FORZA PETROLEUM

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following Management's Discussion and Analysis ("**MD&A**") should be read in conjunction with the consolidated financial statements of Forza Petroleum Limited ("**FPL**" or, the "**Company**") and its subsidiaries for the three and nine months ended September 30, 2021 and 2020 (the "**Financial Statements**"), which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").*

The date of this MD&A is November 10, 2021.

Unless otherwise noted, all amounts are in thousands of U.S. dollars.

Selected terms and abbreviations used in this MD&A are listed and described in the "Glossary and Abbreviations" section.

Readers should refer to the "Forward-Looking Information" advisory on page 15. Additional information relating to FPL, including FPL's Annual Information Form dated March 23, 2021, is on SEDAR at www.sedar.com.

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Company Overview

The Company 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 Group has a 65% Working Interest in and operates the Hawler License Area in the Kurdistan Region of Iraq ("**KRI**"), which has yielded the discovery of four oil fields, three of which are currently producing.

Operational Highlights

- Average gross (100%) oil production of 12,000 bbl/d (working interest 7,800 bbl/d) in Q3 2021, down marginally versus Q2 2021 as a result of shut-ins at the Zey Gawra field during July 2021 to replace leased processing facilities with lower cost facilities and anticipated declines in oil production rates at the Zey Gawra field;
- Although the Banan-8 and Zey Gawra-6 wells, completed in May 2021 and August 2021, respectively, contributed incremental production during the third quarter, efforts continue to optimize production from the two wells;
- A horizontal sidetrack of the previously drilled Demir Dagh-2 well targeting the Cretaceous reservoir was completed in September 2021 and is now the second most prolific producer in the Hawler License Area, contributing approximately 2,000 bbl/d to gross (100%) export volume;
- The Group mobilized a second drilling rig and, during September 2021, both a Demir Dagh well targeting the Cretaceous reservoir and a Zey Gawra well targeting the Tertiary reservoir were spudded, representing the fifth and sixth wells of an active year for the Group;
- Equipment was mobilized in October 2021 to begin construction of the gathering system to serve the western flank of the Hawler License Area;
- The worldwide outbreak of the COVID-19 virus, including within Iraq, has not significantly impacted operations. The Group has taken precautions to protect its employees and contractors but does not at this time expect that the virus outbreak will restrict operations.

Financial Highlights and Outlook

Liquidity outlook

The Group expects cash on hand as of September 30, 2021 and cash receipts from net revenues from export sales exclusively through the Kurdistan Oil Export Pipeline will allow it to fund its forecasted capital expenditures and operating and administrative costs through the end of December 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial performance

The following table contains financial performance highlights for the three and nine months ended September 30, 2021 and September 30, 2020.

($ thousands unless otherwise stated)	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Revenue	48,727	21,984	130,129	58,075
Cash generated from operating activities	13,911	3,622	29,802	13,500
Cash generated from operating activities per basic and diluted share ($/share)	0.02	0.01	0.05	0.02
Profit / (Loss) for the period	7,572	30,139	33,088	(223,305)
Earnings / (Loss) per basic and diluted share ($/share)	0.01	0.05	0.06	(0.40)
Average sales price ($/bbl)	56.81	26.35	51.34	28.55
Operating expense ($/bbl)	10.10	10.11	9.77	10.25
Capital additions[1]	10,007	2,029	25,335	7,141

Notes:

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

Revenue and cash receipts

Revenue of $48.7 million was recorded for the three months ended September 30, 2021. Included in revenue is $40.8 million realized on the sale of 718,500 bbl (WI) of crude oil (average $56.81/bbl) and $7.9 million related to the recovery of costs carried on behalf of partners. Revenue from sales increased by $22.4 million versus the three months ended September 30, 2020 due to a 116% increase in realized average sales price and a 3% increase in sales volumes. A $4.3 million increase in the recovery of carried costs also contributed to the increase in revenue compared to the same period in 2020.

Revenue of $130.1 million was recorded for the nine months ended September 30, 2021. Included in revenue is $109.0 million ($51.34/bbl) realized on the sale of 2,123,000 bbl (WI) of crude oil and $21.1 million related to the recovery of costs carried on behalf of partners. Revenue from sales for the nine months ended September 30, 2021 increased by $58.1 million compared to the same period in 2020. The increase is attributable to an 80% increase in realized sales price and a 19% increase in sales volumes. The increase in sales volumes versus the earlier period reflects, in particular, the temporary shut-in of Banan production during the second quarter of 2020. A $14.0 million increase in the recovery of carried costs also contributed to the increase in revenue compared to the same period in 2020.

All sales during the nine months ended September 30, 2021 were made via the Kurdistan Oil Export Pipeline.

The Group has received full payment for all oil sales made up to the end of August 2021.

Operating expense

Operating costs during the third quarter of 2021 amounted to $7.3 million in comparison to $7.1 million during the third quarter of 2020.

Field production costs during the third quarter of 2021 amounted to $4.7 million ($6.57/bbl) in comparison to $4.6 million ($6.57/bbl) during the third quarter of 2020. Field production costs per barrel remained consistent for the three months ended September 30, 2021 compared to the three months ended September 30, 2020 as a 3% increase in costs were offset by a 3% increase in sales volumes. Field production costs represent Forza Petroleum's Working Interest share of gross production costs and exclude partner share of production costs which are being carried by Forza Petroleum.

Cash generated from operating activities

Cash generated from operating activities for the third quarter of 2021 was $13.9 million compared to $3.6 million during the same period in 2020. The increase mainly relates to higher crude oil sales revenue received during the period, partially offset by an increase in cash payments relating to operating trade and other payables.

Profit / Loss

Profit for the three months ended September 30, 2021 was $7.6 million compared to $30.1 million during the third quarter of 2020. The variance in profit for three months ended September 30, 2021 in comparison to the same period in 2020 is primarily attributable to i) a $26.9 million gain recorded on the settlement of the Loan Facility (see the "Shareholder and Loan Facility Restructuring" section of this MD&A) during the three months ended September 30, 2020; ii) a $3.8 million non-cash charge during the current period resulting from the increase in the fair value of the contingent consideration obligation potentially due on the Hawler License Area compared to a $6.8 million gain for the three months ending September 30, 2020; and iii) an increase of $4.1 million in depletion recorded in the current period due to higher production volumes combined with a higher depletion expense per barrel. These negative factors have been partially offset by i) a $15.8 million increase in net revenue primarily resulting from increased realized sales price and recovery of carried costs; and ii) a $0.4 million finance income in the current period versus a finance expense of $2.5 million in the comparative period, primarily related to the settlement of a loan facility in July 2020.

