehensive Income

		Three months ended March 31	
$000s	**Note**	**2022**	**2021**
Revenue		82,361	35,728
Royalties		(33,701)	(14,679)
Net revenue		**48,660**	**21,049**
Operating expense		(8,690)	(6,100)
Depreciation, depletion and amortization	**5,6**	(12,399)	(8,256)
General and administration expense		(1,740)	(1,081)
Other income and expense	**18**	(241)	4,793
Gain on deconsolidation of subsidiary	**21**	-	15,725
Change in fair value of purchase consideration	**11a**	(1,631)	(4,194)
Profit from operations		**23,959**	**21,936**
Finance costs	**19**	(71)	(221)
Foreign exchange gain		17	185
Profit before income tax		**23,905**	**21,900**
Income tax expense	**17**	(1,668)	(735)
Profit for the period		**22,237**	**21,165**
Other Comprehensive Income for the period		**22,237**	**21,165**
Earnings per share (basic and diluted) - $	**14**	**0.04**	**0.04**

Consolidated Statements of Financial Position

$000s	Note	March 31 2022	December 31 2021
Non-current assets			
Intangible assets	**5**	47,749	47,748
Property, plant and equipment	**6**	477,386	469,517
Deferred tax assets		242	241
		525,377	**517,506**
Current assets			
Inventories	**7**	8,575	9,205
Trade and other receivables	**8**	59,680	34,481
Other current assets	**9**	2,278	1,861
Cash and cash equivalents	**10**	16,614	24,672
		87,147	**70,219**
Total assets		**612,524**	**587,725**
Current liabilities			
Trade and other payables	**11**	93,397	24,803
		93,397	**24,803**
Non-current liabilities			
Trade and other payables	**11**	-	67,640
Retirement benefit obligation		2,337	2,242
Decommissioning obligation	**12**	27,500	26,213
		29,837	**96,095**
Total liabilities		**123,234**	**120,898**
Equity			
Share capital	**13**	1,363,221	1,363,221
Reserves	**15**	23,527	23,301
Accumulated remeasurement of defined benefit obligation, net of income tax		(6,166)	(6,166)
Accumulated deficit		(891,292)	(913,529)
Total equity		**489,290**	**466,827**
Total equity and liabilities		**612,524**	**587,725**

The consolidated financial statements were approved by the Board of Directors and authorized for issue on May 13, 2022.

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, 2021		**1,362,633**	**23,182**	**(923,799)**	**(5,637)**	**456,379**
Profit for the period		-	-	21,165	-	21,165
Share based payment compensation	**15**	-	146	-	-	146
Balance at March 31, 2021		**1,362,633**	**23,328**	**(902,634)**	**(5,637)**	**477,690**
Loss for the period		-	-	(10,895)	-	(10,895)
Share based payment compensation	**15**	-	561	-	-	561
Shares issued for LTIP	**13, 15**	588	(588)	-	-	-
Loss on defined benefit obligation, net of tax		-	-	-	(529)	(529)
Balance at December 31, 2021		**1,363,221**	**23,301**	**(913,529)**	**(6,166)**	**466,827**
Profit for the period		-	-	22,237	-	22,237
Share based payment compensation	**15**	-	226	-	-	226
Balance at March 31, 2022		**1,363,221**	**23,527**	**(891,292)**	**(6,166)**	**489,290**

Consolidated Statements of Cash Flows

		Three months ended March 31	
$000s	**Note**	**2022**	**2021**
Operating activities			
Profit for the period		22,237	21,165
Adjustments for non-cash transactions	**16**	14,579	(4,491)
Change in retirement benefit obligation		-	(218)
Changes in non-cash working capital	**16**	(24,235)	(12,249)
Net cash generated from operating activities		**12,581**	**4,207**
Investing activities			
Acquisition of intangible assets		-	(3)
Acquisition of property, plant and equipment		(20,639)	(7,210)
Net cash used in investing activities		**(20,639)**	**(7,213)**
Financing activities		**-**	**-**
Net cash used in financing activities		**-**	**-**
Net decrease in cash and cash equivalents		**(8,058)**	**(3,006)**
Cash and cash equivalents at beginning of the period		24,672	13,158
Cash and cash equivalents at end of the period	**10**	**16,614**	**10,152**

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 Group has considered climate risk when preparing the Financial Statements. In the current period, there were no climate risk related matters that impacted the Financial Statements.

