FORZA PETROLEUM

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

FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2023 AND 2022

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, 2023 and 2022 (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 7, 2023.

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, 2023, is on SEDAR+ at www.sedarplus.ca.

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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 have contributed to production.

Operational Highlights

- Average gross (100%) oil production of 6,500 bbl/d (working interest 4,200 bbl/d) in Q3 2023;
- Given the previously announced suspension of the Group's work program, activity continued to be limited during the third quarter of 2023;
- Notwithstanding activity being restricted, the Group continues to advance installation of a pipeline connecting the Banan field to the Hawler production facilities at the Demir Dagh field. Subject to final government permitting, commissioning of the pipeline is expected during the fourth quarter of 2023.

Financial Highlights and Outlook

Liquidity outlook

The Group expects cash on hand as of September 30, 2023, cash receipts from oil sales, and, if required, up to $20 million in funding from the Company's principal shareholder, will fund its forecasted capital expenditures and operating and administrative costs through the end of December 2024, as well as the $76.2 million in deferred purchase consideration due and payable in connection with the original acquisition of the Hawler License Area. The estimates and judgments related to this expectation are discussed in detail in Note 2b of the Financial Statements.

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, 2023 and September 30, 2022.

($ thousands unless otherwise stated)	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Revenue	14,416	85,073	63,498	266,199
Cash generated from operating activities	1,113	25,439	13,904	83,611
Cash generated from operating activities per basic share ($/share)	0.00	0.04	0.02	0.14
Cash generated from operating activities per diluted share ($/share)	0.00	0.04	0.02	0.13
(Loss) / Profit for the period	(1,556)	23,671	(134,655)	77,446
Earnings per basic and diluted share ($/share)	(0.00)	0.04	(0.22)	0.13
Average sales price ($/bbl)	30.83	79.11	45.49	84.80
Field operating costs(1) ($/bbl)	8.07	6.54	11.15	6.67
Operating expense ($/bbl)	12.42	10.06	17.16	10.27
Capital additions(2)	662	11,331	17,079	40,672

Notes:
(1) *Field operating costs represent Forza Petroleum's Working Interest share of gross operating costs and exclude partner share of operating costs which are being carried by Forza Petroleum.*
(2) Excludes non-cash changes to the decommissioning obligation.

Revenue and cash receipts

In recent years, sales of the Group's oil production had been exclusively through the KOEP. On March 25, 2023, the operator of the KOEP notified OP Hawler Kurdistan Limited, the Group's operating subsidiary in the KRI, of a shutdown of the pipeline. Accordingly, production from the Hawler License Area was substantially shut-in.

The shutdown was related to a March 2023 arbitration decision of the International Chamber of Commerce impacting exports by the KRG through the port of Ceyhan in Turkey. An initial statement from the Federal Government of Iraq ("FGI") indicated that exports of KRI crude oil through the port may resume only with the consent of the FGI.

Recent public reports indicate that, following completion of maintenance work on the Turkish leg of the KOEP, it is technically feasible to restart oil exports from the Kurdistan Region. However, it is understood that the FGI and the Republic of Turkey are seeking to settle certain open disputes between the governments before agreeing to re-open the KOEP.

During the second quarter of 2023, the Group sold oil inventory on hand to the local market. Starting in July 2023, the Group entered into three consecutive short-term contracts to sell 8,000 bbl/d to the local market (working interest: 5,200 bbl/d), which supported a partial restart of production operations. The price under these local sales agreements averaged $31/bbl and payment in advance of deliveries was received from the buyers. A further local sales contract was signed in October 2023. The sales price under this latest agreement was $32/bbl, with payment received from the buyer in advance of deliveries.

Revenue of $14.4 million was recorded for the three months ended September 30, 2023. Included in revenue is $12.1 million realized on the local sale of 391,700 bbl (WI) of crude oil (average $30.83/bbl) and $2.3 million related to the recovery of costs carried on behalf of partners. Revenue decreased by $70.7 million versus the three months ended September 30, 2022 due to a 61% decrease in realized average sales price and a 57% decrease in sales volumes. Because of local market constraints, the price for oil sold to the local market is at a significant discount to international oil prices.

Revenue of $63.5 million was recorded for the nine months ended September 30, 2023. Included in revenue is $53.2 million realized on the sale of 1,169,100 bbl (WI) of crude oil ($45.49/bbl) and $10.3 million related to the recovery of costs carried on behalf of partners. Revenue for the nine months ended September 30, 2023 decreased by $202.7 million compared to the same period in 2022. The decrease is attributable to a 46% decrease in realized sales price and a 56% decrease in sales volumes. Prior to the shutdown of the KOEP in March 2023, all sales were made via the KOEP. Following the shutdown, all sales were made to the local market.

The Group has received full payment for all oil sales made through the KOEP to the end of September 2022 and for all local sales during the nine months ended September 30, 2023.

Operating expense

Operating expense during the third quarter of 2023 amounted to $4.9 million ($12.42/bbl) versus $9.1 million ($10.06/bbl) during the third quarter of 2022.

Field operating costs during the third quarter of 2023 amounted to $3.2 million ($8.07/bbl) compared to $5.9 million ($6.54/bbl) during the third quarter of 2022. Field operating costs per barrel were impacted by the shutdown of the KOEP and subsequent partial shut-in of production from the Hawler License Area during the third quarter of 2023. Refer to the "Revenue and cash receipts" section of this MD&A for further information.

Field operating costs decreased for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 as a result of a decrease in facilities, diesel, security and equipment costs, combined with a 57% decrease in sales volumes.