Profit for the nine months ended September 30, 2021 was $33.1 million compared to a loss of $223.3 million during the comparable period in 2020. The variance in profit/loss for nine months ended September 30, 2021 in comparison to the same period in 2020 is primarily attributable to i) a $237.2 million impairment recorded during the nine months ended September 30, 2020 relating to the Hawler License Area; ii) a $43.6 million increase in net revenue resulting from increased realized sales price and recovery of carried costs, and higher sales volumes; iii) a $15.7 million gain recorded during the nine months ended September 30, 2021 relating to the deconsolidation of OP Congo SA; iv) a $3.5 million decrease to the trade and other receivables provision during the nine months ended September 30, 2021 compared to a $4.8 million increase to the provision during the same period in 2020; v) a $8.0 million reduction in financing costs mainly related to the settlement of a loan facility in July 2020; vi) a $2.0 million decrease to the materials inventory provision during the nine months ended September 30, 2021 compared to a $1.9 million increase to the provision during the same period in 2020; and vii) a $4.8 million decrease in general and administration expense compared to the same period in 2020 mainly due to the corporate restructuring which was implemented in Q2 2020, resulting in reduced personnel costs. These positive factors have been partially offset by i) a $26.9 million gain recorded on the settlement of the Loan Facility (see the "Shareholder and Loan Facility Restructuring" section of this MD&A) during the nine months ended September 30, 2020; ii) a $12.2 million non-cash charge in the current period resulting from the increase in the fair value of the contingent consideration obligation potentially due on the Hawler License Area compared to a $7.0 million gain in the comparable nine months ending September 30, 2020; iii) an increase of $12.1 million in depletion recorded in the current period due to higher production volumes combined with a higher depletion expense per barrel; and iv) a $2.5 million increase in operating expenses in the current period mainly due to the temporary shut-in of the Banan field during the second quarter of 2020.

Capital additions

During the third quarter of 2021, the Group recorded capital additions of $10.0 million, consisting of $9.0 million invested in drilling activities in the Banan, Demir Dagh and Zey Gawra fields, $0.7 million invested in facilities, and $0.3 million incurred for directly attributable support costs.

During the nine months ended September 30, 2021, the Group recorded capital additions of $25.3 million, consisting of $22.9 million invested in drilling activities in the Banan, Demir Dagh and Zey Gawra fields, $1.8 million invested in facilities, and $0.5 million incurred for directly attributable support costs.

Financial position

The following table contains highlights of the Group's financial position as at the dates indicated below.

($ thousands)	September 30, 2021	December 31, 2020
Total cash and cash equivalents	19,491	13,158
Working Capital	44,625	(1,846)
Total assets	605,776	605,412
ZOG Interim Credit Facility	-	5,000
Total long-term liabilities	96,139	97,877

The cash and cash equivalents balance of $19.5 million as at September 30, 2021 increased from $13.2 million at December 31, 2020. This increase is due to $29.8 million in cash generated from operating activities, partially offset by $18.5 million in cash used in investing activities and $5.0 million used to repay the ZOG Interim Credit Facility.

Working capital improved from negative $1.8 million at December 31, 2020 to positive $44.7 million at September 30, 2021 due to (i) a $26.5 million decrease in the trade and other payables balance; (ii) a $6.9 million increase in the trade and other receivables balance; (iii) a $6.3 million increase in the cash and cash equivalents balance; (iv) a $1.4 million increase in the other current assets balance; and (v) the settlement of the $5.0 million balance related to the ZOG Interim Credit Facility.

The total assets balance increased to $605.8 million at September 30, 2021 from $605.4 million at December 31, 2020. This change is primarily due to profits retained of $14.3 million largely offset by non-cash credits of $1.1 million and 12.8 million included in intangible assets and PP&E, respectively, arising from changes in estimates used to calculate the decommissioning obligation.

The $1.7 million decrease in total long-term liabilities from December 31, 2020 is due to a $13.6 million decrease to the decommissioning obligation mainly due to changes in estimates used to calculate the liability, partially offset by a $11.9 million increase in the contingent consideration balance.

The undiscounted balance of 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 (December 31, 2020 - $76.4 million). Refer to the "Contingent Consideration" section of this M&DA for further information.

Fourth quarter of 2021 capital expenditure re-forecast

The Group forecasts $48 million of capital expenditure for 2021, down from $62 million forecast on August 10, 2021, resulting from lower than estimated drilling costs, delays in construction of the West Hawler gathering system, and unscheduled well interventions delaying certain planned activity.

For the balance of 2021, the Group plans to complete the Demir Dagh-12 and Zey Gawra-7 wells that are currently being drilled, to spud and complete the first well in the Demir Dagh Tertiary reservoir, to complete a workover on the Zey Gawra-6 well completed earlier in the year, and to spud a well targeting the Tertiary reservoir of the Zey Gawra field.

The Group also plans to complete the installation of the river crossing portion of the West Hawler gathering system flowlines and to undertake other minor facilities and maintenance projects.

2022 Budgeted Capital Expenditures

The Group's budgeted capital expenditures for 2022 are $81 million and dedicated exclusively to the Hawler License Area. Planned investments include:

- 11 wells including, in no particular order, completion of the Zey Gawra Tertiary well to be spudded in December 2021 and a second well targeting the Zey Gawra Tertiary reservoir, a Zey Gawra Cretaceous well, a well targeting the Cretaceous reservoir in a previously undrilled structure west of the currently developed Zey Gawra field, two side tracks of existing wells targeting the Demir Dagh Cretaceous reservoir, three additional wells targeting the Demir Dagh Cretaceous reservoir, the completion of the Ain Al Safra-2 well that was suspended prior to testing the Triassic reservoir due to the invasion of ISIS in 2014, and a well targeting the Cretaceous reservoir of the Banan field east of the Great Zab river;
- processing facilities and pipelines connecting each of the Banan field and the Zey Gawra field to the Hawler production facilities at the Demir Dagh field; and
- pads, flowlines and infrastructure modifications needed to accommodate incremental drilling and production and to reduce operating costs.