The unaudited condensed consolidated interim financial statements (the "Financial Statements") were authorized for issue by the Board of Directors on May 13, 2022.

2. Summary of significant accounting policies

a. Basis of preparation

The Company's Financial Statements for the three months ended March 31, 2022 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim financial reporting" as issued by the International Accounting Standards Board ("IASB"). The Financial Statements should be read in conjunction with Forza Petroleum's annual consolidated financial statements for the year ended December 31, 2021, 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, 2021 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 at fair value through profit and loss.

The preparation of financial statements in conformity with IFRS requires the use of critical accounting judgments and key sources of estimation uncertainty. 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, 2021 and have been updated in these Financial Statements as required.

The Financial Statements are presented in the US Dollars ("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 three months ended March 31, 2022, 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.

2. Summary of significant accounting policies (continued)

b. Going concern (continued)

On February 15, 2022, the Iraqi Federal Supreme Court (the "Court") ruled as unconstitutional the Kurdistan Regional Government ("KRG") Law No. 28 of 2007, which regulates the oil and gas sector in the Kurdistan Region of Iraq. The Court's judgment also provides that the Iraqi Ministry of Oil may pursue the annulment of Production Sharing Contracts ("PSCs") that have been entered into by the KRG. In a statement released on February 16, 2022, the KRG challenges the Court's judgment and stresses that "it will take all constitutional, legal, and judicial measures to protect and preserve all contracts made in the oil and gas sector". Normal operations are being maintained at the Hawler license area. As at May 13, 2022, the Group has received payment for all Hawler oil sales made to the KRG up to January 2022.

Subsequent to the invasion of Ukraine by Russia in February 2022, oil price volatility and international oil market disruptions arising from the application of international sanctions affecting certain market participants may impact the Group. No such impact has occurred to date.

The Directors have carefully considered the forecast cash flows for the 15 months following March 31, 2022, 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. The Directors have sensitized their forecast for reasonably possible downside scenarios and are satisfied that they have available mitigating actions within their control such that there are no material uncertainties present in their assessment of the going concern position for the 15 months following March 31, 2022.

c. New and amended standards adopted by the Group

Effective January 1, 2022, the Group adopted the following IFRS as issued and amended by the IASB:

New and Amended Standards	**Effective for annual periods beginning on or after**
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
Amendments to IFRS 3: Reference to the Conceptual Framework	January 1, 2022
Amendments to IAS 37: Onerous contracts – Cost of fulfilling a contract	January 1, 2022
Amendments to IAS 16: Property, Plant and Equipment Proceeds before Intended Use	January 2, 2022

The above amended standards have not had a material impact on these Financial Statements.

d. 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**
Amendments to IFRS 1: Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to IAS 8: Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 1: Disclosure of Accounting Policies	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, 2021 is applicable to these Financial Statements.

4. Joint arrangements

The Group has entered into joint arrangements to facilitate the exploration, development and production of oil and gas. No new joint arrangements have been entered into during the three months ended March 31, 2022. As at March 31, 2022, the Group was involved in the following joint arrangement:

License Area	Classification	Location	Participating interest and working interest
Hawler	Joint operation	Iraq – Kurdistan Region	65%