Operating expense during the nine months ended September 30, 2023 amounted to $20.1 million ($17.16/bbl) versus $27.0 million ($10.27/bbl) during the nine months ended September 30, 2022.

Field operating costs during the nine months ended September 30, 2023 amounted to $13.0 million ($11.15/bbl) compared to $17.5 million ($6.67/bbl) during the nine months ended September 30, 2022. Field operating costs per barrel were significantly impacted by the shutdown of the KOEP and subsequent substantial shut-in of production from the Hawler License Area during the second quarter of 2023. Operations partially re-started in July 2023. Refer to the "Revenue and cash receipts" section of this MD&A for further information.

Operating expense and field operating costs decreased for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 as a result of a decrease in facilities, diesel, security and equipment costs, combined with a 56% decrease in sales volumes.

Field operating costs represent Forza Petroleum's Working Interest share of gross operating expense and exclude partner share of operating expense which are being carried by Forza Petroleum.

Cash used in / generated from operating activities

Cash generated from operating activities for the third quarter of 2023 was $1.1 million compared to cash generated from operating activities of $25.4 million during the same period in 2022. Cash generated from operating activities for the nine months ended September 30, 2023 was $13.9 million compared to $83.6 million during the same period in 2022. The decrease for both periods mainly relates to lower crude oil sales revenue payments received during the period. This negative factor has been partially offset by a decrease in royalties and cash payments relating to other current assets and trade and other payables. Royalties decrease proportionally with sales revenue. The decrease in payments relating to other current assets and trade and other payables primarily relates to decreased activity resulting from the shutdown of the KOEP and subsequent partial shut-in of production from the Hawler License Area. Refer to the "Revenue and cash receipts" section of this MD&A for further information.

Profit / Loss

Loss for the three months ended September 30, 2023 was $1.6 million compared to a profit of $23.7 million during the third quarter of 2022. The variance in profit/loss for three months ended September 30, 2023 in comparison to the same period in 2022 is primarily attributable to a $41.7 million decrease in net revenue resulting from decreased realized sales prices and lower sales volumes. This negative factor has been partially offset by i) a $7.5 million decrease in depletion recorded due to lower production volumes in the period combined with a lower depletion expense per barrel; ii) a $4.2 million decrease in operating expense as a result of decreased facilities, diesel, security and equipment costs, combined with a decrease in sales volumes; iii) no change in the fair value of the purchase consideration obligation compared to a $1.7 million non-cash charge in the prior period; iv) a $1.4 million decrease in income tax expense as a result of decreased net revenue; v) a $1.0 million decrease to the expected credit loss provision; vi) a $0.6 million increase in finance income; and vii) a $0.5 million decrease in general and administration expense.

Loss for the nine months ended September 30, 2023 was $134.7 million compared to a profit of $77.4 million during the nine months ended September 30, 2022. The variance in profit/loss for nine months ended September 30, 2023 in comparison to the same period in 2022 is primarily attributable to i) a $121.4 million impairment recorded during the nine months ended September 30, 2023 relating to the Hawler License Area; ii) a $119.7 million decrease in net revenue resulting from decreased realized sales prices and lower sales volumes; iii) a $4.8 million increase to the expected credit loss provision; and iv) a $3.2 million increase to the materials inventory provision during the nine months ended September 30, 2023 compared to a $0.1 million decrease during the same period in 2022. These negative factors have been partially offset by i) a $21.0 million decrease in depletion recorded due to lower production volumes in 2023 combined with a lower depletion expense per barrel; ii) a $6.9 million decrease in operating expense as a result of decreased facilities, diesel, security and equipment costs, combined with a decrease in sales volumes; iii) a $3.9 million decrease in income tax expense as a result of decreased net revenue; iv) a $3.2 million decrease in the non-cash charge resulting from the change in the fair value of the purchase consideration obligation; v) a $1.8 million increase in finance income; and vi) a $0.6 million decrease in general and administration expense.

Most of the above variances are largely attributable to the shutdown of the KOEP and subsequent substantial shut-in of production from the Hawler License Area during the second quarter of 2023, followed by the partial restart of operations in July 2023. Refer to the "Revenue and cash receipts" section of this MD&A for further information.

Capital additions

During the third quarter of 2023, the Group recorded capital additions of $0.7 million relating to drilling preparation activities. Investments during the period were impacted by the decision in May 2023 to suspend the Group's work program for the balance of 2023 as a result of the shutdown of the KOEP.

During the nine months ended September 30, 2023, the Group recorded capital additions of $17.1 million, including $15.7 million invested in drilling activities in the Demir Dagh and Zey Gawra fields, and in the recompletion and testing of the previously drilled Ain al Safra-1 and Ain al Safra-2 wells. Additional amounts of $1.3 million and $0.1 million were also recorded on facilities and directly attributable support costs, respectively.

Financial position

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

($ thousands)	September 30, 2023	December 31, 2022
Total cash and cash equivalents	68,981	71,103
Working Capital	39,131	52,145
Total assets	314,461	448,180
Total long term liabilities	19,172	20,341
Total liabilities	117,910	117,443

The cash and cash equivalents balance of $69.0 million as at September 30, 2023 decreased from $71.1 million at December 31, 2022. This decrease is due to $16.0 million in cash used in investing activities, partially offset by $13.9 million in cash generated from operating activities. Two revenue payments were received during the nine months ended September 30, 2023 for prior sales through the KOEP. The Group also received payment for local oil sales completed during the period.