Business Environment

Following various destabilizing geopolitical events impacting the KRI over several years, relative political stability over the last three years has supported conditions where the Group has been able to continue its activities in the KRI. However, the impact of the COVID-19 pandemic and oil price volatility compounds uncertainty associated with unresolved political disputes, and their eventual impact on the Group's operations may be significant and remains unclear. And, there remains an ongoing risk that any degradation of the regional security situation could have a material adverse effect on the operating and financial performance of the Group. Political and other risk factors which are disclosed in FPL's Annual Information Form could have an adverse effect on Forza Petroleum's performance.

The Group's future revenues and cash flows from operating activities are dependent on the Group's ability to produce, deliver, and receive payment for sales of crude oil. Production rates are subject to fluctuation over time and are difficult to predict.

Uncertainty related to global, social, political, and economic conditions and the resulting changes in global oil supply chains and infrastructure investment contribute to volatility in the price of crude oil. During 2020 the global response to the spread of COVID-19 decreased global economic activity and, correspondingly, the demand for and price of crude oil. There has been a sharp recovery in both global economic activity and especially in the oil price in 2021. However, ongoing elevated levels of uncertainty regarding returns on investments in upstream oil and gas exploration and development continues to impact the availability and cost of capital resources.

Future oil prices, which directly impact the Group's expected cash inflows, are difficult to forecast reliably. The Group's ability to fund its ongoing operations and its planned, discretionary capital investments is consequently subject to significant uncertainty. See the "Liquidity and Capital Resources" section of this MD&A for further discussion.

The market on which oil produced from the Hawler License Area is sold affects the price realized and, consequently, Forza Petroleum's cash flows. Complexities in local, regional, and international market access may impact the Group's realized oil sales prices and its future ability to sell its produced oil. Since March 2016, all of the Group's crude oil deliveries have been made to international markets through the Kurdistan Oil Export Pipeline. Although management has not experienced, and does not expect, restrictions on its ability to access pipeline capacity, Forza Petroleum is not aware of official allocations of export pipeline capacity and is uncertain as to the extent to which its future production will continue to able to be sold through this export pipeline. Commercial arrangements currently in place to sell oil produced from the Hawler License Area may not continue to be in effect.

The timing and execution of the Group's capital expenditure program may be affected by the availability of services from third party oil field contractors and the Group's ability to obtain, sustain or renew necessary government licenses and permits on a timely basis to conduct exploration and development activities.

With the exception of the items discussed above, together with risks disclosed in FPL's Annual Information Form dated March 23, 2021, management has not identified trends or events that are expected to have a material adverse effect on the financial performance of Forza Petroleum.

Operations Review

The following table summarizes production and sales data for the three months ended September 30, 2021, June 30, 2021, and September 30, 2020 and for the nine months ended September 30, 2021 and September 30, 2020:

	Three months ended			Nine months ended	
	September 30, 2021	June 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Gross (100%) Production (bbl)	1,103,400	1,124,200	1,080,000	3,266,800	2,743,000
Gross (100%) Production per day (bbl/d)	12,000	12,400	11,700	12,000	10,000
WI Production (bbl)	717,200	730,700	702,000	2,123,400	1,783,000
WI Production per day (bbl/d)	7,800	8,000	7,600	7,800	6,500
WI sales (bbl)	718,500	731,200	698,900	2,123,000	1,783,200
WI sales per day (bbl/d)	7,800	8,000	7,600	7,800	6,500

Production and sales

Gross (100%) oil production for the three months ended September 30, 2021 was 1,103,400 bbl representing an average rate of 12,000 bbl/d. The Group's Working Interest share of oil production during this period was 717,200 bbl representing an average rate of 7,800 bbl/d.

Gross (100%) oil production for the nine months ended September 30, 2021 was 3,266,800 bbl representing an average rate of 12,000 bbl/d. The Group's Working Interest share of oil production during this period was 2,123,400 bbl representing an average rate of 7,800 bbl/d.

The Group recognized revenue on the sale of 718,500 bbl (Working Interest) and 2,123,000 bbl (Working Interest) of oil during the three and nine months ended September 30, 2021, respectively.

Crude oil sale prices

Commencing in March 2016, the Group began selling crude oil to the MNR into the Kurdistan Oil Export Pipeline. The realized sales prices on export sales through this pipeline are referenced to the monthly average Dated Brent crude oil prices, discounted by approximately $8/bbl for pipeline system tariffs and fees, and adjusted for differences in oil gravity and sulphur from standard Brent specifications.

The following table indicates average Dated Brent crude oil prices and the Group's realized crude oil sales prices for each quarter ended on the dates indicated below:

	2021			2020				2019
	Sept 30	June 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31	Dec 31
Brent average price ($/bbl)	73.51	69.19	61.12	44.16	42.95	29.56	50.10	63.08
Realized sales price ($/bbl)	56.81	52.32	44.44	27.44	26.35	15.78	34.03	47.32

Hawler license operation, appraisal and early production

A horizontal sidetrack of the previously drilled Demir Dagh-2 well targeting the Cretaceous reservoir was completed in September 2021 and is now on production.

The Group mobilized a second drilling rig and, during September 2021, both a Demir Dagh well targeting the Cretaceous reservoir and a Zey Gawra well targeting the Tertiary reservoir were spudded, representing the fifth and sixth wells of an active year for the Group.

Equipment was mobilized in October 2021 to start installation of the gathering system in the western part of the Hawler License Area.

The worldwide outbreak of the COVID-19 virus, including within Iraq, has not significantly impacted operations. The Group is taking precautions to protect its employees and contractors but does not at this time expect that the virus outbreak will restrict operations.

Capital Additions

The following table summarizes the capital additions incurred by activity during the three and nine months ended September 30, 2021 and September 30, 2020:

($ thousands)	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Middle East				
Drilling	9,019	1,450	22,929	5,153
Facilities	650	506	1,837	1,345
Studies, license, and support	338	73	572	245
Sub-Total	**10,007**	**2,029**	**25,335**	**6,743**
Decommissioning[(1)]	1,838	13,717	(13,937)	18,382
Total Middle East	**11,845**	**15,746**	**11,398**	**25,125**
Total West Africa	-	-	-	**397**
Corporate	-	-	-	**1**
Total capital additions	**11,845**	**15,476**	**11,398**	**25,523**

Note:
(1) Non-cash additions / (credits). Decommissioning expenditures are forecast to be incurred in 2038.

