FORZA PETROLEUM

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 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 and nine months ended September 30, 2022 and 2021.

Consolidated Statements of Profit and Other Comprehensive Income

		Three months ended September 30		Nine months ended September 30	
$000s	**Note**	**2022**	**2021**	**2022**	**2021**
Revenue		85,073	48,727	266,199	130,129
Royalties		(34,832)	(19,951)	(108,970)	(53,330)
Net revenue		**50,241**	**28,776**	**157,229**	**76,799**
Operating expense		(9,058)	(7,256)	(26,998)	(20,736)
Depreciation, depletion and amortization	**5, 6**	(12,481)	(8,810)	(37,256)	(26,042)
General and administration expense		(1,975)	(1,479)	(5,090)	(3,489)
Other income	**18**	501	736	89	5,561
Gain on deconsolidation of subsidiary	**21**	-	-	-	15,725
Change in fair value of contingent consideration	**11a**	(1,711)	(3,752)	(5,012)	(12,172)
Profit from operations		**25,517**	**8,215**	**82,962**	**35,646**
Finance (expense) / income	**20**	(159)	386	(279)	(55)
Foreign exchange losses		(33)	(56)	(8)	102
Profit before income tax		**25,325**	**8,545**	**82,675**	**35,693**
Income tax expense	**18**	(1,654)	(973)	(5,229)	(2,605)
Profit for the period		**23,671**	**7,572**	**77,446**	**33,088**
Comprehensive income for the period		**23,671**	**7,572**	**77,446**	**33,088**
Earnings per share (basic and diluted)	**15**	**0.04**	**0.01**	**0.13**	**0.06**

Consolidated Statements of Financial Position

$000s	Note	September 30 2022	December 31 2021
Non-current assets			
Intangible assets	5	47,666	47,748
Property, plant and equipment	6	468,108	469,517
Deferred tax assets		246	241
		516,020	**517,506**
Current assets			
Inventories	7	12,660	9,205
Trade and other receivables	8	70,951	34,481
Other current assets	9	4,745	1,861
Cash and cash equivalents	10	53,646	24,672
		142,002	**70,219**
Total assets		**658,022**	**587,725**
Current liabilities			
Trade and other payables	11	89,236	24,803
		89,236	**24,803**
Non-current liabilities			
Trade and other payables	11	-	67,640
Retirement benefit obligation		2,302	2,242
Decommissioning obligation	13	21,536	26,213
		23,838	**96,095**
Total liabilities		**113,074**	**120,898**
Equity			
Share capital	14	1,365,467	1,363,221
Reserves	16	21,730	23,301
Accumulated remeasurement of defined benefit obligation, net of income tax		(6,166)	(6,166)
Accumulated deficit		(836,083)	(913,529)
Total equity		**544,948**	**466,827**
Total equity and liabilities		**658,022**	**587,725**

The consolidated financial statements were approved by the Board of Directors and authorized for issue on November 8, 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		-	-	33,088	-	33,088
Shares issued for Long Term Incentive Plan (“LTIP”)	**14, 16**	588	(588)	-	-	-
Share based payment expense		-	476	-	-	476
Balance at September 30, 2021		**1,363,221**	**23,070**	**(890,711)**	**(5,637)**	**489,943**
Loss for the period		-	-	(22,818)	-	(22,818)
Share based payment compensation	**16**	-	231	-	-	231
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		-	-	77,446	-	77,446
Shares and cash issued for LTIP	**14, 16**	2,246	(3,044)	-	-	(798)
Share based payment compensation	**16**	-	1,473	-	-	1,473
Balance at September 30, 2022		**1,365,467**	**21,730**	**(836,083)**	**(6,166)**	**544,948**