Working capital decreased from $52.1 million at December 31, 2022 to $39.1 million at September 30, 2023 due to i) a $6.5 million decrease in the trade and other receivables balance, primarily due to a $4.8 million increase to the expected credit loss provision; ii) a $2.1 million decrease in the cash and cash equivalents balance; iii) a $2.7 million decrease in the inventory balance, primarily due to a $3.2 million increase in the provision against inventory; iv) a $1.6 million increase in the trade and other payables balance; and v) a $0.7 million decrease in the other current assets balance.

The total assets balance decreased to $314.5 million at September 30, 2023 from $448.2 million at December 31, 2022. This change is primarily due to i) a $121.4 million impairment and $16.2 million depletion recorded during the nine months ended September 30, 2023 relating to the Hawler License Area; ii) a $6.5 million decrease in the trade and other receivables balance, primarily due to a $4.8 million increase to the expected credit loss provision; iii) a $2.1 million decrease in the cash and cash equivalents balance; iv) a $2.7 million decrease in the inventory balance, primarily due to a $3.2 million increase in the provision against inventory; and v) a $0.7 million decrease in the other current assets balance. These negative factors have been partially offset by $17.1 million of capital additions.

The $1.2 million decrease in total long term liabilities from December 31, 2022 is primarily due to a decrease in the provision recorded in respect of the decommissioning obligation.

The total liabilities balance has increased from $117.4 million at December 31, 2022 to $117.9 million at September 30, 2023. The $0.5 million increase is due to a $1.8 million increase in the fair value of the purchase consideration (see the "Liquidity and Capital Resources" section of this MD&A for further information) partially offset by i) a $1.2 million decrease in the provision recorded in respect of the decommissioning obligation; and ii) a $0.2 million decrease in the trade and other payables balance, excluding the change in the purchase consideration.

The undiscounted balance of principal and accrued interest owed under the purchase consideration obligation to the vendor of the Hawler License Area as at September 30, 2023 was $76.2 million (December 31, 2022 - $76.2 million).

Business Environment

Oil price volatility and other macroeconomic factors compound uncertainty associated with unresolved political disputes both inside the KRI and those involving both the FGI and the Government of Turkey, and their eventual impact on the Group's operations may be significant and remains unclear. There remains an ongoing risk that any degradation of the wider 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.

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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.

Uncertainties 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. As demonstrated by the global response to the invasion of Ukraine by Russia and, more recently, events in Israel, Palestine and Lebanon, increased price volatility may have become a significant and sustained feature of the oil and gas markets. Persistent concerns regarding inflation and a heightened risk of economic recessions affecting many countries may undermine near term demand for oil and gas. Ongoing elevated levels of uncertainty regarding returns on long term investments in upstream oil and gas exploration and development continue 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 significantly 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 ability to sell its produced oil.

From March 2016 through March 2023, all of the Group's crude oil deliveries were made to the KRG at the tie-in to the KOEP. On March 25, 2023, the operator of the Kurdistan Oil Export Pipeline notified OP Hawler Kurdistan Limited, the Group's operating subsidiary in the KRI, of a shutdown of the pipeline. The shutdown relates to a March 2023 arbitration decision of the International Chamber of Commerce impacting exports by the KRG through the port of Ceyhan in Turkey. A statement from the FGI indicated that exports from the port may resume only with the consent of the FGI.

Accordingly, and absent alternative sales channels, substantially all production from the Hawler License Area was initially shut in. Operations were partially re-started in July 2023. During the second quarter of 2023, the Group sold oil inventory on hand to the local market. Starting in July 2023, the Group entered into three consecutive short-term contracts to sell 8,000 bbl/d to the local market (working interest: 5,200 bbl/d), which supported a partial restart of production operations. The price under these local sales agreements averaged $31/bbl and payment in advance of deliveries was received from the buyers. A further local sales contract was signed in October 2023. The sales price under this latest agreement was $32/bbl, with payment received from the buyer in advance of deliveries.

Recent public reports indicate that officials from the governments involved are in talks to agree mechanisms that will apply and permit a restart of oil exports from the Kurdistan Region. These latest talks build on engagement in recent months to resolve several open issues between the KRG and the FGI, including the development of a new oil and gas law.

Management views the shutdown of the KOEP as a temporary interruption to operations, however the timing of the restart of the Group's full production capacity and oil sales for international export, and the price and payment terms applicable to such sales, is uncertain. This uncertainty casts significant doubt on the Group's ability to continue as a going concern.

Although management has not experienced and does not expect restrictions on its ability to access KOEP capacity, other than in consequence of the pipeline shutdown starting in March 2023, Forza Petroleum is not aware of official allocations of KOEP capacity and is uncertain as to the extent to which its future production will continue to able to be sold through the KOEP.

Commercial arrangements in place to sell oil produced from the Hawler License Area may be revised periodically. Effective September 1, 2022, the KRG implemented a new pricing mechanism for its crude oil purchases. Under the new pricing mechanism, the sales price payable to the Group in respect of deliveries into the KOEP for a month is equal to the average sales price realized by the KRG for the Kurdistan blend ("**KBT**") sold by it at Ceyhan, Turkey during that month, discounted by approximately $10/bbl for pipeline system tariffs and fees, and adjusted for differences in oil gravity and sulphur between Hawler production and KBT. For sales from September to March 2023, the new pricing mechanism resulted in an approximately $10 reduction in the Group's realized sales price versus the previous pricing mechanism.

The Group has received full payment for all oil sales made through the KOEP to the end of September 2022 and for all local sales during the nine months ended September 30, 2023.