Middle East

During the three months ended September 30, 2021, the Group invested $9.0 million drilling in the Hawler License Area, incurring costs of $3.0 million on each of the Demir Dagh-2 Cretaceous sidetrack and the Demir Dagh-12 Cretaceous well, $1.6 million on the Zey Gawra-6 Cretaceous well and $1.4 million on the Zey Gawra-7 Tertiary well. Expenditure of $0.7 million on facilities and $0.3 million on studies and support were also incurred in the period.

The Group recorded capital additions of $22.9 million during the nine months ended September 30, 2021 related to drilling in the Hawler license area, comprising $5.5 million on the Zey Gawra-6 Cretaceous well, $4.4 million on the Banan-8 Cretaceous well, $4.3 million on the Zeg Gawra-5 Tertiary well, $3.0 on each of the Demir Dagh-2 Cretaceous sidetrack and the Demir Dagh-12 Cretaceous well, $1.4 million on the Zey Gawra-7 Tertiary well, and $1.0 million towards the preparation of future wells. Expenditure of $1.8 million on facilities and $0.6 million in studies and support were also incurred in the period.

During the nine months ended September 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. Updated inflation and discount rates were also applied to the calculation. As a result of these changes in estimates, a non-cash credit of $13.9 million was recorded during the nine months ended September 30, 2021.

Cost Pools

The Cost Pool for the Hawler License Area, which is available for recovery through future oil sales from the License Area, as at September 30, 2021, is detailed in the table below:

License Area	Location	Gross Cost Pool	Group Working Interest Cost Pool	Partner costs carried by Forza Petroleum	Costs recovered at September 30, 2021 through cost oil	Group share of recoverable costs available[1][2]
		($ million)	($ million)	($ million)	($ million)	($ million)
Hawler	Iraq – Kurdistan Region	1,006.2	501.3	219.6	(246.2)	474.7

Notes:
(1) The Cost Pool balance is subject to audit by relevant government entities.
(2) Forza Petroleum share of costs available for future recovery through the sale of cost oil.
(3) The Group agreed in 2020 to reduce the Group's recoverable working interest cost pool at May 31, 2020 by approximately $137 million (or 22%). The Ministry of Natural Resources of the KRG has agreed to waive any rights it has to perform an audit on costs incurred prior to January 1, 2021.

Property, plant and equipment and intangible assets

The capital additions and decommissioning charges / (credits) described in the sections above, net of depletion, depreciation and amortisation ("**DD&A**"), have resulted in the following movements in intangible asset and PP&E balances during the three months ended March 31, 2021, June 30, 2021 and September 30, 2021:

($ thousands)	Exploration and Evaluation Assets	Other Intangible Assets	Total Intangible Assets
As at January 1, 2021	**48,883**	**10**	**48,893**
Capital additions	3	-	3
DD&A	-	(3)	(3)
As at March 31, 2021	**48,886**	**7**	**48,893**
Capital additions	2	-	2
DD&A	-	(4)	(4)
Decommissioning	(1,143)	-	(1,143)
As at June 30, 2021	**47,745**	**3**	**47,748**
Capital additions	3	-	3
DD&A	-	(3)	(3)
As at September 30, 2021	**47,748**	**-**	**47,748**

($ thousands)	Oil & Gas assets	Furniture and fixtures	Total PP&E
As at January 1, 2021	**506,921**	**59**	**506,980**
Capital additions	6,014	-	6,014
DD&A	(8,257)	(20)	(8,277)
Decommissioning	1,008	-	1,008
As at March 31, 2021	**505,686**	**39**	**505,725**
Capital additions	9,309	-	9,309
DD&A	(8,948)	(19)	(8,967)
Decommissioning	(15,640)	-	(15,640)
As at June 30, 2021	**490,407**	**20**	**490,427**
Capital additions	10,004	-	10,004
DD&A	(8,775)	(18)	(8,793)
Decommissioning	1,838	-	1,838
As at September 30, 2021	493,474	2	493,476

Financial Results

Revenue

The following table summarizes Forza Petroleum's revenue for the three months and nine months ended September 30, 2021 and 2020. All oil sold during each of the below periods was produced at the Hawler License Area.

	Three months ended September 30		Nine months ended September 30	
($ thousands)	2021	2020	2021	2020
Oil Sales	40,815	18,415	109,000	50,906
Recovery of Carried Costs	7,912	3,569	21,129	7,169
Revenue	**48,727**	**21,984**	**130,129**	**58,075**

Revenue of $48.7 million was recorded for the three months ended September 30, 2021. Included in revenue is $40.8 million realized on the sale of 718,500 bbl (WI) of crude oil (average $56.81/bbl) and $7.9 million related to the recovery of costs carried on behalf of partners. Revenue from sales increased by $22.4 million versus the three months ended September 30, 2020 due to a 116% increase in realized average sales price and a 3% increase in sales volumes. A $4.3 million increase in the recovery of carried costs also contributed to the increase in revenue compared to the same period in 2020.

Revenue of $130.1 million was recorded for the nine months ended September 30, 2021. Included in revenue is $109.0 million ($51.34/bbl) realized on the sale of 2,123,000 bbl (WI) of crude oil and $21.1 million related to the recovery of costs carried on behalf of partners. Revenue for the nine months ended September 30, 2021 increased by $72.1 million compared to the same period in 2020. The increase is attributable to an 80% increase in realized sales price and a 19% increase in sales volumes. The increase in sales volumes versus the earlier period reflects the temporary shut-in of Banan production during the second quarter of 2020. A $14.0 million increase in the recovery of carried costs also contributed to the increase in revenue compared to the same period in 2020.

Sales volumes are determined by the timing of deliveries into the customer's export pipeline and are not directly correlated with production volumes. As at September 30, 2021, the Group's Working Interest share of oil inventory amounted to 11,100 bbl.

Royalties

The following table summarizes royalty expense during the three and nine months ended September 30, 2021 and September 30, 2020:

	Three months ended September 30		Nine months ended September 30	
($ thousands)	2021	2020	2021	2020
Royalties	**19,951**	**9,001**	**53,330**	**24,883**

All remittances to governments that are directly attributable to the sale of oil during the reporting period, including the government share of Profit Oil but excluding income taxes, are reported as royalties. Royalties increased by $11.0 million during the three months ended September 30, 2021 and increased by $28.4 million during the nine months ended September 30, 2021 compared to the same periods in the previous year. The variances in royalties from period to period are attributable to the same factors as those applicable to revenues from oil sales as discussed above.

