FORZA PETROLEUM

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020

Table of contents

Independent Auditor's Report

To the Shareholders and the Board of Directors of Forza Petroleum Limited

Opinion

We have audited the consolidated financial statements of Forza Petroleum Limited and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of profit/(loss) and comprehensive income/(loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of Oil and Gas PP&E assets – refer to Note 2.h and 7 to the financial statements

Key Audit Matter Description

The Group's principal activity is the development, commercialisation and production of crude oil and natural gas and as at December 31, 2021 the Group held $470m of oil and gas production and development assets within property, plant and equipment ("PP&E") compared to $507m at December 31, 2020. In 2021 the Group recognised a net impairment charge of $32m against the value of its oil and gas PP&E assets, all of which relates to the Hawler License Area in Kurdistan. Please refer to note 7 for further details.
As described in Notes 2.h and 7 of the financial statements, the assessment of the carrying value of PP&E assets requires management to compare it against the recoverable amount of the assets.

The calculation of the recoverable amount requires management to make estimates of proved and probable oil reserves volumes and to exercise judgement in estimating future oil prices, the appropriate asset discount rate and the future cost and production profiles of developing and producing the reserves estimates. Given the judgmental nature of the determination of the recoverable amounts of the oil and gas PP&E, we also considered there to be a potential fraud risk that the assumptions applied to the valuation are inappropriate.

The subjectivity involved in making the above assumptions is significant and relatively minor changes in inputs and assumptions could have a significant impact on the recoverable value and hence the carrying value of the Oil and Gas PP&E assets. Accordingly, we consider this to be a key audit matter.

How the Key Audit Matter was Addressed in the Audit

We examined management's assessment of impairment indicators, which concluded that a decrease in the volume of proved and probable oil reserves, combined with continued volatility in the oil price and the locations in which the Group operates and the net assets of the Group being in excess of the market capitalization of the Group represented an indicator of impairment for the Group's oil and gas assets. Our work to assess management's key assumptions included, but was not limited to, the following procedures:

- evaluating the level of knowledge, skill, and ability of the Group's independent reservoir engineering specialists, inquiring of those reservoir engineers regarding the process followed and judgements made to estimate the Group's proved reserve volumes, and reading the reserve report prepared by the Group's specialists;

- understanding and testing the design and implementation of controls over the impairment evaluation process;
- benchmarking and analysis of oil price assumptions against forward curves and other market data and recalculating and benchmarking of discount rates applied, with involvement from our industry valuation specialists;
- agreeing the proven and probable oil reserves included in the impairment model to the third-party reserves report, understanding the reasons for changes in the reserves classifications during 2021;
- evaluating estimated future costs by agreement to approved budgets and assessment of their appropriateness with reference to field production profiles and historical costs incurred for similar activities;
- reviewing management's sensitivity analysis and performing our own retrospective analysis of forecast versus actual production, to understand reasonably possible scenarios and the impact on asset carrying values;
- consideration of evidence that could indicate management bias in the assumptions selected and the application of professional skepticism to address the risk of fraud.

We assessed the adequacy and completeness of the disclosures included in the accompanying financial statements (Notes 2.h and 7).

Based on the procedures performed, we obtained sufficient audit evidence to address the significant risk related to the carrying value of Oil & Gas PP&E assets.

Going concern – refer to Note 2.b and 4.a to the financial statements

Key Audit Matter Description

The consolidated financial statements have been prepared on a going concern basis as described in note 2b. Historically, the Group has been loss-making and had identified material uncertainties related to going concern. Accumulated losses shown in the Consolidated Statements of Financial Position totalled $914m as at December 31, 2021. For the year ended December 31, 2021, increases in oil production during the year and an increase in oil prices, both before the year end and in the period since, have increased the cash generated by the business, which is forecast to continue based on the current oil price forecasts and reservoir production profiles. Uncertainties in the prior year regarding the quantum and timing of payment of two material liabilities have been resolved for the purposes of the 2021 going concern assessment. The subsidiary with the HMB liability has entered liquidation and has been deconsolidated. As described in Note 12.b, we understand that the creditors have no recourse to other Group companies. The purchase consideration liability has been recognised as having crystallized as at December 31, 2021 but, as described in Note 12a, the Group has entered into an agreement with the creditor such that the amount will not become payable before March 31, 2023, and by such time the Group forecasts that it will have sufficient cash reserves generated from operations to be able to settle the liability in full. The going concern forecast is a complex and key area of audit focus and thus we consider going concern to be a key audit matter.

How the Key Audit Matter was Addressed in the Audit

In assessing the appropriateness of the going concern assumption used in preparing the financial statements, our procedures included, amongst others:

- assessing the cash flow requirements of the Group over 15 months from December 31, 2021 based on budgets and forecasts and ensuring that these have been included in the forecast;
- evaluating the underlying assumptions used in the forecast, specifically pricing and production assumptions and ensuring they were consistent with the models used in the impairment analysis and updated for relevant changes in the environment up to the date of the approval of the financial statements;
- assessing the evidence available to support the absence of the HMB liability from the going concern forecast, following the deconsolidation of the subsidiary in which it arose;
- assessing the evidence available to support the quantum and timing of the purchase consideration liability settlement assumption as adopted in the forecast;
- understanding what planned capital expenditure is committed, and what could be considered discretionary;
- considering the liquidity of existing assets on the balance sheet;
- performing sensitivity analysis to evaluate the impact of reasonably possible reductions in oil prices, production volumes and cash receipts alongside an assessment of Management's ability to manage and/or defer the forecast expenditure and the non-current purchase consideration liability in a downside scenario, and the resultant impact on projected available funds;
- considering the non-current purchase consideration liability and potential downside scenarios.

We assessed the adequacy and completeness of the disclosures included in the accompanying financial statements (Notes 2.b).

Based on the procedures performed, we obtained sufficient audit evidence to address the significant risks related to going concern.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or

business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Mark Valentin.