Consolidated Statements of Cash Flows

		Three months ended September 30		Nine months ended September 30	
$000s	**Note**	**2022**	**2021**	**2022**	**2021**
Operating activities					
Profit for the period		23,671	7,572	77,446	33,088
Adjustments for non-cash transactions	**17**	14,839	11,647	43,880	17,319
Cash paid for LTIP		(798)	-	(798)	
Change in retirement benefit obligation		(97)	139	(194)	(78)
Changes in non-cash working capital	**17**	(12,176)	(5,447)	(36,723)	(20,527)
Net cash generated from operating activities		**25,439**	**13,911**	**83,611**	**29,802**
Investing activities					
Acquisition of intangible assets		(131)	(3)	(131)	(8)
Acquisition of property, plant and equipment		(15,126)	(7,654)	(54,506)	(18,461)
Net cash used in investing activities		**(15,257)**	**(7,657)**	**(54,637)**	**(18,469)**
Financing activities		-	-	**-**	-
Repayment on ZOG Credit Facility	**12**	-	(5,000)	-	(5,000)
Net cash used in financing activities		-	(5,000)	-	(5,000)
Net increase in cash and cash equivalents		**10,182**	**1,254**	**28,974**	**6,333**
Cash and cash equivalents at beginning of the period	**10**	43,464	18,237	24,672	13,158
Cash and cash equivalents at end of the period		**53,646**	**19,491**	**53,646**	**19,491**

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 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, including within the Kurdistan Region of Iraq (“KRI”), has not significantly impacted operations.

The Group has considered climate risk when preparing the unaudited condensed consolidated interim financial statements (the “Financial Statements”). In the current period, there were no climate risk related matters that impacted the Financial Statements.

The Financial Statements were authorized for issue by the Board of Directors on November 8, 2022.

2. Summary of significant accounting policies

a. Basis of preparation

The Company’s Financial Statements for the three and nine months ended September 30, 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 nine months ended September 30, 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 November 8, 2022, the Group has received payment for all oil sales made to the KRG up to June 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.

The Directors have carefully considered the forecast cash flows for the 15 months following September 30, 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 September 30, 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 September 30, 2022. As at September 30, 2022, the Group was involved in the following joint arrangement:

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

5. Intangible assets

$000s	Exploration & Evaluation costs	Computer Software	Total
Cost			
At January 1, 2021	**48,883**	**2,225**	**51,108**
Additions	8	-	8
Decommissioning (Note 13)	(1,143)	-	(1,143)
At September 30, 2021 and December 31, 2021	**47,748**	**2,225**	**49,973**
Additions	140	-	**140**
Decommissioning (Note 13)	(222)	-	(222)
At September 30, 2022	**47,666**	**2,225**	**49,891**
Accumulated amortization and impairment			
At January 1, 2021	**-**	**2,215**	**2,215**
Amortization	-	7	7
At September 30, 2021	**-**	**2,222**	**2,222**
Amortization	-	3	3
At December 31, 2021 and September 30, 2022	**-**	**2,225**	**2,225**
Carrying amount			
At September 30, 2022	47,666	-	47,666
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 September 30, 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-1 and 2 wells during the fourth quarter of 2022.

6. Property, plant and equipment

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

$000s	Oil and gas Assets	Fixtures and Equipment	Total
Cost			
At January 1, 2021	**974,563**	**3,550**	**978,113**
Additions	25,333	-	25,333
Decommissioning (1)	(12,800)	-	(12,800)
At September 30, 2021	**987,096**	**3,550**	**990,646**
Additions	20,451	-	20,451
Decommissioning (1)	297	-	297
At December 31, 2021	**1,007,844**	**3,550**	**1,011,394**
Additions	40,532	5	40,537
Decommissioning (1)	(4,737)	-	(4,737)
At September 30, 2022	**1,043,639**	**3,555**	**1,047,194**
Accumulated depreciation, depletion and impairment			
At January 1, 2021	**467,642**	**3,491**	**471,133**
Depreciation	-	57	57
Depletion	25,980	-	25,980
At September 30, 2021	**493,622**	**3,548**	**497,170**
Impairment (2)	32,440	-	32,440
Depreciation	-	2	2
Depletion	12,265	-	12,265
At December 31, 2021	**538,327**	**3,550**	**541,877**
Depletion	37,209	-	37,209
At September 30, 2022	**575,536**	**3,550**	**579,086**
Carrying amount			
At September 30, 2022	468,103	5	468,108
At December 31, 2021	469,517	-	469,517

(1) Non-cash changes to the decommissioning obligation (Note 13).