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.

Except for the items discussed above, together with risks disclosed in FPL's Annual Information Form dated March 23, 2023, 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, 2023, June 30, 2023, and September 30, 2022 and for the nine months ended September 30, 2023 and September 30, 2022:

	Three months ended			Nine months ended	
	September 30, 2023	June 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Gross (100%) Production (bbl)	594,400	55,000	1,387,000	1,799,700	4,042,100
Gross (100%) Production per day (bbl/d)	6,500	605	15,100	6,600	14,800
Working Interest Production (bbl)	386,400	35,800	901,600	1,169,800	2,627,400
Working Interest Production per day (bbl/d)	4,200	400	9,800	4,300	9,600
Working Interest sales (bbl)	391,700	39,300	900,800	1,169,100	2,629,300
Working Interest sales per day (bbl/d)	4,300	430	9,800	4,300	9,600

Production and sales

Gross (100%) oil production for the three months ended September 30, 2023 was 594,400 bbl representing an average rate of 6,500 bbl/d. The Group's Working Interest share of oil production during this period was 386,400 bbl representing an average rate of 4,200 bbl/d. Production and sales were restricted during the three months ended June 30, 2023 as a result of the shutdown of the KOEP and subsequent substantial shut-in of production from the Hawler License Area. Because of a partial restart of operations in July 2023, production and sales rebounded during the three months ended September 30, 2023, but remain significantly below results from earlier periods.

Gross (100%) oil production for the nine months ended September 30, 2023 was 1,799,700 bbl representing an average rate of 6,600 bbl/d. The Group's Working Interest share of oil production during this period was 1,169,800 bbl representing an average rate of 4,300 bbl/d. Production and sales during the nine months ended September 30, 2023 decreased from the nine months ended September 30, 2022 as a result of the shutdown of the KOEP in March 2023.

The Group recognized revenue on the sale of 391,700 bbl (Working Interest) and 1,169,100 bbl (Working Interest) of oil during the three and nine months ended September 30, 2023, respectively.

Capital Additions

The following table summarizes the capital additions incurred by activity during the three and nine months ended September 30, 2023 and September 30, 2022:

	Three months ended		Nine months ended	
($ thousands)	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Middle East				
Drilling	524	10,162	15,655	37,480
Facilities	125	645	1,311	1,723
Studies, license, and support	13	524	113	1,469
Sub-Total	**662**	**11,331**	**17,079**	**40,672**
Decommissioning[1]	(2,685)	2	(1,837)	(4,957)
Total capital additions	**(2,023)**	**11,333**	**15,242**	**35,715**

Note:

(1) Non-cash changes to the decommissioning obligation. Decommissioning expenditures are forecast to be incurred in 2038.

During the three months ended September 30, 2023, total capital additions relating to the Hawler License Area totalled $0.7 million prior to a non-cash decrease to the decommissioning obligation of $2.7 million. Capital additions for the period primarily related to drilling preparation for future wells that could not be cancelled following the shutdown of the KOEP. The non-cash decrease in the decommissioning obligation resulted from adjustments to the inflation and discount rates used to determine the carrying value of the decommissioning obligation.

During the nine months ended September 30, 2023, total capital additions relating to the Hawler License Area totalled $15.2 million. Drilling costs of $15.7 million were incurred on the Demir Dagh-15 Cretaceous well, the recompletion and testing of the Ain Al Safra-1 and -2 wells in the Jurassic and Triassic reservoirs, respectively, as well as additional drilling costs incurred in preparation for drilling future wells that could not be cancelled following the shutdown of the KOEP. Expenditure of $1.3 million on facilities and $0.1 million on studies and support were also incurred in the period. A $1.8 million non-cash decrease to the decommissioning obligation was also recorded during the nine months ended September 30, 2023, resulting from adjustments to the inflation and discount rates used to determine the carrying value of the decommissioning obligation.

Investments during the three and nine months ended September 30, 2023 were impacted by the decision in May 2023 to suspend the Group's drilling work program for the balance of 2023 as a result of the shutdown of the KOEP.

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, 2023, 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 to September 30, 2023 through cost oil	Group share of recoverable costs available(1)(2)
		($ million)	($ million)	($ million)	($ million)	($ million)
Hawler	Iraq – Kurdistan Region	1,181.1	615.0	254.6	(452.6)	417.0

Notes:

(1) Cost Pool balances are 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 difference between the Gross Cost Pool and the Group Working Interest Cost Pool is that the former includes the partners' share of total expenditure (both carried and not carried by Forza Petroleum) as well as $137 million of costs which were deducted from the Group's Working Interest Cost Pool as agreed with the Ministry of Natural Resources in connection with the change in control of the Company in July 2020.

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, 2023, June 30, 2023 and September 30, 2023:

($ thousands)	Exploration and Evaluation Assets	Total Intangible Assets
As at January 1, 2023	**51,351**	**51,351**
Capital additions	4,623	4,623
Decommissioning	23	23
As at March 31, 2023	**55,997**	**55,997**
Reversal of previously estimated amount	(102)	(102)
Impairment	(55,895)	(55,895)
As at June 30, 2023 and September 30, 2023	-	-

($ thousands)	Oil & Gas assets	Fixtures and equipment	Total PP&E
As at January 1, 2023	**247,321**	**14**	**247,335**
Capital additions	9,484	67	9,551
Decommissioning	1,129	-	1,129
DD&A	(10,781)	(7)	(10,788)
As at March 31, 2023	**247,153**	**74**	**247,227**
Capital additions	2,344	1	2,345
Decommissioning	(306)	-	(306)
DD&A	(461)	(7)	(468)
Impairment	(65,526)	-	(65,526)
As at June 30, 2023	**183,204**	**68**	**183,272**
Capital additions	662	-	662
Decommissioning	(2,685)	-	(2,685)
DD&A	(4,905)	(7)	(4,912)
As at September 30, 2023	**176,276**	**61**	**176,337**

Financial Results

Revenue

The following table summarizes Forza Petroleum's revenue for the three months and nine months ended September 30, 2023 and 2022. All oil sold during each of the below periods was produced at the Hawler License Area.