Deloitte SA

/s/ Mark Valentin	/s/ Robert Purdy
Mark Valentin	Robert Purdy
Partner	Director

Geneva, Switzerland

March 16, 2022

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

		Year ended December 31	
$000s	**Note**	**2021**	**2020**
Revenue	**2f**	187,796	81,956
Royalties	**2f**	(76,940)	(34,660)
Net revenue		**110,856**	**47,296**
Operating expense		(30,074)	(24,806)
Depreciation, depletion and amortization	**6, 7**	(38,253)	(22,943)
Impairment loss	**7**	(32,440)	(116,216)
General and administration expense		(5,657)	(9,491)
Other income and expense	**23**	5,079	807
Gain on deconsolidation of subsidiary	**12b**	15,725	-
Change in fair value of contingent consideration	**12a**	(11,256)	110
Profit / (Loss) from operations		**13,980**	**(125,243)**
Gain on settlement of borrowings	**13**	-	26,892
Finance costs	**24**	(125)	(8,245)
Foreign exchange gain / (loss)		37	(353)
Profit / (Loss) before income tax		**13,892**	**(106,949)**
Income tax expense	**22**	(3,622)	(1,794)
Profit / (Loss) for the year		**10,270**	**(108,743)**
Other comprehensive Income net of income tax			
(Items that will not be subsequently reclassified to profit or loss)			
Loss on defined benefit obligation	**15**	(529)	(108)
Other Comprehensive Income / (Loss) for the year		**9,741**	**(108,851)**
Earnings / (Loss) per share (basic and diluted) - $	**19**	**0.02**	**(0.19)**

Consolidated Statements of Financial Position

$000s	Note	December 31 2021	December 31 2020
Non-current assets			
Intangible assets	**6**	47,748	48,893
Property, plant and equipment	**7**	469,517	506,980
Deferred tax assets	**22**	241	229
		517,506	**556,102**
Current assets			
Inventories	**8**	9,205	8,786
Trade and other receivables	**9**	34,481	26,026
Other current assets	**10**	1,861	1,340
Cash and cash equivalents	**11**	24,672	13,158
		70,219	**49,310**
Total assets		**587,725**	**605,412**
Current liabilities			
Trade and other payables	**12**	24,803	46,156
ZOG credit facility	**14**	-	5,000
		24,803	**51,156**
Non-current liabilities			
Trade and other payables	**12**	67,640	56,632
Retirement benefit obligation	**15**	2,242	1,760
Decommissioning obligation	**16**	26,213	39,485
		96,095	**97,877**
Total liabilities		**120,898**	**149,033**
Equity			
Share capital	**17**	1,363,221	1,362,633
Reserves	**20**	23,301	23,182
Accumulated remeasurement of defined benefit obligation, net of income tax		(6,166)	(5,637)
Accumulated deficit		(913,529)	(923,799)
Total equity		**466,827**	**456,379**
Total equity and liabilities		**587,725**	**605,412**

The consolidated financial statements were approved by the Board of Directors and authorised for issue on March 16, 2022.

On behalf of the Board of Directors:

signed	*signed*
Sami Zouari	Peter Newman
Director	Director

Consolidated Statements of Changes in Equity

$000s	Note	Share capital	Reserves	Accumulated deficit	Accumulated remeasurement of defined benefit obligation	Total equity
Balance at January 1, 2020		**1,361,043**	**18,594**	**(815,056)**	**(5,529)**	**559,052**
Loss for the year		-	-	(108,743)	-	(108,743)
Issue of warrants	**17b**	-	2,404	-	-	2,404
Share based compensation	**20**	-	3,774	-	-	3,774
Shares issued for LTIP	**17a, 20**	1,590	(1,590)	-	-	-
Loss on defined benefit obligation, net of tax	**15**	-	-	-	(108)	(108)
Balance at December 31, 2020		**1,362,633**	**23,182**	**(923,799)**	**(5,637)**	**456,379**
Profit for the year		-	-	10,270	-	10,270
Share based compensation	**20**	-	707	-	-	707
Shares issued for LTIP	**17a, 20**	588	(588)	-	-	-
Loss on defined benefit obligation, net of tax	**15**	-	-	-	(529)	(529)
Balance at December 31, 2021		**1,363,221**	**23,301**	**(913,529)**	**(6,166)**	**466,827**

Consolidated Statements of Cash Flows

$000s	**Note**	**Year ended December 31** **2021**	**2020**
Operating activities			
Profit / (loss) for the year		10,270	(108,743)
Adjustments for non-cash transactions	**21a**	61,914	123,047
Change in retirement benefit obligation		(295)	(642)
Changes in non-cash working capital	**21b**	(20,701)	8,440
Net cash generated from operating activities		**51,188**	**22,102**
Investing activities			
Acquisition of intangible assets		(8)	(741)
Acquisition of property, plant and equipment		(34,666)	(18,090)
Net cash used in investing activities		**(34,674)**	**(18,831)**
Financing activities			
Interest paid	**13**	-	(4,025)
(Repayment) / Drawdown on ZOG Credit Facility	**14**	(5,000)	5,000
Net cash (used in) / generated from financing activities		**(5,000)**	**975**
Net increase in cash and cash equivalents		**11,514**	**4,246**
Cash and cash equivalents at beginning of the year		13,158	8,912
Cash and cash equivalents at end of the year		**24,672**	**13,158**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

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

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

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

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

The consolidated financial statements (the "Financial Statements") were authorized for issue by the Board of directors on March 16, 2022.

2. Summary of significant accounting policies

a. Basis of preparation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB).

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 or loss.

The preparation of the Financial Statements in conformity with IFRS requires the use of critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4: Critical accounting estimates and judgments.

The Financial Statements are presented in 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 year ended December 31, 2021, the Group met its day to day working capital requirements and funded its capital and operating expenditures through cash reserves and receipt of its share of oil sales revenues from the Hawler license area.

The Directors have carefully considered the forecast cash flows for the 15 months following December 31, 2021, and they expect that cash resources will be sufficient to fund the Group's capital and operating expenditures and to meet forecast obligations as they fall due within that period. 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 December 31, 2021.

2. Summary of significant accounting policies (continued)

c. New and amended standards issued but not yet effective

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

New and Amended Standards	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
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 1, 2022
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.

d. Consolidation

i. Subsidiaries

Subsidiaries are all entities over which the Group has control. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and due to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at the fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of the non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions are also eliminated.

2. Summary of significant accounting policies (continued)

d. Consolidation (continued)

ii. Disposal of subsidiaries

When the Group ceases to control a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may result in amounts previously recognized in other comprehensive income being reclassified to profit or loss.

iii. Interest in joint operations

A joint operation is a joint arrangement whereby the Group has rights to assets and obligations for the liabilities relating to the arrangement. Interests in joint operations are accounted for by recognizing the Group's share of the assets, liabilities, revenues, and expenses in the Financial Statements.

e. Foreign currency translation

i. Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Financial Statements are presented in US Dollars, which is the functional and presentational currency of the Company.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where these items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss.

iii. Group companies

All Group entities have a functional currency of US Dollars which is consistent with the presentational currency of these Financial Statements.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the year-end exchange rate.

f. Revenue

The Group recognizes revenue associated with the sale of the Group's working interest share of oil products when control of the oil production is transferred to the KRG at the tie-in to the Kurdistan Oil Export Pipeline, at which point the Group has satisfied its performance obligations. Revenue is measured on the basis of the consideration specified in the commercial agreements governing the sale of oil products.

The Group incurs operating and capital costs for the exploration and development of license areas. Agreements governing the exploration and development activities establish terms for the Group to recover these costs from the value of the sales of oil products (Cost Recovery Oil) and to share in the value of the remaining oil products (Profit Oil). The Group's revenue includes the value of gross sales representing the sum of Cost Recovery Oil and Profit Oil.