Operating expense

	Three months ended September 30		Nine months ended September 30	
($ thousands)	2021	2020	2021	2020
Field production costs(1)	4,717	4,590	13,479	13,162
Partner's share of production costs carried by Forza Petroleum	2,539	2,471	7,257	5,109
Operating expense	**7,256**	**7,061**	**20,736**	**18,271**
Sales(2) (bbl)	718,500	698,900	2,123,000	1,783,200
Field production costs(1) ($/bbl)	**6.57**	**6.57**	**6.35**	**7.38**
Operating expense ($/bbl)	**10.10**	**10.11**	**9.77**	**10.25**

Notes:

(1) Field production costs represent Forza Petroleum's Working Interest share of gross production costs and exclude partner share of production costs which are being carried by Forza Petroleum.

(2) Forza Petroleum's Working Interest share.

Operating expense of $7.3 million in the three months ended September 30, 2021 increased by $0.2 million compared to the same period in the previous year. Operating costs per barrel remained consistent for the three months ended September 30, 2021 compared to the three months ended September 30, 2020 as a 3% increase in costs were offset by a 3% increase in sales volumes.

Operating expense for the nine months ended September 30, 2021 increased by $2.5 million compared to the nine months ended September 30, 2020. The increase in operating expenses is primarily attributable to the temporary reduction in the comparative period due to shutting in Banan field operations in early April 2020 due to poor economics; operations at Banan re-commenced in July 2020. Operating expense per barrel decreased during the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 due to a 19% increase in sales volumes partly offset by a 13% increase in operating expense for the period.

The following table indicates the impact of the variances in operating expense between the second quarter of 2021 and the third quarter of 2021:

($ thousands)	($000)	($/bbl)
Operating expense – three months ended June 30, 2021	**7,380**	**10.09**
Contribution of the following to variance:		
Personnel and camp costs	258	0.36
Well maintenance	(22)	(0.03)
Facilities lease and maintenance, diesel and operation	(472)	(0.66)
Security	112	0.16
Change in production	-	0.18
Operating expense – three months ended September 30, 2021	**7,256**	**10.10**

General and administration

	Three months ended September 30		Nine months ended September 30	
($ thousands)	2021	2020	2021	2020
Total General and Administration	**1,479**	**3,368**	**3,489**	**8,291**

General and administration expenses of $1.5 million and $3.5 million were recorded for the three and nine months ended September 30, 2021, respectively, versus $3.4 million and $8.3 million in the comparable periods during 2020. The decrease between periods is primarily due to the corporate restructuring which was implemented in Q2 2020, resulting in reduced personnel costs for the remainder of 2020 and into 2021.

Impairment

	Three months ended September 30		Nine months ended September 30	
($ thousands)	2021	2020	2021	2020
Impairment reversal of exploration and evaluation assets	-	-	-	(1,076)
Impairment expense of property, plant and equipment	-	-	-	238,245
Total impairment	**-**	**-**	**-**	**237,169**

During the first quarter of 2020 the Group recorded an impairment charge of $238.2 million related to the Hawler License Area due to a sharp fall in forecast oil prices at that time. That impairment was partially reversed in the fourth quarter of 2020. The carrying value of this oil and gas asset at September 30, 2021 is $493.5 million.

During the second quarter of 2020, the Group recorded a credit to additions and an equivalent impairment reversal of $1.1 million due to revisions in costs that had been previously estimated relating to a divested E&E asset. The impairment recovery amount in the table above has been presented net of the associated divestiture costs during the period.

Depletion, depreciation and amortization

The following table summarizes the component parts of depletion, depreciation and amortization for the three and nine months ended September 30, 2021 and 2020:

	Three months ended September 30		Nine months ended September 30	
($ thousands)	2021	2020	2021	2020
Intangible assets: Amortization	3	3	10	10
PP&E assets: Depreciation	19	18	57	56
Depletion	8,788	4,666	25,975	13,880
Total DD&A	**8,810**	**4,687**	**26,042**	**13,946**

Depletion is calculated on a unit of production basis, which is the ratio of oil production volume during the period to the estimated quantities of proved plus probable oil reserves at the beginning of the period.

The increased depletion charges for the three months ended September 30, 2021 are primarily due to higher production in the quarter compared to the comparable quarter in 2020, combined with a higher depletion charge per barrel which results from lower estimated proved plus probable oil reserves at year-end December 31, 2020 compared to a year earlier. The reserve estimates are detailed in the independent evaluator's report referenced in the Group's Material Change Report dated March 10, 2021.

Other income / (expense)

The following table summarizes the components of other income / (expense) for the three and nine months ended September 30, 2021 compared to the same periods in 2020:

	Three months ended September 30		Nine months ended September 30	
($ thousands)	2021	2020	2021	2020
Reduction / (increase) of provision against trade and other receivables	152	1,952	3,539	(2,875)
(Increase) in / reduction of materials inventory provision	584	(762)	2,022	(1,851)
Restructuring charges	-	-	-	(558)
Curtailment of retirement benefit obligation	-	487	-	1,821
Other	-	(1)	-	49
Other income / (expense)	**736**	**1,656**	**5,561**	**(3,414)**

Other income for the nine months ended September 30, 2021 relates primarily to a $3.5 million reduction of the provision against trade and other receivables. The reduction of the provision against trade and other receivables is in response to the collection of receivables relating to November 2019 through February 2020 oil sales. In addition, a $2.0 million decrease in the materials inventory provision was recorded due to a higher projected use of existing materials inventory than was projected in the prior period.

Finance (income) / expense

	Three months ended September 30		Nine months ended September 30	
($ thousands)	2021	2020	2021	2020
Accretion of decommissioning liability	65	117	304	353
Interest (gain) / expense on contingent consideration	(451)	68	(249)	599
Interest expense on Loan Facility	-	500	-	4,471
Accretion of deferred financing costs on Loan Facility	-	1,841	-	2,578
Other	-	1	-	14
Finance (income) / expense	**(386)**	**2,527**	**55**	**8,015**

Finance (income) / expense for the three and nine months ended September 30, 2021 relates to interest on the contingent consideration and accretion of the decommissioning liability. Decommissioning expenditures are forecast to be incurred in 2038. For the three and nine months ended September 30, 2020, additional finance costs were recorded related to accrued interest and accretion of deferred financing costs associated with a loan facility, which was settled in full in July 2020.