($ thousands)	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Oil Sales	12,075	71,260	53,118	222,976
Recovery of Carried Costs	2,341	13,813	10,310	43,223
Revenue	**14,416**	**85,073**	**63,498**	**266,199**

Revenue of $14.4 million was recorded for the three months ended September 30, 2023. Included in revenue is $12.1 million ($30.83/bbl) realized on the sale of 391,700 bbl (WI) of crude oil and $2.3 million related to the recovery of costs carried on behalf of partners. Revenue from oil sales decreased by $59.2 million compared to the same period in the previous year due to a 61% decrease in realized average sales price and a 57% decrease in sales volumes. Revenue was also impacted by a $11.5 million decrease in recovery of carried costs.

The Group recognized revenue on the sale of 1,169,100 bbl (Working Interest) of oil during the nine months ended September 30, 2023, compared to revenue on the sale of 2,629,300 bbl (Working Interest) of oil during the same period in the previous year. Revenue of $63.5 million during the nine months ended September 30, 2023 decreased by $202.7 million compared to the nine months ended September 30, 2022. The decrease in revenue from oil sales is attributable to a 46% decrease in realized sales price combined with a 56% decrease in sales volumes.

Sales volumes are determined by the timing of deliveries into the customer's export pipeline or to local buyers, and are not directly correlated with production volumes. As at September 30, 2023, the Group's Working Interest share of oil inventory amounted to 9,300 bbl.

Substantially all production from the Hawler License Area was shut in in late March 2023 following the announcement of the shutdown of the KOEP. Operations were partially re-started in July 2023. See the "Revenue and cash receipts" section of this MD&A for more information.

Crude oil sale prices

During the period from March 2016 to March 2023, the Group sold crude oil to the KRG's Ministry of Natural Resources at Forza Petroleum's tie-in into the KOEP. The realized prices on sales through the pipeline were historically referenced to the monthly average Dated Brent crude oil prices, discounted by approximately $10/bbl for pipeline system tariffs and fees, and adjusted for differences in oil gravity and sulphur from standard Brent specifications.

During the first quarter of 2022, the KRG applied updated pipeline tariff charges for sales through the KOEP. Net revenue for the first quarter of 2022 included a $1.2 million one-time charge related to the retroactive application of this tariff change for the year ended December 31, 2021.

Effective September 1, 2022, the KRG implemented a new pricing mechanism for crude oil purchases. Under the new pricing mechanism, the sales price payable to the Group in respect of deliveries into the KOEP for a month is equal to the average market price realized by the KRG for the Kurdistan blend (KBT) sold at Ceyhan, Turkey during that month, discounted by approximately $10/bbl for pipeline system tariffs and fees, and adjusted for differences in oil gravity and sulphur between

Hawler production and KBT. For sales in September 2022, the new pricing mechanism resulted in an approximately $10 reduction in the Group's realized sales price versus the previous pricing mechanism.

During the second and third quarter of 2023, the Group sold oil inventory on hand to the local market. The price under these local sales agreements averaged $31/bbl and required payment in advance from buyers.

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:

	2023			2022				2021
	Sept 30	June 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31	Dec 31
Brent average price ($/bbl)	86.75	78.21	81.17	88.87	100.84	113.93	102.23	79.76
KBT average price ($/bbl)	N/A	N/A	67.44	69.93	N/A	N/A	N/A	N/A
Local sales average price ($/bbl)	30.83	28.28	N/A	N/A	N/A	N/A	N/A	N/A
Realized sales price ($/bbl)	30.83	28.28	54.19	59.09	79.11	94.28	81.07	63.37

Royalties

The following table summarizes royalty expense during the three and nine months ended September 30, 2023 and September 30, 2022:

	Three months ended September 30		Nine months ended September 30	
($ thousands)	2023	2022	2023	2022
Royalties	**5,903**	**34,832**	**25,945**	**108,970**

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 decreased by $28.9 million and $83.0 million during the three and nine months ended September 30, 2023, respectively, 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)	2023	2022	2023	2022
Field operating costs(1)	3,162	5,888	13,040	17,549
Partner's share of operating costs carried by Forza Petroleum	1,703	3,170	7,021	9,449
Operating expense	**4,865**	**9,058**	**20,061**	**26,998**
Sales(2) (bbl)	391,700	900,800	1,169,100	2,629,300
Field operating costs(1) ($/bbl)	**8.07**	**6.54**	**11.15**	**6.67**
Operating expense ($/bbl)	**12.42**	**10.06**	**17.16**	**10.27**

Notes:

(1) Field operating 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 $4.9 million in the three months ended September 30, 2023 decreased by $4.2 million compared to the same period in the previous year. Operating expense for the nine months ended September 30, 2023 decreased by $6.9 million compared to the nine months ended September 30, 2022.The decrease in operating expenses for both periods is a result of a decrease in facilities, diesel, security and equipment costs, which were substantially impacted by the shutdown of the KOEP in late March 2023, resulting in the shut-in of substantially all production from the Hawler License Area. Operations partially re-started in July 2023. Operating costs per barrel increased during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 due to a 56% decrease in sales volumes partially offset by a 26% decrease in costs.