2. Summary of significant accounting policies (continued)

f. Revenue (continued)

All remittances to governments who are party to the applicable PSC that are directly attributable to the sale of oil products during the reporting period including the government share of Profit Oil described above, except for income taxes, are reported as royalties.

Under the terms of certain PSCs, the governments' share of Profit Oil includes an amount in respect of income taxes payable by the Group under the laws of the respective jurisdiction. As this amount is classified as income tax in accordance with IAS 12, in such cases the Group recognizes the amount as a deduction to royalties with a corresponding income tax expense when the oil products are sold.

g. Exploration and evaluation ("E&E") assets and property, plant and equipment ("PP&E")

i. Cost

Oil and gas properties and other property, plant and equipment are recorded at cost including expenditures which are directly attributable to the purchase or development of an asset.

ii. Exploration and evaluation costs

Exploration and evaluation costs incurred following the acquisition of a license are initially capitalized as intangible E&E assets. Payments to acquire the legal rights to explore, costs of technical work, seismic acquisition, education and training funds, PSC costs, exploratory and appraisal drilling, general technical support and directly attributable administrative costs are capitalized as E&E assets.

E&E costs are not amortized prior to the conclusion of appraisal activities.

E&E assets related to each exploration license/prospect are carried forward until the existence (or otherwise) of commercial reserves has been determined, subject to reviews for impairment at each reporting date. If commercial reserves are discovered, the carrying value, less any impairment loss, of the relevant E&E assets is reclassified to property, plant and equipment. If 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.

Costs incurred prior to having obtained the legal rights to explore an area are expensed in the period in which they are incurred.

iii. Development costs

Expenditures on the construction, installation and completion of infrastructure facilities and drilling of development wells are capitalized as oil and gas assets. Costs incurred to operate and maintain wells and equipment to lift oil and gas to the surface are expensed.

PP&E assets are stated at historical cost, less any accumulated depletion and any provision for impairment. Cost includes expenditures that are directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Where such subsequent expenditure is to replace previously capitalized equipment, the remaining carrying amount of the replaced part is derecognized. Repairs and maintenance are expensed as incurred.

iv. Other property, plant and equipment

Other property, plant and equipment are stated at historical cost, less accumulated depreciation and provisions for impairment. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

2. Summary of significant accounting policies (continued)

g. Exploration and evaluation ("E&E") assets and property, plant and equipment ("PP&E") (continued)

v. Depreciation, depletion, and amortisation ("DD&A")

Costs that are capitalized as oil and gas assets are depleted from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of proved plus probable reserves at the end of the period plus the production during the period. The cost base used in the unit of production calculation comprises the carrying amount of capitalized costs plus the estimated future field development costs. The impact of changes in reserves estimates is accounted for prospectively.

Depreciation on other PP&E is calculated using the straight-line method over the estimated useful lives, between 3-5 years, of the respective assets.

Residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Assets that are not yet in use are classified as assets under construction and are not depreciated.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the Consolidated Statements of Profit / (Loss) and Other Comprehensive Income / (Loss).

vi. Intangible assets other than oil and gas assets

Intangible assets, other than oil and gas assets, that have finite useful lives, are measured at cost and amortized over their expected useful economic lives on a straight-line basis.

h. Impairment of non-financial assets

Assets that have an indefinite useful life or assets under construction and not available for use, are not subject to amortization and are tested for impairment if an indicator for impairment is identified. Assets that are subject to DD&A are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

E&E assets are assessed for impairment when facts and circumstances suggest that carrying value may exceed recoverable value. Such indicators include but are not limited to:

- the period for which the Group has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed or extended;
- substantive expenditure on further exploration for and evaluation of resources in the specific area is neither budgeted or planned;
- exploration for and evaluation of resources in the specific area have not led to the discovery of commercially viable quantities of resources and a decision has been taken to discontinue such activities in the specific area;
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the E&E asset is unlikely to be recovered in full, from successful development or sale;
- extended decreases in expected prices or margins for oil and gas commodities or products;
- a significant downwards revision in estimated volumes of reserves or resources or an upward revision in future development costs.

For the purpose of impairment testing, PP&E assets are aggregated in cash-generating units ("CGU"). An impairment loss is recognized if the CGU's carrying amount exceeds its recoverable amount. The recoverable amount of a CGU is the greater of its fair value less costs of disposal and its value in use.

Previously recorded impairment losses related to non-financial assets other than goodwill are reviewed and subject to reversal at each reporting date. The amount of the impairment reversal should increase the carrying amount of the CGU to its revised recoverable amount which cannot exceed the carrying amount determined, net of depreciation and amortization, had no impairment loss been recognized.

2. Summary of significant accounting policies (continued)

i. Financial assets

The Group classifies its financial assets in the following categories: 'amortized cost' and 'fair value through profit or loss'. The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Management determines the classification of its financial assets upon initial recognition.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

i. Financial assets at amortized cost

Financial assets classified at amortized cost are held to collect contractual cash flows that solely represent repayments of the carrying amount of the asset upon initial recognition and interest, if any. These financial assets are initially measured at fair value, with the exception of trade receivables without a significant financing component, which are recognized at the transaction price and subsequently measured at amortized cost using the effective interest rate method.

ii. Financial assets at fair value through profit or loss

All other financial assets, not classified at amortized cost are classified and subsequently measured at fair value through profit or loss.

j. Inventories

i. Materials inventory

Inventories relating to materials acquired for use in the exploration and development of oil and gas activities are stated at the lower of cost and net realizable value, taking into account slow moving inventory and obsolescence. Cost is determined by the first-in first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. The cost of material inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition.

ii. Oil Inventory

Crude oil inventory is valued at the lower of cost or net realizable value. Cost is determined using the first-in first-out method.

k. Trade and other receivables

Trade and other receivables are recognized initially at transaction price and subsequently measured at amortized cost using the effective interest method, less provision for impairment. An expected credit loss for impairment of trade receivables is established based on the probabilities of possible default scenarios, thereafter utilizing the historical loss rates and forward looking macro-economic factors.

l. Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

m. Taxation

The Group's contractual arrangements stipulate that income taxes are collected by the respective government out of its entitlement share of Profit Oil. Such amounts are included in current income tax expense at the statutory rate in effect at the time of production.

The Group determines the amount of deferred income tax assets and liabilities based on the difference between the carrying amounts of the assets and liabilities reported for financial accounting purposes from those reported for tax. Deferred income tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. Deferred income tax assets associated with unused tax losses are recognized to the extent it is probable the Group will have sufficient future taxable earnings available against which the unused tax losses can be utilized.

2. Summary of significant accounting policies (continued)

n. Employee benefits

i. Pension obligations

The Group participates in two Swiss pension plans, which plans are treated by IFRS as defined benefit pension plans. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The pension assets within these Swiss plans consist entirely of investments held by the insurance company.