(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 September 30, 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	September 30 2022	December 31 2021
Oil inventory	227	161
Materials, net of provision	12,433	9,044
	12,660	**9,205**

The cost of oil inventory is expensed through production and depletion expenses in the period during which it is sold. As at September 30, 2022, the Group's working interest share of oil inventory was 10,100 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 September 30, 2022 is $4.9 million (December 31, 2021: $5.0 million) and an income of $0.1 million has been included in other income and expense during the nine months ended September 30, 2022 (September 30, 2021 – income of $2.0 million) (Note 19).

No inventories have been pledged as security during the period.

8. Trade and other receivables

$000s	September 30 2022	December 31 2021
Revenue receivables	69,255	32,995
Other receivables	1,696	1,486
	70,951	**34,481**

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

As at November 8, 2022, of the revenue receivable balance outstanding at September 30, 2022, $20.6 million has since been collected.

9. Other current assets

$000s	September 30 2022	December 31 2021
Prepaid charges and other current assets	959	1,104
Deposits	3,786	758
	4,745	**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	September 30 2022	December 31 2021
Trade accounts payable	5,658	9,448
Other payables and accrued liabilities	10,926	15,355
Purchase consideration (Note 11a)	72,652	-
Current portion	**89,236**	**24,803**
Non-current purchase consideration (Note 11a)	-	67,640
Total trade and other payables	**89,236**	**92,443**

11. Trade and other payables (continued)

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, a portion of the consideration in an equal amount, up to the maximum of the liability, would be accelerated and become payable to the seller of OPHKL.

The balance of unpaid principal and accrued interest owed to the seller of OPHKL was $76.2 million, as at both September 30, 2022 and December 31, 2021. Under the terms of the Forbearance Agreement no amounts are due prior to March 31, 2023, therefore, as at September 30, 2022, the Group has recognized a current liability of $72.7 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. 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.

13. Decommissioning obligation

The Group has an obligation to decommission its oil and gas assets upon cessation of operations. In calculating the value of the Group's future decommissioning obligation at September 30, 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 development period.

13. Decommissioning obligation (continued)

At June 30, 2022, 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 an increase of $1.5 million from the previous assessment.

The estimated net present value of the decommissioning obligation at September 30, 2022 is $21.5 million (December 31, 2021 - $26.2 million) based on the Group's undiscounted liability of $34.7 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 at June 30, 2022 to 2.1% (December 31, 2021 - 0.9%). The applicable discount rate was also reviewed at June 30, 2022 and increased to 5.2% (December 31, 2021 - 2.0%).

$000s	Nine months ended September 30, 2022	Year ended December 31, 2021
Decommissioning obligation, beginning of the period	**26,213**	**39,485**
Change in cost estimates	1,520	(19,535)
Change in inflation rate	6,073	(1,869)
Change in discount rate	(13,784)	2,636
Property development additions	1,235	5,122
	21,257	**25,839**
Accretion expense (Note 20)	279	374
Decommissioning obligation, end of the period	**21,536**	**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 September 30, 2022 would increase by $2.0 million. If a 1% increase to the discount rate were applied, the net present value of the decommissioning obligation at September 30, 2022 would decrease by $2.1 million.

14. Share capital

a. Issued common shares

	Number of shares	Share capital $000s
At January 1, 2021	**578,197,218**	**1,362,633**
Issue of shares for Long Term Incentive Plan	6,778,984	588
At September 30, 2021 and December 31, 2021	**584,976,202**	**1,363,221**
Issue of shares for Long Term Incentive Plan	15,330,155	**2,245**
At September 30, 2022	**600,306,357**	**1,365,466**

The Company has unlimited authorized share capital at September 30, 2022.