The following table indicates the impact of the variances in operating expense between the second quarter of 2023 and the third quarter of 2023:

($ thousands)	($000)	($/bbl)
Operating expense – three months ended June 30, 2023	**6,715**	**170.87**
Contribution of the following to variance:		
Personnel and camp costs	(487)	(1.24)
Well maintenance	(55)	(0.14)
Facilities lease and maintenance, diesel and operation	(1,281)	(3.27)
Security	(27)	(0.07)
Increase in production	-	(153.72)
Operating expense – three months ended September 30, 2023	**4,865**	**12.42**

General and administration

($ thousands)	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Total General and Administration	**1,525**	**1,975**	**4,516**	**5,090**

General and administration expenses of $1.5 million and $4.5 million were recorded for the three and nine months ended September 30, 2023, respectively, versus $2.0 million and $5.1 million in the comparable periods during 2022. The reduced figures reflect lower bonus accruals and LTIP expense in 2023 partially offset by the decrease in allocated general and administration costs to operating and capital projects .

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, 2023 and 2022:

($ thousands)	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
PP&E assets: Depreciation	7	-	21	-
Depletion	5,000	12,481	16,206	37,256
Total DD&A	**5,007**	**12,481**	**16,227**	**37,256**

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 decreased depletion charges for the three and nine months ended September 30, 2023 are due to decreased sales volumes and a lower depletion charge per barrel.

Other income / (expense)

The following table summarizes the components of other income / (expense) for the three and nine months ended September 30, 2023 compared to the same periods in 2022:

($ thousands)	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Reduction / (increase) in materials inventory provision	188	500	(3,220)	72
Other	-	1	(25)	17
Other income / (expense)	**188**	**501**	**(3,245)**	**89**

Other income / expense for the three and nine months ended September 30, 2023 and September 30, 2022 results from a decrease / increase in the materials inventory provision, respectively. The increase in the materials inventory provision in the nine months ended September 30, 2023 is due to a lower projected use of existing materials inventory than was previously projected due to the suspension of the Group's work program for the balance of 2023.

Finance expense

($ thousands)	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Accretion of decommissioning liability	182	159	545	279
Finance expense	**182**	**159**	**545**	**279**

Finance expense for the three and nine months ended September 30, 2023 and September 30, 2022 relates to accretion of the decommissioning liability.

Finance income

($ thousands)	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Bank interest on term deposits	586	-	1,841	-
Finance income	**586**	**-**	**1,841**	**-**

Finance income is comprised of interest earned on short-term deposits of three months or less. The interest rate earned on these deposits during the nine months ended September 30, 2023 ranged between 4.3% and 5.2% per annum.

Income tax expense

The following table summarizes the component parts of income tax expense for the three and nine months ended September 30, 2023 and September 30, 2022.

($ thousands)	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Current income tax expense	215	1,655	1,316	5,234
Deferred tax (benefit) / expense	(2)	(1)	(8)	(5)
Total income tax expense	**213**	**1,654**	**1,308**	**5,229**

The current income tax expense, which varies proportionately with oil sales revenues, is primarily composed 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, 2023, 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.

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, subject to receipt by the Group from the seller of OPHKL of a payment direction and appropriate documentation to comply with settlement regulations, additional purchase consideration in the amount of $76.2 million is due and payable to the seller of OPHKL.

Liquidity outlook

See the "Financial Highlights and Outlook" section of this MD&A for further information on the liquidity outlook.

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:

($ thousands)	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Net cash generated from operating activities	1,113	25,439	13,904	83,611
Net cash used in investing activities	(3,349)	(15,257)	(16,026)	(54,637)
Total change in cash	(2,236)	10,182	(2,122)	28,974
Cash and cash equivalents at beginning of the period	71,217	43,464	71,103	24,672
Cash and cash equivalents at end of the period	**68,981**	**53,646**	**68,981**	**53,646**

The $2.2 million decrease in cash during the three months ended September 30, 2023 resulted from $3.3 million in cash used investing activities, partially offset by $1.1 million in cash generated from operating activities.

The $2.1 million decrease in cash during the nine months ended September 30, 2023 resulted from the use of $16.0 million in cash invested in drilling and facilities in the Hawler License Area, partially offset by $13.9 million in cash generated from operating activities.

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, local market access, access to the KOEP, and customer credit risk. In particular, credit risk is impacted by the macroeconomic factors and political tensions between the FGI and the KRG.

Substantially all production from the Hawler License Area was shut in in late March 2023 following the announcement of the shutdown of the KOEP. Operations were partially re-started in July 2023. See the “Revenue and cash receipts” section of this MD&A for more information.

The Group’s ability to secure external financing, if required, is also subject to uncertainty and is dependent on the Group’s performance and on market conditions. Furthermore, the execution of capital investment plans requires significant capital expenditures. 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 most of its budgeted capital 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 targeted 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, settle its liabilities and fulfil its commitments during the 15-month period ending December 31, 2024.

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, 2023, had these changes occurred on January 1, 2023. These calculations are based on business conditions, production and sales volumes existing during the nine months ended September 30, 2023. 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	7,977	0.01
Change in crude oil sales volumes	1,000 bbl/d	5,508	0.01
Change in operating expenses	$1.00/bbl	1,169	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.