The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the deficit or surplus in the Group's defined benefit plans. Any recognized surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in the future contributions to the plans.

ii. Share-based compensation

The Group issues equity-settled share-based payments to employees under a Long-Term Incentive Plan (LTIP). Such payments are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of any service and non-market performance vesting conditions.

The fair value of equity-settled share-based payments determined at the grant date is expensed over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

o. Trade and other payables

Liabilities for trade and other amounts payable are stated initially at their fair value plus transaction costs and subsequently at amortized cost using the effective interest method.

p. Provisions

Provisions are recognized when i) the Group has a present legal or constructive obligation as a result of past events, ii) it is probable that an outflow of resources will be required to settle the obligation, and iii) the amount can be reliably estimated. Provisions are measured using management's best estimate of the expenditure required to settle the obligation and are discounted to present value as at the date of the statement of financial position.

The Group's activities give rise to dismantling, decommissioning and site disturbance remediation activities. The Group recognizes provisions for the estimated cost of site restoration which are capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the date of the Consolidated Statements of Financial Position. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks. Decommissioning obligations are recognized as additions to the corresponding assets in the period they arise unless the obligation results directly from production activities, in which case the change is recognized as a production expense. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

3. Financial risk management

3.1 Fair values of financial instruments

The Group has classified its cash and cash equivalents as financial assets at fair value through profit or loss. Contingent consideration payable is classified as a financial liability at fair value through profit or loss. Trade and other receivables are classified as financial assets at amortized cost, and trade and other payables and borrowings are classified as financial liabilities at amortized cost.

The carrying and fair values of the Group's financial instruments are summarized as follows:

Classification ($000s)	December 31, 2021	December 31, 2020
Financial assets at amortized cost	59,153	39,184
Financial liabilities at fair value through profit or loss	67,640	56,632
Financial liabilities at amortized cost	24,803	51,156

The carrying and fair values of the financial instruments at amortised cost approximate the fair value due to the short-term nature of the transactions.

3.2 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and commodity price risk), credit risk and liquidity risk. The Group's overall risk management objective is to decrease volatility in financial position and cash flow while securing effective and competitive financing. In order to address the impact of these risks, the Group has developed various risk management policies and strategies.

a. Market risk

i. Commodity price risk

The market price for crude oil is subject to significant fluctuations resulting from a variety of factors affecting global supply and demand. An increase or decrease of $10/bbl applied to the Group's oil sales recognized during 2021 would have resulted in an increase or decrease, respectively, of $19.7 million to the profit for the year (2020: $16.2 million).

ii. Foreign exchange risk

The Group operates internationally and has foreign exchange risk arising from various currency exposures. Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group's reporting currency is the US Dollar. Certain elements of general and administrative expenses are transacted in other currencies. The majority of balances are held in US Dollars with purchases of Swiss Francs and other local currencies as required to meet local needs. The Group's objective is to minimize exposure to foreign exchange risks.

Management estimates that there would have been an immaterial impact to the profit for the year ended December 31, 2021 by applying a 10% change in the US Dollar / Swiss Franc exchange rate to transactions denominated in Swiss Francs (2020: immaterial).

iii. Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates with the exception of interest income from bank deposits and the non-current liability, with variable interest rates which are exposed to cash flow interest rate risk as market rates change. The objective of the Group's interest rate risk management is to balance the returns received on interest bearing assets with an acceptable level of access to those assets.

The Group estimates that the impact of applying a 0.5% change to interest rates associated with the Group's financial instruments that bear interest at a variable rate would result in an immaterial change to the profit for the year ended December 31, 2021 (2020: immaterial).

3. Financial risk management (continued)

3.2 Financial risk factors (continued)

b. Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to oil and gas property license partners and customers, including outstanding receivables and committed transactions. For cash and cash equivalents, the Group invests in products that are rated investment grade and above. The credit risk on liquid funds is assessed as limited because the counterparties are primarily banks with good credit-ratings assigned by international credit-rating agencies. The Group extends unsecured credit to third party customers in relation to oil sales and the collection of these amounts may be affected by changes in economic or other conditions.

The following table presents the credit risk exposure to individual financial institutions as at December 31, 2021 and December 31, 2020:

Credit rating	Cash balance at December 31, 2021 ($000s)	Maximum balance with any individual bank during 2021 ($000s)	Number of banks
A1	23,799	25,265	3
Other / not rated /Cash held by Group	873	1,266	N/A

Credit rating	Cash balance at December 31, 2020 ($000s)	Maximum balance with any individual bank during 2020 ($000s)	Number of banks
A1	12,735	12,689	3
Other / not rated /Cash held by Group	423	855	N/A

c. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the ability to secure sufficient funding on a timely basis to meet capital and operating expenditure obligations. Management uses budgets and cash flow models, which are regularly updated, to monitor liquidity risk. The Group manages liquidity risk through its corporate treasury function using various sources of financing.

The table below details the remaining contractual maturity for non-derivative financial liabilities of the Group as at December 31, 2021 and December 31, 2020. The amounts disclosed in the table are the estimated undiscounted cash flows.

$000s	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At December 31, 2021				
Trade and other payables (Note 12)	24,803	76,198	-	-
Decommissioning obligation (Note 16)	-	-	-	33,895
At December 31, 2020				
Trade and other payables (Note 12)	46,156	76,447	-	-
ZOG credit facility (Note 14)	5,000	-	-	-
Decommissioning obligation (Note 16)	-	-	-	60,382

3.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for the Group's other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of borrowings, issued capital and reserves less accumulated deficits.

4. Critical accounting judgments and key sources of estimation uncertainty

Management makes judgments in the process of applying the Group's accounting policies. The key accounting judgments that management has made in the process of applying the Group's accounting policies are the presentation of revenue and royalties arising from the Group's PSC in the Kurdistan Region of Iraq (refer to Note 2f).

Management also makes estimates, judgments and assumptions concerning the future and other areas where there is estimation uncertainty. These accounting estimates, judgments and assumptions may differ from actual results. The estimates and underlying assumptions are reviewed on an ongoing basis.

Information about critical estimates and judgments that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the Financial Statements within the next financial year are discussed below:

a. Going concern

The estimates and judgments related to the significant Going Concern assumptions are discussed in detail in Note 2b. The Directors have considered the most recent oil production data together with current oil price forecast, reservoir production profiles and cash collection. The going concern forecast has been prepared on the basis that the group will have sufficient cash generated from operations in order to settle the purchase consideration liability when it is expected to fall due, being not before March 31, 2023 (Note 12a). Further, the directors have assumed that the Iraqi Federal Supreme Court's judgment on February 15, 2022 will not have a material impact on the operations of the Group (Note 30).

b. Carrying value of E&E 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 is reclassified to property, plant and equipment. If 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 whether impairment indicators are present in respect of the E&E asset. The E&E assets are discussed in detail in Note 6.

c. Carrying value of oil and gas assets

Note 7 contains a discussion regarding the critical judgments and estimates used in determining the carrying value of oil and gas assets.

d. Decommissioning obligation

Estimating the decommissioning liabilities 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 liabilities are discussed in detail in Note 16.