5. Intangible assets

$000s	Exploration & Evaluation costs	Computer Software	Total
Cost			
At January 1, 2021	**48,883**	**2,225**	**51,108**
Additions	3	-	3
At March 31, 2021	**48,886**	**2,225**	**51,111**
Additions	5	-	5
Decommissioning (note 12)	(1,143)	-	(1,143)
At December 31, 2021	**47,748**	**2,225**	**49,973**
Additions	1	-	1
At March 31, 2022	**47,749**	**2,225**	**49,974**
Accumulated amortization and impairment			
At January 1, 2021	**-**	**2,215**	**2,215**
Amortization	-	3	3
At March 31, 2021	**-**	**2,218**	**2,218**
Amortization	-	7	7
At December 31, 2021 and March 31, 2022	**-**	**2,225**	**2,225**
Carrying amount			
At March 31, 2022	47,749	-	47,749
At December 31, 2021	47,748	-	47,748

The carrying amounts of intangible E&E assets relate to the Hawler license area (Ain al Safra sub-contract area) at both March 31, 2022 and December 31, 2021.

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 cash generating units ("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 2022, pending regulatory consent from the Ministry of Natural Resources of the Kurdistan Region of Iraq.

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, 2021	**974,563**	**3,550**	**978,113**
Additions	7,022	2	7,024
At March 31, 2021	**981,585**	**3,552**	**985,137**
Additions	38,762	(2)	38,760
Decommissioning (1)	(12,503)	-	(12,503)
At December 31, 2021	**1,007,844**	**3,550**	**1,011,394**
Additions	19,065	-	19,065
Decommissioning (1)	1,216	-	1,216
At March 31, 2022	**1,028,125**	**3,550**	**1,031,675**
Accumulated depreciation, depletion and impairment			
At January 1, 2021	**467,642**	**3,491**	**471,133**
Depreciation	-	22	22
Depletion	8,257	-	8,257
At March 31, 2021	**475,899**	**3,513**	**479,412**
Impairment (2)	32,440	-	32,440
Depreciation	-	37	37
Depletion	29,988	-	29,988
At December 31, 2021	**538,327**	**3,550**	**541,877**
Depletion	12,412	-	12,412
At March 31, 2022	**550,739**	**3,550**	**554,289**
Carrying amount			
At March 31, 2022	477,386	-	477,386
At December 31, 2021	469,517	-	469,517

(1) Non-cash additions to the decommissioning obligation due to drilling activity during the period (note 12).

(2) For the period to December 31, 2021, the Group recorded a $32.4 million impairment expense relating to the Hawler license area. The impairment expense represents the difference between the estimated recoverable amount of the Hawler license area CGU and its carrying amount prior to the impairment expense.

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. For the purposes of impairment assessments and testing of oil and gas assets, 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 March 31, 2022, 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 decreased.

7. Inventories

$000s	March 31 2022	December 31 2021
Oil inventory	281	161
Materials, net of provision	8,294	9,044
	8,575	**9,205**

The cost of oil inventory is expensed through production and depletion expenses in the period during which it is sold. As at March 31, 2022, the Group's working interest share of oil inventory was 13,800 bbl (December 31, 2021 – 12,000 bbl).

The Group has adjusted the carrying value of materials inventory to management's estimate of net realizable value. The provision at March 31, 2022 is $5.2 million (December 31, 2021: $5.0 million) and an expense of $0.2 million has been included in other income and expense during the three months ended March 31, 2022 (March 31, 2021 – income of $1.5 million) (Note 18).

No inventories have been pledged as security during the period.

8. Trade and other receivables

$000s	March 31 2022	December 31 2021
Revenue receivables	58,027	32,995
Other receivables	1,653	1,486
	59,680	**34,481**

Trade and other receivables are denominated in US Dollars and the carrying values are a reasonable approximation of the fair value.

The revenue receivable balance at March 31, 2022 was impacted by an additional month delay on outstanding payments during the three months ended March 31, 2022; two revenue payments were received during the three months ended March 31, 2022 compared to three revenue payments received during the three months ended December 31, 2021. As at May 13, 2022, $22.7 million of the revenue receivable balance outstanding at March 31, 2022 has been collected.