2022 share capital transactions

On September 1, 2022, the Company issued 15,330,155 common shares to employees under the Group's Long Term Incentive Plan.

2021 share capital transactions

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

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.

15. 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 September 30		Nine months ended September 30	
$000s	**2022**	**2021**	**2022**	**2021**
Profit for the period attributable to equity holders	23,671	4,351	77,446	25,516
Weighted average number of common shares for basic earnings per share (1)	590,974,958	580,407,756	586,997,761	578,752,872
Dilutive impact of unexercised warrants	- (2)	- (2)	33,149,000	- (2)
Weighted average number of common shares for diluted earnings per share (1)	586,267,787	578,197,218	620,146,761	578,197,218
Basic earnings per share - $	**0.04**	**0.01**	**0.13**	**0.06**
Diluted earnings per share - $	**0.04**	**0.01**	**0.13**	**0.06**

(1) The unvested Long Term Incentive Plan shares are excluded as the vesting conditions have not yet been met.
(2) Outstanding warrants are excluded from diluted shares for the periods ended September 30, 2021 and the three months ended September 30, 2022 as they are anti-dilutive for these periods.

16. Reserves

$000s	**Share based payments**	**Other Reserves**	**Total reserves**
At January 1, 2021	**20,539**	**2,643**	**23,182**
Share based payment transactions	293	-	293
At September 30, 2021	**20,832**	**2,643**	**23,475**
Share based payment transactions	414	-	414
Issue of shares for Long Term Incentive Plan	(588)	-	(588)
At December 31, 2021	**20,658**	**2,643**	**23,301**
Share based payment transactions	1,473	-	1,473
Issue of shares and cash for Long Term Incentive Plan	(3,044)	-	(3,044)
At September 30, 2022	**19,087**	**2,643**	**21,730**

17. Supplemental cash flow information

a. Adjustments for non-cash transactions

	Three months ended September 30		Nine months ended September 30	
$000s	**2022**	**2021**	**2022**	**2021**
Gain on deconsolidation of subsidiary	-	-	-	(15,725)
Depreciation, depletion and amortization	12,481	8,810	37,256	26,042
Share based payment expense	508	37	739	96
Unrealized foreign exchange (gains) / losses	89	51	30	(123)
Income tax expense / (reversal)	(2)	(6)	(5)	(4)
Finance expense / (income)	160	(386)	280	55
General and administration	103	103	310	311
Change in fair value of contingent consideration	1,711	3,752	5,012	12,172
Other expense / (income)	(340)	(736)	72	(5,561)
Operating expense	129	22	186	56
Items not involving cash	**14,839**	**11,647**	**43,880**	**17,319**

b. Changes relating to non-cash working capital

	Three months ended September 30		Nine months ended September 30	
$000s	**2022**	**2021**	**2022**	**2021**
Inventories	(726)	336	(3,573)	1,608
Trade and other receivables	(13,035)	(6,609)	(36,471)	(13,834)
Other current assets	(937)	(460)	(2,884)	(1,353)
Trade and other payables	(1,779)	3,510	(8,305)	(409)
Change in non-cash working capital	**(16,477)**	**(3,223)**	**(51,233)**	**(13,988)**

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

	Three months ended September 30		Nine months ended September 30	
$000s	**2022**	**2021**	**2022**	**2021**
Operations	(12,176)	(5,447)	(36,723)	(20,527)
Investing – PP&E	(4,301)	2,224	(14,510)	6,539
Cash flows relating to non-cash working capital	**(16,477)**	**(3,223)**	**(51,233)**	**(13,988)**

c. Other cash flow information

	Three months ended September 30		Nine months ended September 30	
$000s	**2022**	**2021**	**2022**	**2021**
Cash income taxes paid	14	-	59	21

18. Income tax expense

	Three months ended September 30		Nine months ended September 30	
$000s	**2022**	**2021**	**2022**	**2021**
Current income tax expense	1,655	979	5,234	2,609
Deferred tax on LTIP shares	(1)	(6)	(5)	(4)
Income tax expense	**1,654**	**973**	**5,229**	**2,605**