5. 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 year ended December 31, 2021. As at December 31, 2021, the Group was involved in the following joint arrangement:

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

6. Intangible assets

$000s	Exploration & Evaluation	Computer Software	Total
Cost			
At January 1, 2020	**101,783**	**2,225**	**104,008**
Additions	776	-	776
Disposal of subsidiary (Note 13)	(53,676)	-	(53,676)
At December 31, 2020	**48,883**	**2,225**	**51,108**
Additions	8	-	8
Decommissioning(1)	(1,143)	-	(1,143)
At December 31, 2021	**47,748**	**2,225**	**49,973**
Accumulated amortisation			
At January 1, 2020	**-**	**2,201**	**2,201**
Amortisation	-	14	14
At December 31, 2020	**-**	**2,215**	**2,215**
Amortisation	-	10	10
At December 31, 2021	**-**	**2,225**	**2,225**
Carrying amount			
At December 31, 2021	47,748	-	47,748
At December 31, 2020	48,883	10	48,893

(1) Included in additions for the year ended December 31, 2021 is a $1.1 million non-cash credit relating to a change in estimates used to calculate the decommissioning obligation (Note 16).

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

On July 23, 2020, the Group's 100% shareholding in OP AGC Central Limited, the company that holds the interest in the AGC Central license area, was transferred to an affiliate of The Addax and Oryx Group PLC ("AOG") as consideration for the full settlement of borrowings, including accrued interest outstanding. Refer to Note 13 for further information.

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

The Group continues to judge that the Hawler – Ain al Safra sub-contract area constitutes an individual CGU and that there are no indicators suggesting that the carrying amount of the exploration and evaluation asset exceeds its recoverable amount. The Group plans to advance appraisal of the Ain al Safra sub-contract area by completing the Ain al Safra-2 well during 2022, pending regulatory consent from the Ministry of Natural Resources of the Kurdistan Region of Iraq ("MNR").

7. Property, plant and equipment

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

$000s	Oil and gas Assets	Fixtures and Equipment	Total
Cost			
At January 1, 2020	**938,882**	**3,549**	**942,431**
Additions	18,179	1	18,180
Decommissioning(1)	17,502	-	17,502
At December 31, 2020	**974,563**	**3,550**	**978,113**
Additions	45,784	-	45,784
Decommissioning(1)	(12,503)		(12,503)
At December 31, 2021	**1,007,844**	**3,550**	**1,011,394**
Accumulated depreciation, depletion and impairment			
At January 1, 2020	**327,463**	**3,416**	**330,879**
Impairment, net (2)(3)	117,292	-	117,292
Depreciation	-	75	75
Depletion	22,887	-	22,887
At December 31, 2020	**467,642**	**3,491**	**471,133**
Impairment (4)	32,440	-	32,440
Depreciation	-	59	59
Depletion	38,245	-	38,245
At December 31, 2021	**538,327**	**3,550**	**541,877**
Carrying amount			
At December 31, 2021	469,517	-	469,517
At December 31, 2020	506,921	59	506,980

(1) Non-cash additions / (credits) relating to changes in estimates used to calculate the decommissioning obligation (Note 16).

(2) As at March 31, 2020, the Group recorded an impairment charge of $238.1 million relating to the Hawler license area. The impairment loss represented the difference between the estimated recoverable amount of the Hawler license area CGU and its carrying amount prior to the impairment charge.

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

(4) As at 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 reversal.

The change in the Company's majority shareholder during 2020 represented a change in control under the PSC. In securing consent for the change in control of the Group's interest in the Hawler license area from the MNR, the Group agreed to amend certain terms of the PSC governing the Hawler license area effective from July 1, 2020 ("2020 PSC Amendments"). Specifically, a 22% reduction in the Group's recoverable cost pool related to its interest, and to finance all costs attributed to the 35% interest it does not own for the duration of the development period, without a cap on such financing facility. Previously, the PSC required the Group to finance only the third-party costs attributable to a 20% interest in the license, to a maximum of $300 million. The MNR agreed to waive any rights to perform an audit of costs incurred prior to January 1, 2021.

For the purpose of impairment assessments and testing in accordance with IAS 36, oil and gas assets are aggregated in CGUs. Determination of what constitutes a CGU is subject to management judgments and the circumstances. 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 6), constitutes the Group's single CGU which contains property, plant and equipment.

7. Property, plant and equipment (continued)

In conducting impairment assessments and tests, management considers internal and external sources of information regarding the manner in which assets are expected to be used, and indications of economic performance of the assets. Estimates include but are not limited to the determination of expected future cash flows from the asset being tested and the discount rate used to determine the value of the cash flows at the measurement date. Reductions in oil price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable reserves and resources and/or adverse economic conditions can result in estimated carrying amounts exceeding the recoverable amounts of the Group's oil and gas assets. An impairment loss is recognized if and when the carrying amount exceeds the recoverable amount. An impairment reversal is recognized if and when there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized, which indicates that the previously recorded impairment should be reversed.

Impairment test at December 31, 2021

Following the presence of indicators that the Hawler license area CGU's recoverable amount may differ from its carrying amount, management conducted an impairment test as at December 31, 2021. The indicators of impairment and reversal of impairment identified include a decrease in proved plus probable (2P) oil reserves compared to prior year, an increase in oil price compared to prior year, and net assets in excess of the market capitalization of the Company as at December 31, 2021.

In performing the impairment test as at December 31, 2021, management used significant assumptions and estimates derived from and consistent with those incorporated in the proved plus probable oil reserves development case contained in the independent evaluator's report dated February 15, 2022 ("2P Development Case"), adjusted to reflect management's assumptions related to future crude oil sale prices and near-term production.

Expected cash inflows from oil sales were based on quoted Brent Crude forward contract prices for 2022 through 2024. Management's Brent Crude assumptions beyond 2024 were benchmarked against the forward contract prices and longer-term pricing forecasts prepared as at January 1, 2022 by external firms.

Expected cash inflows assume that all sales of crude oil from the Hawler license area continue to be completed through the Kurdistan Oil Export Pipeline, as required by the KRI. In accordance with management's best estimate of the terms most likely to govern future sales of Hawler license area crude oil, realized prices were referenced to management's estimated future Brent Crude prices discounted by approximately $8/bbl for pipeline system tariffs and fees, and adjusted for differences in forecast API gravity and sulphur from standard Brent specifications.