On July 9, 2021, the Group entered into an agreement ("**the Forbearance Agreement**") with the seller of OP Hawler Kurdistan Limited ("**OPHKL**"), a wholly-owned subsidiary of the Company, which established that contingent consideration would not become due prior to March 31, 2023 in the event 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, during the third quarter of 2021, accrued interest of $0.5 million, previously recorded, was released to income.

The change in fair value of contingent consideration and the interest on contingent consideration is discussed in the "Liquidity and Capital Resources" section of this MD&A.

Income tax expense

The following table summarizes the component parts of income tax expense for the three and nine months ended September 30, 2021 and September 30, 2020.

	Three months ended September 30		Nine months ended September 30	
($ thousands)	2021	2020	2021	2020
Current income tax expense	979	483	2,609	1,301
Deferred tax (benefit) / expense	(6)	3	(4)	4
Total income tax expense	**973**	**486**	**2,605**	**1,305**

The current income tax expense, which varies proportionately with oil sales revenues, is primarily comprised of amounts deemed to be collected by the KRG through its allocation of Profit Oil under the Hawler PSC.

Liquidity and Capital Resources

During the three months to September 30, 2021, the Group met its day to day working capital requirements and funded its capital and operating expenditures from cash reserves and receipt of its share of oil sales revenues from the Hawler License Area.

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.

Contingent consideration

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 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 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 previously accrued from July 23, 2020 until July 8, 2021 was 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 pursuant to which the Company acquired OPHKL. 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). 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.

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).

Liquidity outlook

The Group expects cash on hand as of September 30, 2021 and cash receipts from net revenues and export sales exclusively through the Kurdistan Oil Export Pipeline will allow it to fund its forecasted capital expenditure and operating and administrative costs through the end of December 2022.

See the "New Accounting Pronouncements, Policies, and Critical Estimates – Going Concern" section of this MD&A for discussion regarding uncertainties and risks associated with the Group's ability to continue as a going concern.

The following table summarizes the components of Forza Petroleum's consolidated cash flows for the periods indicated:

	Three months ended September 30		Nine months ended September 30	
($ thousands)	2021	2020	2021	2020
Net cash generated from operating activities	13,911	3,622	29,802	13,500
Net cash used in investing activities	(7,657)	(3,293)	(18,469)	(12,429)
Net cash (used in) / generated by financing activities	(5,000)	5,000	(5,000)	975
Total change in cash	**1,254**	**5,329**	**6,333**	**2,046**
Cash and cash equivalents at beginning of the period	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**

The $1.3 million increase in cash during the three months ended September 30, 2021 resulted from $13.9 million in cash generated from operating activities, partially offset by the use of $7.7 million in cash to invest in drilling, facilities and other costs in the Hawler License Area and the $5 million repayment of the ZOG Credit Facility.

The $6.3 million increase in cash during the nine months ended September 30, 2021 resulted from $29.8 million in cash generated from operating activities, partially offset by the use of $18.5 million in cash to invest in drilling, facilities and other costs in the Hawler License Area and the $5 million repayment of the ZOG Credit Facility.

Risks and uncertainties

The Group's ability to realize cash inflows from crude oil sales is subject to significant uncertainty related to the future performance and productivity of individual wells and production facilities, future crude oil prices, and customer credit risk. In particular credit risk is impacted by the uncertainty associated with the COVID-19 pandemic, and political tensions between the governments of Iraq and the Kurdistan Region of Iraq. The Group's ability to secure external financing, if and when required, is also subject to significant uncertainty and is dependent on the Group's performance and on market conditions. Furthermore, the execution of capital investment plans requires significant capital expenditures. Long lead times between initiation of commitments to capital projects and completion thereof are common in the industry. During these lead times, Forza Petroleum expects to incur significant costs at a level which may be difficult to predict. Prevailing market conditions, together with Forza Petroleum's business performance, will impact the Group's ability to realize required cash flows from operating activities and to arrange further financing as needed. While the Group retains the flexibility to defer certain budgeted expenditures and to adjust the timing of its expenditures on the development of the Hawler License Area, slowing the rate of development expenditures related to the Hawler License Area would be likely to impede the Group's ability to achieve expected production and sales levels. Refer to the "Critical estimates" section of this MD&A for additional discussion regarding management's going concern assumption which contemplates that the Group will realize its assets and settle its liabilities and commitments during the 15-month period ending December 31, 2022.

Economic Sensitivities

The following table shows the estimated effect that changes to crude oil prices, Gross (100%) oil sale volumes and operating costs would have had on the Group's profit for the nine months ended September 30, 2021, had these changes occurred on January 1, 2021. These calculations are based on business conditions, production and sales volumes existing during the nine months ended September 30, 2021. The 1,000 bbl/d increase assumes the increase is to Gross (100%) sale volumes and the Group's entitlement is calculated according to the provisions of the Hawler PSC.

	Change	Profit impact ($000s)	Profit impact ($ per basic share)
Change in average realized price	$10.00/bbl	14,486	0.03
Change in crude oil sales volumes	1,000 bbl/d	6,216	0.01
Change in operating expenses	$1.00/bbl	2,123	0.00

The impact of the above changes may be compounded or offset by changes to other business conditions. Changes in foreign exchange rates have not been considered in this analysis as they do not have a significant impact on the Group's operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Outstanding Share Data

At the date of this MD&A, 584,976,202 Common Shares are issued and outstanding. On September 1, 2021, 6,778,984 shares were issued under the Group's LTIP plan.

Upon vesting, FPL LTIP share awards made in October 2020 and August 2021 will result in the issuance of up to an additional 20,742,033 Common Shares in 2022 and 2023.

In 2019 and then in March 2020, respectively, the Group issued warrants 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 the date of this MD&A.

At the date of this MD&A, other than the warrants and the unvested LTIP share awards described above, there are no securities convertible into or exercisable or exchangeable for voting shares.

The Company has not paid or declared any dividends during the nine months ended September 30, 2021.

There were no repurchases of FPL's equity securities by the Company during the nine months ended September 30, 2021.

Commitments and Contractual Obligations

The table below sets forth information relating to Forza Petroleum's commitments and contractual obligations as at September 30, 2021.