18. Income tax expense (continued)

The Group is subject to income taxes in certain jurisdictions where it holds interests in exploration and development licenses or has taxable operations. Current income tax expense relates to tax on profits from oil sales in the KRI and on taxable profits from operations of the Group's Swiss and Maltese subsidiaries. For the nine months ended September 30, 2022, income taxes related to oil sales in the KRI in the amount of $5.2 million (December 31, 2021 - $2.6 million) were deemed to be collected by the government through its allocation of Profit Oil under the Hawler PSC.

19. Other income

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

		Three months ended September 30		Nine months ended September 30	
$000s	**Note**	**2022**	**2021**	**2022**	**2021**
Decrease of expected credit loss against trade and other receivables	**8**	-	152	-	3,539
Reduction in materials inventory provision	**7**	500	584	72	2,022
Other		1	-	17	-
Other income		**501**	**736**	**89**	**5,561**

20. Finance costs

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

		Three months ended September 30		Nine months ended September 30	
$000s	**Note**	**2022**	**2021**	**2022**	**2021**
Accretion of decommissioning obligation	**13**	159	65	279	304
Interest reversed on contingent consideration	**11a**	-	(451)	-	(249)
Finance costs		**159**	**(386)**	**279**	**55**

21. Segment information

The Group has a single class of business which is to 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 nine months ended September 30, 2022 **$000s**	**Middle East**	**Corporate**	**Total**
Revenue	266,199	-	266,199
Royalty	(108,970)	-	(108,970)
Net revenue	**157,229**	**-**	**157,229**
Operating expense	(26,998)	-	(26,998)
Depreciation, depletion and amortization	(37,256)	-	(37,256)
General and administration expense	(2,010)	(3,080)	(5,090)
Other income	88	1	89
Change in fair value of contingent consideration	(5,012)	-	(5,012)
Segment result	**86,041**	**(3,079)**	**82,962**
Finance costs			(279)
Foreign exchange loss			(8)
Profit before income tax			**82,675**
Income tax expense			(5,229)
Profit for the period			**77,446**
Capital additions[1]	40,672	-	40,672
Segment assets as at September 30, 2022	656,658	1,364	658,022
Segment liabilities as at September 30, 2022	109,232	3,842	113,074

(1) *Excludes non-cash changes to the decommissioning obligation.*

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

(1) *Excludes non-cash changes to the decommissioning obligation.*

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21. Segment information (continued)

For the three months ended September 30, 2022 **$000s**	**Middle East**	**Corporate**	**Total**
Revenue	85,073	-	85,073
Royalty	(34,832)	-	(34,832)
Net revenue	**50,241**	**-**	**50,241**
Operating expense	(9,058)	-	(9,058)
Depreciation, depletion and amortization	(12,481)	-	(12,481)
General and administration expense	(582)	(1,393)	(1,975)
Other income	500	1	501
Change in fair value of contingent consideration	(1,711)	-	(1,711)
Segment result	**26,909**	**(1,392)**	**25,517**
Finance costs			(159)
Foreign exchange loss			(33)
Profit before income tax			**25,325**
Income tax expense			(1,654)
Profit for the period			**23,671**
Capital additions(1)	11,331	-	11,331

(1) *Excludes non-cash changes to the decommissioning obligation.*

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

(1) *Excludes non-cash changes to the decommissioning obligation.*

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

$000s	**September 30 2022**	**December 31 2021**
Iraq (Kurdistan Region)	516,769	517,265
Other	251	241
	516,020	**517,506**

22. 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 had control over this entity and OP Congo SA was deconsolidated from the Group, resulting in a $15.7 million gain during the year ended December 31, 2021.

23. Commitments

a. Contractual obligations

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

$000s	September 30 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**

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 September 30, 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.

24. Contingent liabilities

In the normal course of operations, the Group may be subject to litigation and claims. In management's estimation, 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.