Based on the above, expected cash inflows from oil sales were determined using the following estimated average nominal sales prices:

Year ending December 31,	Forward Contract Price ($/bbl)	External Forecast Brent Price ($/bbl)	Management Forecast Brent Price Used ($/bbl)	Management Forecast Realized Price Used ($/bbl)
2022	75.92	Not applicable	75.92	61.63
2023	71.00	Not applicable	71.00	56.58
2024	67.87	Not applicable	67.87	52.94
2025	67.33	71.01	67.33	51.93
2026	70.05	72.44	70.05	54.30
2027	Not applicable	73.88	73.88	57.61
2028	Not applicable	75.36	75.36	58.49
2029	Not applicable	76.89	76.89	60.00
Thereafter	Not applicable	2% escalation	2% escalation	2% escalation

Management applied the fair value less costs of disposal methodology to establish the recoverable value of the CGU. The fair value was estimated by calculating the net present value of expected after-tax cash flows associated with proved plus probable oil reserves as at December 31, 2021 using a 15% nominal after-tax discount rate. The 15% discount rate is based on management's estimate of the cost of capital invested in upstream oil and gas assets in the Kurdistan Region of Iraq. Costs of disposal are expected to be immaterial, and the value in use is deemed to be materially consistent with the fair value less costs of disposal.

7. Property, plant and equipment (continued)

In measuring the recoverable amount of the Hawler license area CGU, management relied on i) observable inputs other than quoted prices for identical assets, and ii) inputs that are not publicly observable and are the result of management's estimates and judgments arising from analysis of internally generated data. Management's estimate of fair value less costs of disposal is classified as level 3 in the fair value hierarchy.

Application of the fair value less costs of disposal methodology using the assumptions described above indicated an estimated recoverable amount of the Hawler license area CGU as at December 31, 2021 to be $470 million, including the decommissioning asset, for which the associated liability of $33 million is separately recognized within non-current liabilities (Note 16). Consequently, the Group recorded a $32.4 million impairment loss as at December 31, 2021.

The net present value of expected after-tax cash-flows associated with the proved plus probable oil reserves development case described above was subjected to sensitivities arising from changes in crude oil price forecasts and discount rates. The following table indicates the estimated recoverable amounts as at December 31, 2021 that resulted from applying various crude oil price forecasts and discount rates:

	Discount rate		
Estimated recoverable amount ($ millions) – based on	**10%**	**15%**	**20%**
Management Forecast prices less $10/bbl	384	338	299
Management Forecast prices, shown above	530	470	418
Management Forecast prices plus $10/bbl	585	527	476

Were the recoverable amount to have been estimated at $502 million there would have been no impairment charge recorded during the year ended December 31, 2021.

The net present value of expected cash-flows associated with the 2P Development Case, as adjusted, is also dependent on the Group's independently evaluated estimation of proved plus probable oil reserves and to the production profile associated with the exploitation of those reserves.

8. Inventories

$000s	**December 31 2021**	**December 31 2020**
Oil inventory	161	218
Materials, net of provision	9,044	8,568
	9,205	**8,786**

The cost of oil inventory is expensed through production and depletion expenses in the year during which it is sold. As at December 31, 2021, the Group's working interest share of oil inventory was 12,000 bbl (December 31, 2020 – 10,760 bbl).

The Group has adjusted the carrying value of materials inventory to management's estimate of net realizable value. The provision at December 31, 2021 is $5.0 million (December 31, 2020: $6.9 million) and income of $1.8 million has been included in other income and expense during the year ended December 31, 2021 (December 31, 2020 – expense of $1.5 million) due to the decrease in the provision (Note 23).

No inventories have been pledged as security during the year.

9. Trade and other receivables

$000s	**December 31 2021**	**December 31 2020**
Revenue receivables, net of expected credit loss (Note 23)	32,995	24,622
Other receivables	1,486	1,404
	34,481	**26,026**

9. Trade and other receivables (continued)

Trade and other receivables are denominated in US Dollars and the carrying values are a reasonable approximation of the fair value. The revenue receivables balance at December 31, 2020 is presented net of expected credit losses of $3.6 million. No expected credit loss ultimately arose in collecting those receivables and no provision has been recorded at December 31, 2021, on the basis that it is immaterial. The 2020 provision has been released to the Consolidated Statements of Profit / (Loss) and Comprehensive Income / (Loss) (Note 23).

10. Other current assets

$000s	December 31 2021	December 31 2020
Deposits	758	349
Prepaid charges and other current assets	1,104	991
	1,861	**1,340**

11. 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.

Cash and cash equivalents are denominated in the following currencies:

$000s	December 31 2021	December 31 2020
US Dollar	24,376	12,868
Swiss Franc	174	164
Other	122	126
	24,672	**13,158**

12. Trade and other payables

$000s	December 31 2021	December 31 2020
Trade accounts payable	9,448	14,113
Other payables and accrued liabilities	15,355	16,318
	24,803	**30,431**
HMB license arbitration award (Note 12b)	-	15,725
Current portion	**24,803**	**46,156**
Non-current liability (Note 12a)	67,640	56,632
Total trade and other payables	**92,443**	**102,788**

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

a. Non-current liability

During 2011, the Group acquired OP Hawler Kurdistan Limited 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 contingently 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.

12. Trade and other payables (continued)

a. Non-current liability (continued)

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 contingent consideration until March 31, 2023.

The Forbearance Agreement establishes that interest will not accrue on the contingent liability from July 23, 2020 to March 31, 2023. Therefore, interest previously accrued from July 23, 2020 until July 8, 2021 of $0.5 million was reversed and released to the Consolidated Statements of Profit / (Loss) and Other Comprehensive Income / (Loss) during the year ended December 31, 2021 (Note 24).

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

Although the above-contemplated negotiations are pending, the Group has determined that the additional purchase liability has crystallized. As a result, as at December 31, 2021, the Group has recognized a non-current liability of $67.6 million (December 31, 2020 - $56.6 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%.

The balance of unpaid principal and accrued interest owed under the contingent consideration obligation to the vendor of the Hawler license area as at December 31, 2021 was $76.2 million. Under the terms of the Forbearance Agreement, in the event of a second commercial discovery, no amounts are due prior to March 31, 2023. Consequently, the liability is classified as non-current at December 31, 2021.

b. HMB license arbitration award

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

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

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

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

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

13. Borrowings

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

At January 1, 2020	**79,883**
Interest expense (Note 24)	4,471
Deferred financing costs	(2,404)
Accretion of deferred financing costs (Note 24)	2,578
Payment of accrued interest	(4,025)
Settlement (non-cash)	(80,503)
At December 31, 2020 and December 31, 2021	-

The Loan Facility was fully drawn and had an initial maturity of March 10, 2018. The Loan Facility was subsequently amended in April 2017, December 2018 and March 2020, ultimately extending the maturity date to July 1, 2021, in consideration for amended interest settlement terms and the successive issuances of warrants to subscribe for an aggregate of 39,281,804 common shares in the Company (Note 17b); of these warrants 6,132,604 expired in November 2021. On July 23, 2020, the Borrowings were settled in full, including accrued interest, through the transfer of the Group's 100% shareholding in OP AGC Central Limited, the company that holds an interest in the AGC Central license area. A gain of $26.9 million was recorded upon settlement of the Borrowings amount and transfer of the shareholding in OP AGC Central Limited during the third quarter of 2020. The Borrowings amounted to $80.5 million (including accrued interest) at the date of final settlement.