Outstanding Share Data

At the date of this MD&A, 605,234,165 Common Shares are issued and outstanding.

On September 1, 2023, the Company issued 4,927,808 common shares to employees under the Group’s Long Term Incentive Plan (“LTIP”).

On September 1, 2022, 15,330,155 Common Shares were issued under the Group’s LTIP. Upon vesting, LTIP share awards made in 2022 and 2023 will result in the issuance of up to an additional 17,948,049 Common Shares in 2024 and 2025.

In March 2020, FPL issued warrants to subscribe for 33,149,000 Common Shares of the Company. The warrants expired without exercise on March 10, 2023.

At the date of this MD&A, other than 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 three months ended September 30, 2023.

There were no repurchases of FPL’s equity securities by the Company during the three months ended September 30, 2023.

Commitments and Contractual Obligations

The table below sets forth information relating to Forza Petroleum’s commitments and contractual obligations as at September 30, 2023.

($ thousands)	Within One Year	From 1 to 5 Years	More than 5 Years	Total
Operating leases(1)	44	271	-	**315**
Other obligations(2)	2,479	9,915	22,309	**34,703**
Total	**2,523**	**10,186**	**22,309**	**35,018**

(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)	2021	2022				2023		
	Dec 31	Mar 31	Jun 30	Sept 30	Dec 31	Mar 31	Jun 30	Sep 30
Revenue, net of royalties	34,057	48,660	58,329	50,241	34,026	28,256	784	8,513
Operating expense	(9,340)	(8,690)	(9,251)	(9,058)	(10,222)	(8,481)	(6,715)	(4,865)
Depletion	(12,209)	(12,399)	(12,373)	(12,481)	(11,967)	(10,671)	(534)	(5,000)
G&A	(2,168)	(1,740)	(1,375)	(1,975)	(3,102)	(1,574)	(1,417)	(1,525)
Impairment	(32,440)	-	-	-	(220,584)	-	(121,421)	-
Profit / (Loss)	(22,818)	22,237	31,538	23,671	(215,429)	(1,820)	(131,280)	(1,556)
Earnings / (Loss) per basic and diluted share ($/share)	(0.04)	0.04	0.05	0.04	(0.36)	(0.00)	(0.22)	(0.00)
Cash generated from/ (used in) operating activities	21,386	12,581	45,591	25,439	28,341	18,560	(5,770)	1,113
Gross Production (bbl)	1,174,100	1,311,700	1,343,400	1,387,000	1,253,300	1,150,200	55,000	594,400
WI Production (bbl)	763,200	852,600	873,200	901,600	814,700	747,700	35,800	386,400
Gross Sales (bbl)	1,172,700	1,309,200	1,350,000	1,385,900	1,255,400	1,135,500	60,500	602,600
WI Sales (bbl)	762,300	851,000	877,500	900,800	816,100	738,100	39,300	391,700
Field operating costs(1)	(6,070)	(5,648)	(6,013)	(5,888)	(6,644)	(5,513)	(4,365)	(3,162)
Field operating costs(1) ($/bbl)	(7.96)	(6.64)	(6.85)	(6.54)	(8.14)	(7.47)	(111.07)	(8.07)
KBT price ($/bbl)(3)	N/A	N/A	N/A	N/A	69.93	67.44	N/A	N/A
Brent price ($/bbl)	79.76	102.23	113.93	100.84	88.87	81.17	78.21	86.75
Local price ($/bbl)	N/A	N/A	N/A	N/A	N/A	N/A	28.28	30.83
Sales price ($/bbl)	63.37	81.07	94.28	79.11	59.09	54.19	28.28	30.83
Capital additions(2)	20,457	19,066	10,273	11,331	18,669	14,174	2,243	662

Notes:

(1) Field operating costs represent Forza Petroleum's Working Interest share of gross operating costs and exclude partner share of operating costs which are being carried by Forza Petroleum. See the "Operating expense" section of this MD&A.

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

(3) KBT Price was applicable in the months of September 2022 through March 2023. See the "Revenue" section of this MD&A for further information.

Variations in revenue and royalties from October 1, 2021 to March 31, 2023 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.

In March 2023, the KOEP pipeline was shutdown, resulting in the substantial shut-in of production from the Hawler License Area. Operations partially re-started in July 2023. See the "Production and sales" section of this MD&A for further information. During the second quarter of 2023, the Group sold oil inventory on hand to the local market. The price under these local sales agreements averaged $28/bbl. Starting in July 2023, the Group entered into three consecutive short-term contracts to sell 8,000 bbl/d to the local market (working interest: 5,200 bbl/d), which supported a partial restart of production operations. The price under these local sales agreements averaged $31/bbl and payment in advance of deliveries was received from the buyers. A further local sales contract was signed in October 2023. The average sales price under this agreement is $32/bbl, with payment to be received from buyers in advance of deliveries.

Operating expenses and capital additions for the quarters covered include increased costs due to an increased number of wells, partially offset by cost savings following the Banan-4 well workover. Operating expenses for the three months ended December 31, 2021 and December 31, 2022 also include the costs of non-rig workovers.

The increase in operating expenses during 2022 was primarily attributable to increased security, personnel, consumables, and diesel costs, partially offset by lower operational workover costs. The increased security costs were due to increased activity and the full year effect of a higher manpower rate that had been implemented during the second quarter of 2021. Diesel, personnel and consumable costs have increased due to both higher prices and rates and increased activity during the year ended December 31, 2022 compared to 2021.