($ thousands)	Within One Year	From 1 to 5 Years	More than 5 Years	Total
Operating leases(1)	170	-	-	**170**
Other obligations(2)	2,479	9,915	19,834	**32,228**
Total	**2,649**	**9,915**	**19,834**	**32,398**

(1) Operating leases primarily relate to office rent.
(2) Consists principally of obligations related to PSC commitments and capital expenditure commitments. The main purpose of these commitments is to develop the Group's oil and gas assets.

Summary of Quarterly Results

The following table sets forth a summary of Forza Petroleum's results for the indicated quarterly periods.

($ thousands, unless otherwise stated)	2019	2020				2021		
	Dec 31	Mar 31	Jun 30	Sept 30	Dec 31	Mar 31	Jun 30	Sep 30
Revenue, net of royalties	22,890	17,893	2,370	12,983	14,104	21,049	26,974	28,776
Operating expense	(7,563)	(7,678)	(3,532)	(7,061)	(6,535)	(6,100)	(7,380)	(7,256)
Depletion	(7,017)	(7,579)	(1,636)	(4,666)	(8,997)	(8,234)	(8,953)	(8,788)
G&A	(3,742)	(2,738)	(2,185)	(3,368)	(1,200)	(1,081)	(929)	(1,479)
Profit / (Loss)	(81,334)	(249,590)	(3,854)	30,139	114,562	21,165	4,351	7,572
Earnings / (Loss) per basic and diluted share ($/share)	(0.15)	(0.45)	(0.01)	0.05	0.20	0.04	0.01	0.01
Cash generated from operating activities	(1,558)	6,805	3,079	3,622	8,601	4,207	14,557	13,911
Gross Production (bbl)	1,201,000	1,295,500	367,600	1,080,000	1,120,900	1,039,100	1,124,200	1,103,400
WI Production (bbl)	780,700	842,000	238,900	702,000	728,600	675,400	730,700	717,200
Gross Sales (bbl)	1,196,600	1,296,700	371,400	1,075,300	1,121,400	1,036,000	1,124,900	1,105,400
WI Sales (bbl)	777,800	842,800	241,400	698,900	728,900	673,400	731,200	718,500
Field production costs(1)	(5,784)	(5,871)	(2,701)	(4,590)	(4,248)	(3,965)	(4,797)	(4,717)
Field production costs(1) ($/bbl)	(7.44)	(6.97)	(11.19)	(6.57)	(5.83)	(5.89)	(6.56)	(6.57)
Brent price ($/bbl)	63.08	50.10	29.56	42.95	44.16	61.12	69.19	73.51
Sales price ($/bbl)	47.32	34.03	15.78	26.35	27.44	44.44	52.32	56.81
Capital additions(2)	13,320	4,706	406	2,029	10,912	6,017	9,311	10,007

Notes:
(1) Field production costs represent Forza Petroleum's Working Interest share of gross production costs and exclude partner share of production costs which are being carried by Forza Petroleum. See the "Operating expense" section of this MD&A.
(2) Before non-cash additions / (credits) relating to the change in estimates used to calculate the decommissioning calculation.

Variations in revenue, royalties and taxes are attributable to changes in realized sales prices which have been broadly referenced to Brent crude oil prices and sales volumes which have fluctuated due to the variations in production from the Hawler License Area. Production from the Banan field was shut-in for three months starting in early April 2020 in order to optimize economics.

General and administration costs have trended down as a result of a corporate restructuring in 2020 and the change of control of the Company in July 2020 which resulted in the discontinuation of a number of annual corporate fees payable to the former controlling shareholder. Recent variations in costs primarily relate to discretionary personnel compensation.

Loss for the three months ended December 31, 2019 and March 31, 2020 include impairment expense of $54.4 million and $238.2 million, respectively, relating to the Hawler License Area. Profit for the three months ended September 30, 2020 includes a gain of $26.9 million recorded upon settlement of the borrowings. Profit for the three months ended December 31, 2020 includes an impairment reversal of $121.0 million, also relating to the Hawler License Area. Profit for the first quarter of 2021 was impacted by a $15.7 million gain resulting from the liquidation and consequent deconsolidation of OP Congo SA.

During 2020 capital expenditures were restricted due to capital allocation priorities. The Group's drilling program resumed in the fourth quarter of 2020 and capital expenditures increased in the second quarter of 2021 with the addition of a second drilling rig.

Operating expenses and capital expenditures for the year ended 2020 and the nine months ended September 30, 2021 include increased costs carried by the Group on behalf of partners, partially offset by cost savings following the Banan-4 well workover and decreased security costs.

Transactions with Related Parties

On August 26, 2020, the Group entered into 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.

Management believes the terms and conditions of the above facility to be materially comparable to or better than terms applicable to similar market transactions.

In each of January and July 2020, and in January 2021 the directors of FPL were awarded $0.2 million in cash as remuneration for services provided in the previous two quarters. In April 2021 and July 2021, the directors of FPL were awarded $0.1 million in cash as remuneration for services provided during the three months ended March 31, 2021 and the three months ended June 30, 2021, respectively.

New Accounting Pronouncements, Policies, and Critical Estimates

New Pronouncements

There were no new accounting standards adopted by the Group during the three months ended September 30, 2021.

Critical estimates

In the process of applying the Group's accounting policies management makes estimates, judgments and assumptions concerning the future. These accounting estimates, judgments and assumptions may differ from actual results. The estimates and underlying assumptions are reviewed on an ongoing basis. Such estimates, judgments and assumptions have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

Going Concern

Financial statement disclosure

The 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.

Contingent Consideration

Refer to the "Liquidity and Capital Resources" section of this MD&A.

Financial Controls

Disclosure Controls and Procedures

Disclosure Controls and Procedures ("**DC&P**") have been designed under the supervision of the Chief Executive Officer ("**CEO**") and the Head of Finance (acting as CFO), with the participation of other management, to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified in applicable securities legislation, and include controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to management, including the CEO and Head of Finance (acting as CFO), as appropriate to allow timely decisions regarding required disclosure.

Internal Controls over Financial Reporting

Internal Controls over Financial Reporting ("**ICFR**") have been designed under the supervision of the CEO and the Head of Finance (acting as CFO), with the participation of other management, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements in accordance with IFRS. ICFR can only provide reasonable assurance and may not prevent or detect misstatements. Projections of an evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

There were no changes in Forza Petroleum's ICFR during the nine months ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, Forza Petroleum's ICFR.