14. 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 and repaid in full during September 2021.

15. Retirement benefit obligation

The Group participates in Swiss pension plans for employees of the Group, which are treated by IFRS as defined benefit pension plans. The plans are funded by the payment of contributions by the Group to a third-party administered pension fund.

The disclosures set out below are based on calculations carried out as at December 31, 2021 by a qualified independent actuary and have been prepared in accordance with IAS 19 – Employee Benefits.

The principal actuarial assumptions used at the reporting date were:

	December 31 2021	**December 31 2020**
Discount rate	0.40%	0.20%
Expected return on plan assets	0.50%	0.50%
Expected rate of salary increases	2.50%	2.50%
Future pension increases	0.00%	0.00%
Inflation	1.00%	1.00%

15. Retirement benefit obligation (continued)

The following table reconciles the funded status of defined benefit plans to the amounts recognized in the consolidated statement of financial position:

$000s	December 31 2021	December 31 2020
Fair value of plan assets	5,026	1,966
Present value of defined benefit obligation	(7,268)	(3,726)
Excess of obligation over value of assets	**(2,242)**	**(1,760)**

The change in the defined benefit obligation is as follows:

$000s	2021	2020
Defined benefit obligation, beginning of year	(3,726)	(10,748)
Current service cost	(451)	(906)
Interest cost	(10)	(25)
Remeasurement (losses) / gains	(1,057)	476
Benefits (deposited) / paid	(2,153)	4,984
Past service gain	10	3,051
Translation difference and other	119	(558)
Defined benefit obligation, end of year	**(7,268)**	**(3,726)**

The change in the fair value of plan assets is as follows:

$000s	2021	2020
Fair value of plan assets, beginning of year	1,966	6,486
Interest income	6	15
Return / (loss) on plan assets	528	(584)
Employer contributions	435	717
Benefits deposited / (paid)	2,153	(4,984)
Translation (loss) / gain	(62)	316
Fair value of plan assets, end of year	**5,026**	**1,966**

The plan assets are comprised of investments held by the insurance company that reinsures the Group's pension obligations.

The Group expects to make contributions of $0.3 million to the defined benefit plan during 2022. Actual contributions for 2021 amounted to $0.4 million.

The amounts recognized in profit for the year comprise the following:

$000s	Year ended December 31 2021	Year ended December 31 2020
Current service cost	451	906
Gain on curtailment	-	(3,051)
Net interest expense	2	11
Other	2	4
Defined benefit cost / (gain) recognized in profit for the year	**455**	**(2,130)**

Defined benefit costs of $0.5 million (2020 - $0.9 million) have been included in general and administrative expenses. In 2020, a $3.1 million gain on curtailment of retirement benefit obligations related to the reorganization and departure of certain employees has been included in other income. No such gain arose in 2021.

15. Retirement benefit obligation (continued)

The amounts recognized in other comprehensive income / loss comprise the following:

$000s	Year ended December 31 2021	Year ended December 31 2020
Actuarial loss / (gain)	1,057	(476)
(Return) / loss on plan assets, excluding interest income	(528)	584
Defined benefit cost recognized in other comprehensive (income) / loss	**529**	**108**

16. Decommissioning obligation

The Group has obligations to decommission its oil and gas assets upon cessation of operations. In calculating the value of the Group's future decommissioning obligation at December 31, 2021, management has made significant judgments and estimates based on an assessment of the current economic environment and factors specific to the assets to be decommissioned. These estimates are reviewed annually and when circumstances suggest that such revisions are required. Actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning may depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil prices, which are inherently uncertain.

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

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

The estimated net present value of the decommissioning obligation at December 31, 2021 is $26.2 million (December 31, 2020 - $39.5 million) based on the Group's undiscounted liability of $33.9 million (December 31, 2020 - $60.4 million).

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

$000s	Year ended December 31, 2021	Year ended December 31, 2020
Decommissioning obligation, beginning of the year	**39,485**	**20,692**
Change in future cash flow estimates due to 2020 PSC Amendments (Note 7)	-	13,611
Change in cost estimates	(19,535)	-
Change in inflation rate	(1,869)	4,190
Change in discount rate	2,636	455
Property development additions	5,122	67
	25,839	**39,015**
Accretion expense (Note 24)	374	470
Decommissioning obligation, end of the year	**26,213**	**39,485**

If a 10% increase was applied to the gross costs used in the calculation, the net present value of the decommissioning obligation at December 31, 2021 would increase by $1.4 million. If a 1% increase to the discount rate was applied, the net present value of the decommissioning obligation at December 31, 2021 would decrease by $1.8 million.

17. Share capital

a. Issued common shares

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

The Company has unlimited authorized share capital at December 31, 2021.

2021 share capital transactions

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

2020 share capital transactions

On July 23, 2020 and July 31, 2020, respectively, the Company issued 10,248,050 common shares and 15,467,506 common shares to employees under the Group's LTIP (Note 18).

b. Warrants

In March 2020, in connection with an amendment to the Loan Facility (Note 13), the Group issued warrants to an affiliate of the Lender 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.

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

18. Share-based payments

The long-term incentive plan (LTIP) provides long-term incentives intended to motivate employees and provide a longer-term perspective to the total remuneration package. Annual awards under the LTIP comprise common shares of the Company.

During the year ended December 31, 2021, the Company issued 3,188,988 shares relating to the 2021 LTIP and 3,589,996 shares related to the 2020 LTIP. During the year ended December 31, 2020, the Company issued 18,029,159 shares relating to the 2019 LTIP and 7,686,397 shares related to the 2018 LTIP.

The fair value of share-based payments in respect of officers and employees charged to the Consolidated Statements of Profit / (Loss) and Other Comprehensive Income / (Loss) for the year ended December 31, 2021 was $0.7 million (2020 - $3.8 million). The fair value of shares granted under the LTIP has been determined based on the volume weighted average price of the Company's publicly traded shares for the five days prior to the grant date.

19. Basic and diluted earnings / loss per share

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

	Year ended December 31 2021	**Year ended December 31 2020**
Profit / (Loss) for the year attributable to equity holders ($000s)	10,270	(108,743)
Weighted average number of common shares for basic and diluted earnings / (loss) per share	580,456,879	563,525,870
Basic earnings / (loss) per share - $	**0.02**	**(0.19)**

(1) The unvested LTIP shares are excluded from the calculation as they are anti-dilutive (Note 18).
(2) Outstanding warrants are excluded from diluted shares as they are anti-dilutive.