9. Other current assets

$000s	March 31 2022	December 31 2021
Prepaid charges and other current assets	1,585	1,104
Deposits	693	758
	2,278	**1,861**

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	March 31 2022	December 31 2021
Trade accounts payable	11,177	9,448
Other payables and accrued liabilities	12,949	15,355
Purchase consideration (Note 11a)	69,271	-
Current portion	**93,397**	**24,803**
Non-current purchase consideration (Note 11a)	-	67,640
Total trade and other payables	**93,397**	**92,443**

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

a. Purchase consideration

During 2011, the Group acquired OP Hawler Kurdistan Limited ("OPHKL") under the terms of a sale and purchase agreement (the "Purchase Agreement"). Pursuant to the terms of the Purchase Agreement, additional purchase consideration in the amount of $71 million plus interest at LIBOR plus 0.25% per annum was due to the seller of OPHKL in the event of a second commercial discovery.

On July 31, 2017, the amount of $5 million plus accrued interest was paid against the obligation to secure an option to restructure the contingent obligation in a series of annual payments. The option expired on September 30, 2018.

On July 9, 2021 the Group entered into an agreement ("the Forbearance Agreement") with the seller of OPHKL which established that, in the event of a second commercial discovery, the Group has the unconditional right to defer settlement of the consideration until March 31, 2023.

The Forbearance Agreement establishes that interest will not accrue on the liability from July 23, 2020 to March 31, 2023. Therefore, interest previously accrued from July 23, 2020 until July 8, 2021 of $0.5 million was reversed and released to the Consolidated Statements of Profit and Other Comprehensive Income during the year ended December 31, 2021 (Note 19).

The Forbearance Agreement contemplates that the parties will undertake reasonable best efforts to negotiate a settlement arrangement in respect of the outstanding obligation under the Purchase Agreement. In consideration for such forbearance the Group accepted that, to the extent that any distributions 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 liability.

Although the above-contemplated settlement negotiations are pending, the Group determined that the additional purchase liability had crystallized as at December 31, 2021. The balance of unpaid principal and accrued interest owed to the vendor of the Hawler license area was $76.2 million, as at both March 31, 2022 and December 31, 2021. Under the terms of the Forbearance Agreement no amounts are due prior to March 31, 2023, therefore, as at March 31, 2022, the Group has recognized a current liability of $69.3 million (December 31, 2021 - $67.6 million, non-current) representing the estimated fair value of the obligation. Fair value is determined by discounting the projected future cash flows at a rate of 10%.

12. 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 March 31, 2022, management has made significant judgments 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 the end of the current license period.

At June 30, 2021, the Group revised the cost estimates used to calculate the decommissioning obligation based on an updated engineering assessment of resources required for decommissioning activities, and the latest contractual prices for equipment and services. The new assessment of the costs involved resulted in a reduction of $19.5 million from the previous assessment, which assumed higher costs than the Group now believes will apply.

The estimated net present value of the decommissioning obligation at March 31, 2022 is $27.5 million (December 31, 2021 - $26.2 million) based on the Group's undiscounted liability of $35.6 million (December 31, 2021 - $33.9 million).

The assumed inflation rate used in the calculation to determine the carrying value of the decommissioning obligation was updated during the year ended December 31, 2021 to 0.9%. The assumed discount rate was also reviewed during the year ended December 31, 2021 and was updated to 2.0%.

$000s	**Three months ended March 31, 2022**	**Year ended December 31, 2021**
Decommissioning obligation, beginning of the period	**26,213**	**39,485**
Change in cost estimates	-	(19,535)
Change in inflation rate	-	(1,869)
Change in discount rate	-	2,636
Property development additions	1,216	5,122
	27,429	**25,839**
Accretion expense (Note 19)	71	374
Decommissioning obligation, end of the period	**27,500**	**26,213**

If a 10% increase were applied to the gross costs used in the calculation, the net present value of the decommissioning obligation at March 31, 2022 would increase by $1.4 million. If a 1% increase to the discount rate were applied, the net present value of the decommissioning obligation at March 31, 2022 would decrease by $2.1 million.