Operating expenses decreased during the three months ended March 31, 2023 compared to the three months ended December 31, 2022 due to a decrease in equipment rentals and no workovers performed during the quarter. Operating expenses further decreased during the three months ended June 30, 2023 when production from the Hawler License Area was substantially shut-in following the shutdown of the KOEP, and continued to decrease during the three months ended

September 30, 2023 after the partial restart of operations due to cost savings measures implemented in the second quarter of 2023.

Depletion expense decreased during the three months ended June 30, 2023 due to lower sales volumes and a lower depletion per barrel cost.

Variations in general and administration costs primarily relate to discretionary personnel compensation and costs related to the LTIP.

Loss for the three months ended June 30, 2023 includes an impairment charge of $121.4 million. Loss for the three months ended December 31, 2022 includes an impairment charge of $220.6 million. Loss for the three months ended December 31, 2021 includes an impairment charge of $32.4 million. All impairment charges relate to the Hawler License Area.

Transactions with Related Parties

During the nine months ended September 30, 2023, the Group paid $94 thousand for technical services from an entity under common control for interpretation and processing of technical data (2022 - $257 thousand). The above transactions did not contain unusual commercial terms and the fees charged under the agreements were reasonable and not materially inconsistent with fees which would normally be associated with broadly comparable agreements. All amounts have been settled in full at September 30, 2023.

In each of January 2022, April 2022, July 2022, October 2022, January 2023, April 2023 and July 2023, the directors of FPL were collectively awarded $155 thousand in cash as remuneration for services provided during the previous three months. In October 2023, the directors of FPL were collectively awarded $124 thousand in remuneration for services provided during the three months ended September 30, 2023, reflecting a temporary reduction in fees agreed by directors as a cost saving measure following the shutdown of the KOEP.

New Accounting Pronouncements, Policies, and Critical Estimates

New Pronouncements

New and amended standards adopted by the Group

Effective January 1, 2023, 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
Amendments to IAS 8: Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 1: Disclosure of Accounting Policies	January 1, 2023
Amendments to IFRS 17: Initial Application of IFRS 17 and IFRS 9 – Comparative Information	January 1, 2023
Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
IFRS 17 Insurance Contracts, including Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 8: Definition of Accounting Estimates	January 1, 2023

The above new and amended standards have not had a material impact on the Financial Statements.

New and amended standards issued but not yet effective

At the date of this MD&A, 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 IAS 1: Classification of Assets and Liabilities as Current and Non-current	January 1, 2024
Amendments to IAS 1: Non-current Liabilities with Covenants	January 1, 2024
Amendments to IFRS 16: Lease Liability in a Sale and Leaseback	January 1, 2024

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

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

The estimates and judgments related to the Going Concern assumption are discussed in detail in Note 2b of the Financial Statements.

Carrying value of intangible exploration and evaluation assets

The amounts for intangible exploration and evaluation assets represent active exploration projects. If commercial reserves are discovered, the carrying value, less any impairment loss, of the relevant E&E assets would be reclassified to property, plant and equipment. Where commercial reserves are determined not to exist or if the asset is otherwise deemed to be impaired, the related capitalized costs are charged to expense. The process of determining whether there is an indicator for impairment or calculating the impairment requires critical judgment.

Management has made significant judgments related to the determination of cash generating units ("**CGUs**") used as part of the impairment assessment. The Group has determined that the Demir Dagh, Banan and Zey Gawra fields within the Hawler License Area constitute a single CGU, while the Ain Al Safra discovery remains as a separate E&E asset, albeit now wholly impaired. The E&E asset is discussed in Note 5 of the Financial Statements.

Carrying value of Oil and Gas assets

Note 6 of the Financial Statements contains a discussion regarding the critical judgments and estimates used in determining the carrying value of oil and gas assets.

Carrying value of Decommissioning obligation

Estimating the decommissioning obligations requires management to make significant estimates regarding the timing, cost and level of activity required to decommission the Group's oil and gas assets at the end of their life. These estimates and assumptions are inherently uncertain as they relate to events that will occur in the future. Decommissioning obligations are discussed in detail in Note 12 of the Financial Statements.

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 Finance Director (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 Finance Director (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 Finance Director (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, 2023 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, 2023 and cash receipts from oil sales will allow the Group to fund its forecasted capital expenditures and operating and administrative costs through the end of December 2024 as well as the $76.2 million in deferred purchase consideration due and payable in connection with the original acquisition of the Hawler License Area, expectations that a facility up to $20 million from the Company's principal shareholder can be promptly arranged, business and acquisition strategy and goals, opportunities, government approvals, the ability to consistently access the export pipeline or other exterior facilities to sell oil production, sales channels for future sales, 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, estimates on a per share basis, future foreign currency exchange rates, the issuance of shares as a result of the vesting of LTIP awards, the expected timing for settlement of liabilities, 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, business strategies and plans of management and Forza Petroleum’s business partners, global sanctions imposed in relation to the Russian invasion of Ukraine will not have an impact on the Company and its assets and business, and disputes between the Kurdistan Regional Government and the federal government of Iraq, including as recently embodied in the judgment of the Iraqi Federal Supreme Court dated February 15, 2022 regarding the validity of the oil and gas law of the Kurdistan Regional Government, and the shut-in of the KOEP, will be resolved and the KOEP reopened in the near term without further material impact on the Group, its interests in the Hawler production sharing contract or Hawler License Area operations. For more information about these assumptions and risks facing the Group, refer to FPL’s Annual Information Form dated March 23, 2023, available at www.sedarplus.ca 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

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 organizes the exploration and production 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 allocations of production to 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 or 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