Forward-Looking Information

Certain statements in this MD&A constitute "forward-looking information" within the meaning of applicable Canadian securities legislation, including statements related to the nature, timing and effect of Forza Petroleum's forecast and budgeted capital expenditure, financing and capital activities, expectations that cash on hand as of September 30, 2021 and cash receipts from net revenues from export sales exclusively through the Kurdistan Oil Export Pipeline will allow the Group to fund its forecasted capital expenditures and operating and administrative costs through the end of December 2022, business and acquisition strategy and goals, opportunities, drilling and well workover plans, development plans and schedules and chance of success, results of exploration activities, declarations of commercial discovery, contingent liabilities and government approvals, the ability to consistently access the export pipeline or other exterior facilities to sell oil production, sales channels for future sales, future drilling of new wells and the reservoirs to be targeted, costs and drilling times for new wells, ultimate recoverability of current and long-term assets, estimates of oil reserves and resources, future royalties and tax levels, access to and sources of future financing and liquidity, future debt levels, availability of committed credit facilities, possible commerciality of our projects, expected operating capacity, expected operating costs, estimates on a per share basis, future foreign currency exchange rates, the issuance of shares as a result of the vesting of LTIP awards and exercise of outstanding warrants, estimates for the fair value of the contingent consideration arising from the acquisition of OP Hawler Kurdistan Limited in 2011, the expected timing for receipt of payment for outstanding oil sales invoices, expectations that the COVID-19 virus outbreak will not restrict operations, the expected timing for settlement of liabilities including the contingent consideration arising from the acquisition of OP Hawler Kurdistan Limited in 2011, changes in any of the foregoing, and statements that contain words such as "may", "will", "would", "could", "should", "anticipate", "believe", "intend", "expect", "plan", "estimate", "budget", "outlook", "propose", "potentially", "project", "forecast" or the negative of such expressions and statements relating to matters that are not historical fact. Although Forza Petroleum believes these statements to be reasonable, the assumptions upon which they are based may prove to be incorrect. In making certain statements in this MD&A, Forza Petroleum has made assumptions with respect to the following: the general continuance of the current or, where applicable, assumed industry conditions, the continuation of assumed tax, royalties and regulatory regimes, forecasts of capital expenditures and the sources of financing thereof, timing and results of exploration activities, access to local and international markets for future crude oil production and future crude oil prices, Forza Petroleum's ability to obtain and retain qualified staff, contractors and personnel and equipment in a timely and cost-efficient manner, the political situation and stability in the jurisdiction in which Forza Petroleum has its license, the ability to renew its license on satisfactory terms, Forza Petroleum's future production levels, the applicability of technologies for the recovery and production of Forza Petroleum's oil reserves and resources, the amount, nature, timing and effects of capital expenditures, geological and engineering estimates in respect of Forza Petroleum's reserves and resources, the geology of the areas in which Forza Petroleum is conducting exploration and development activities, operating and other costs, the extent of Forza Petroleum's liabilities, and business strategies and plans of management and Forza Petroleum's business partners. For more information about these assumptions and risks facing the Group, refer to FPL's Annual Information Form dated March 23, 2021, available at www.sedar.com and the Group's website at www.forzapetroleum.com.

Any forward-looking information concerning prospective exploration, results of operations, financial position, production, expectations of capital expenditures, cash flows and future cash flows or other information described above that is based upon assumptions about future results, economic conditions and courses of action are presented for the purpose of providing readers with a more complete perspective on Forza Petroleum's present and planned future operations and such information may not be appropriate for other purposes and actual results may differ materially from those anticipated in such forward-looking information. In addition, included herein is information that may be considered financial outlook and/or future-oriented financial information. Its purpose is to indicate the potential results of Forza Petroleum's intentions and may not be appropriate for other purposes.

Readers are strongly cautioned that the above list of factors affecting forward-looking information is not exhaustive. Although FPL believes that the expectations conveyed by the forward-looking information are reasonable based on information available to it on the date such forward-looking information was made, no assurances can be given as to future results, levels of activity and achievements. Readers should not place undue importance or reliance on the forward-looking information and should not rely on the forward-looking information as of any date other than the date hereof. Further, statements including forward-looking information 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 as a result of new information or otherwise. If FPL 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 MD&A is expressly qualified by this cautionary statement.

Glossary and Abbreviations

The following abbreviations and definitions are used in this MD&A:

bbl
Barrel(s) of oil

bbl/d
Barrel(s) of oil per day

Carried Cost
Costs related to the Group's funding another party's share of costs, by agreement, in excess of the Group's Working Interest. Carried Costs are typically recovered through Cost Oil

Common Shares
Common shares of the Company

Company or FPL
Forza Petroleum Limited

Contractor
An oil company operating in a country under a PSC on behalf of the host government, for which it receives either a share of production or a fee

Cost Oil
The portion of oil sold used to reimburse the Contractor for exploration, development, and operating costs

Cost Pool
Costs incurred to explore and/or develop a License Area to be recovered as Cost Oil through future oil sales

G&A
General and administration

Gross
In respect of reserves, resources, future net revenue, production, sales, area, capital expenditures or operating expenses, the total reserves, resources, future net revenue, production, sales, area, capital expenditures or operating expenses, as applicable, attributable to either (i) 100% of the License Area or field; or (ii) the Group's Working Interest in the License Area or field, as indicated, prior to the deductions specified in the applicable PSC for the License Area.

IAS
International Accounting Standards

IFRS
International Financial Reporting Standards

KRG
Kurdistan Regional Government of Iraq

License Area
Area of specified size, which is licensed to a company by a government for the production of oil and gas

Operator
A company that organises the exploration and productions programs in a License Area on behalf of all the interest holdings in the license

PP&E
Property, plant and equipment

Profit Oil
Production remaining after contractual Royalties and Cost Oil, which is split between the government and the Contractors according to the prevailing contract terms in the PSC

Production Sharing Contract (PSC)
A contractual agreement between a Contractor and a host government, whereby the Contractor bears certain defined exploration costs, risks, and development and production costs in return for a stipulated share of the production resulting from this effort

Reserves
Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on

- analysis of drilling, geological, geophysical and engineering data;
- the use of established technology;
- specified economic conditions, which are generally accepted as being reasonable

Royalty
All remittances to governments who are party to the applicable PSCs that are directly attributable to the sale of oil and natural gas products during the reporting period including the government share of Profit Oil described above, except for income taxes

Working Interest or WI
The Group's interest in an applicable License Area

ZOG
Zeg Oil and Gas Limited