13. Share capital

a. Issued common shares

	Number of shares	**Share capital**
		$000s
At January 1, 2021 and March 31, 2021	**578,197,218**	**1,362,633**
Issue of shares for LTIP	6,778,984	588
At December 31, 2021 and March 31, 2022	**584,976,202**	**1,363,221**

The Company has unlimited authorized share capital at March 31, 2022.

2021 share capital transactions

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

13. Share capital (continued)

b. Warrants

In March 2020, in connection with a loan (since fully settled), the Group issued warrants to acquire 33,149,000 common shares of the Company. The exercise price is $0.1633 per common share and the warrants expire on March 10, 2023.

14. Basic and diluted earnings per share

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

	Three months ended March 31	
	2022	**2021**
Profit for the period attributable to equity holders ($000s)	22,237	21,165
Weighted average number of common shares for basic earnings per share (1)	584,976,202	578,197,218
Dilutive impact of unexercised warrants	33,149,000	- (2)
Weighted average number of common shares for diluted earnings per share (1)	618,125,202	578,197,218
Basic earnings per share - $	**0.04**	**0.04**
Diluted earnings per share - $	**0.04**	**0.04**

(1) The unvested LTIP shares are excluded as they are anti-dilutive.
(2) Outstanding warrants are excluded from diluted shares for the period ended March 31, 2021 as they are anti-dilutive for the period.

15. Reserves

$000s	Share based payments	Other Reserves	Total reserves
At January 1, 2021	**20,539**	**2,643**	**23,182**
Share based payment transactions	146	-	146
At March 31, 2021	**20,685**	**2,643**	**23,328**
Share based payment transactions	561	-	561
Issue of shares for LTIP	(588)	-	(588)
At December 31, 2021	**20,658**	**2,643**	**23,301**
Share based payment transactions	226	-	226
At March 31, 2022	**20,884**	**2,643**	**23,527**

16. Supplemental cash flow information

a. Adjustments for non-cash transactions

	Three months ended March 31	
$000s	**2022**	**2021**
Gain on deconsolidation of subsidiary	-	(15,725)
Depreciation, depletion and amortization	12,399	8,256
Share based compensation	116	33
Unrealized foreign exchange (gains) / losses	(8)	187
Income tax benefit	(1)	10
Finance costs	71	221
Change in retirement benefit obligation in profit and loss	103	128
Increase in fair value of purchase consideration	1,631	4,194
Other expense / (income)	268	(1,795)
Items not involving cash	**14,579**	**(4,491)**

16. Supplemental cash flow information (continued)

b. Changes relating to non-cash working capital

$000s	Three months ended March 31 2022	2021
Inventories	394	(2,403)
Trade and other receivables	(25,200)	(7,333)
Other current assets	(417)	(830)
Trade and other payables	(677)	(2,976)
Changes relating to non-cash working capital	**(25,900)**	**(13,543)**

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

$000s	Three months ended March 31 2022	2021
Operations	(24,235)	(12,249)
Investing - PP&E	(1,665)	(1,294)
Changes relating to non-cash working capital	**(25,900)**	**(13,543)**

c. Other cash flow information

$000s	Three months ended March 31 2022	2021
Cash income taxes paid	18	21

17. Income tax expense

$000s	Three months ended March 31 2022	2021
Current income tax expense	1,670	725
Deferred tax on LTIP shares	(2)	10
Income tax expense	**1,668**	**735**

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 three months ended March 31, 2022, income taxes related to oil sales in the KRI in the amount of $1.6 million (2021 - $0.7 million) were deemed to be collected by the government through its allocation of Profit Oil under the Hawler PSC.

18. Other income and expense

The components of other income and expense for the periods indicated are as follows:

$000s	Note	Three months ended March 31 2022	2021
Decrease of expected credit loss against trade and other receivables		-	3,303
(Increase) / reduction in materials inventory provision	**7**	(241)	1,490
Other income and expense		**(241)**	**4,793**

19. Finance costs

The components of finance costs for the periods indicated are as follows:

		Three months ended March 31	
$000s	**Note**	**2022**	**2021**
Accretion of decommissioning obligation	**12**	71	118
Interest accrued on purchase consideration	**11a**	-	103
Finance costs		**71**	**221**

20. Segment information

The Group has a single class of business which is to acquire, explore, develop and produce oil from oil and gas assets. There is one geographic operating segment, for which information is distinguished from that for corporate activities as follows:

For the three months ended March 31, 2022 **$000s**	**Middle East**	**Corporate**	**Total**
Revenue	82,361	-	82,361
Royalty	(33,701)	-	(33,701)
Net revenue	**48,660**	**-**	**48,660**
Operating expense	(8,690)	-	(8,690)
Depreciation, depletion and amortization	(12,399)	-	(12,399)
General and administration expense	(624)	(1,116)	(1,740)
Other expense	(241)	-	(241)
Change in fair value of contingent consideration	(1,631)	-	(1,631)
Segment result	**25,075**	**(1,116)**	**23,959**
Finance costs			(71)
Foreign exchange gain			17
Loss before income tax			**23,905**
Income tax expense			(1,668)
Loss for the period			**22,237**
Capital additions(1)	19,066	-	19,066
Segment assets as at March 31, 2022	610,328	2,196	612,524
Segment liabilities as at March 31, 2022	120,126	3,108	123,234

(1) Before non-cash additions to the decommissioning obligation due to drilling activity during the period.

20. Segment information (continued)

For the three months ended March 31, 2021 **$000s**	**Middle East**	**Corporate**	**Total**
Revenue	35,728	-	35,728
Royalty	(14,679)	-	(14,679)
Net revenue	**21,049**	**-**	**21,049**
Operating expense	(6,100)	-	(6,100)
Depreciation, depletion and amortization	(8,236)	(20)	(8,256)
General and administration expense	(811)	(270)	(1,081)
Other income	4,793	-	4,793
Gain on deconsolidation of subsidiary	-	15,725	15,725
Change in fair value of contingent consideration	(4,194)	-	(4,194)
Segment result	**6,501**	**15,435**	**21,936**
Finance costs			(221)
Foreign exchange gain			185
Loss before income tax			**21,900**
Income tax expense			(735)
Loss for the period			**21,165**
Capital additions[1]	7,025	-	7,025
Segment assets as at March 31, 2021	603,379	1,113	604,492
Segment liabilities as at March 31, 2021	123,885	2,917	126,802

(1) Before non-cash additions to the decommissioning obligation due to drilling activity during the period.

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

$000s	**March 31 2022**	**December 31 2021**
Iraq (Kurdistan Region)	525,135	517,265
Other	242	241
	525,377	**517,506**

21. Gain on deconsolidation of subsidiary

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 year ended December 31, 2021 recorded in the Consolidated Statement of Profit and Other Comprehensive Income.

22. Commitments

a. Contractual obligations

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

$000s	**March 31 2022**	**December 31 2021**
No later than one year	2,479	2,479
One to five years	9,915	9,915
Greater than five years	17,354	17,354
	29,748	**29,748**

22. Commitments (continued)

a. Contractual obligations (continued)

The commitments noted above reflect the contractually committed amounts relating to the Group's planned execution of expected and contracted exploration and development activities as at March 31, 2022. Expenditure commitments may be subject to change and may be reduced by selective relinquishments of acreage and/or licenses, negotiated modifications to expenditure commitment timelines, or by curtailing the execution of activity under existing supplier contracts. Determining expenditure commitments requires the use of estimates and judgments primarily related to expectations that planned activities will be executed.

b. Short-term commitments – Group company as lessee

The Group has no material lease commitments and consequently has not recognized any right-of-use assets or corresponding liabilities. Short-term lease obligations do not exceed $0.2 million.

23. 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.