20. Reserves

$000s	**Share based compensation and warrants**	**Other Reserves**	**Total reserves**
At January 1, 2020	**15,951**	**2,643**	**18,594**
Share based payment transactions	3,774	-	3,774
Issue of shares and cash for LTIP	(1,590)	-	(1,590)
Issue of warrants (Note 17b)	2,404	-	2,404
At December 31, 2020	**20,539**	**2,643**	**23,182**
Share based payment transactions	707	-	707
Issue of shares for LTIP	(588)	-	(588)
At December 31, 2021	**20,658**	**2,643**	**23,301**

21. Supplemental cash flow information

a. Adjustments for non-cash transactions

$000s	**Year ended December 31 2021**	**Year ended December 31 2020**
Gain on settlement of borrowings	-	(26,892)
Gain on deconsolidation of subsidiary	(15,725)	-
Depreciation, depletion and amortization	38,253	22,942
Share based compensation	131	2,653
Net impairment expense	32,440	116,216
Change in retirement benefit obligation in other comprehensive loss	(529)	(108)
Unrealized foreign exchange (gains) / losses	(60)	353
Income tax benefit	(12)	(8)
Finance costs	125	8,230
Change in retirement benefit obligation in profit and loss	1,036	922
Increase / (decrease) in fair value of purchase consideration (Note 12a)	11,256	(110)
Other (income)	(5,001)	(1,151)
Items not involving cash	**61,914**	**123,047**

21. Supplemental cash flow information (continued)

b. Cash flows relating to non-cash working capital

$000s	Year ended December 31 2021	Year ended December 31 2020
Inventories	1,472	(1,064)
Trade and other receivables	(15,682)	(6,889)
Other current assets	(521)	509
Trade and other payables	4,654	13,228
Cash flows relating to non-cash working capital	**(10,077)**	**5,784**

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

$000s	Year ended December 31 2021	Year ended December 31 2020
Operations	(20,701)	8,440
Investing - PP&E	10,624	(675)
Investing - Intangible assets	-	(1,981)
Cash flows relating to non-cash working capital	**(10,077)**	**5,784**

c. Other cash flow information

Other cash flow Information $000s	Year ended December 31 2021	Year ended December 31 2020
Cash income taxes paid	347	331

22. Income tax expense

$000s	Year ended December 31 2021	Year ended December 31 2020
Current income tax expense	(3,633)	(1,802)
Deferred tax on LTIP shares	11	8
Income tax expense	**(3,622)**	**(1,794)**

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 Kurdistan Region of Iraq and on taxable profits from operations of the Group's Swiss and Maltese subsidiaries. For the year ended December 31, 2021, income taxes related to oil sales in the Kurdistan Region of Iraq in the amount of $3.5 million (2020 - $1.6 million) were deemed to be collected by the government through its allocation of Profit Oil under the Hawler PSC.

22. Income tax expense (continued)

Income taxes vary from the amount that would be computed by applying statutory tax rates to income before taxes as follows:

$000s	Year ended December 31 2021	Year ended December 31 2020
Profit / (loss) before income tax	13,892	(106,949)
Combined Canadian federal and provincial income tax recovery at the statutory rate	(3,073)	24,230
Effect of income / (losses) exempt from taxation	1,060	(18,760)
Effect of tax rates of subsidiaries operating in other jurisdictions	(1,238)	550
Effect of non-taxable gains / non-deductible expenses	1,234	(533)
Effect of current year non-recognition of deferred tax assets	5,518	(7,780)
Other items	121	499
Income tax expense	**3,622**	**(1,794)**

Deferred tax assets related to the benefit of other tax deductions and losses have not been recognized as it is not sufficiently probable that these assets will be realized. Cumulative unused tax losses unrecognized in deferred tax assets amount to $68.8 million at December 31, 2021 (December 31, 2020 - $102.2 million).

23. Other income and expense

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

$000s	Note	Year ended December 31 2021	Year ended December 31 2020
Reduction / (Increase) of expected credit losses against trade and other receivables	**9**	3,538	(205)
Reduction / (Increase) in materials inventory provision	**8**	1,831	(1,530)
Curtailment of retirement benefit obligation(1)	**15**	10	3,051
Other		(300)	(509)
Other income and expense		**5,079**	**807**

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

24. Finance costs

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

$000s	Note	Year ended December 31 2021	Year ended December 31 2020
Interest on borrowings	**13**	-	(4,471)
Accretion of deferred financing costs	**13**	-	(2,578)
Interest reversed / (accrued) on long-term liability	**12a**	249	(712)
Accretion of decommissioning obligation	**16**	(374)	(470)
Other		-	(14)
Finance costs		**(125)**	**(8,245)**

25. Subsidiaries

Details of the Company's subsidiaries at December 31, 2021 are included in the table below:

Name of subsidiary	Country of incorporation	Principal place of business	Principal activity	Proportion of interest / voting rights
Forza Petroleum Holdings PLC[(1)]	Malta	Malta	Intermediate holding company	100%
Forza Petroleum Services SA	Switzerland	Switzerland	Administrative / technical services	100%
Forza Petroleum Middle East Limited	BVI	BVI	Intermediate holding company	100%
Forza Petroleum Africa Limited	BVI	BVI	Intermediate holding company	100%
OP OML 141 Nigeria Limited	Nigeria	Nigeria	Inactive	100%
OP Hawler Kurdistan Limited	BVI	Iraq – Kurdistan region	Oil and gas exploration	100%
KPA Western Desert Energy Limited [(2)]	Cyprus	Cyprus	Inactive	100%

(1) Held directly by Forza Petroleum Limited. All other subsidiaries are held through subsidiary undertakings.
(2) KPA Western Desert Energy Limited is in the course of liquidation.

26. Related party transactions

The following transactions were carried out with parties who were considered related to the Group at the time of the transaction.

a. Borrowings (Note 13)

On March 11, 2015, the Group entered into a committed and unsecured term loan facility agreement with a subsidiary of its then indirect majority shareholder AOG under which $100.0 million in cash was received during the year ended December 31, 2015. The loan was subsequently partially redeemed, and its maturity extended. On July 23, 2020, the borrowings were settled in full, including accrued interest, through the transfer of the Group's 100% shareholding in OP AGC Central Limited, the company that holds the interest in the AGC Central license area (Note 6). Interest and accretion expense of $7.0 million relating to this loan was recorded for the year ended December 31, 2020. The borrowings amounted to $80.5 million (including accrued interest) at the date of settlement. Management believes the terms and conditions of the loan facility agreement and the settlement negotiated to be materially comparable to terms applicable to similar market transactions.

b. Interim credit facility (Note 14)

<u>ZOG Credit Facility</u>

On August 26, 2020, the Group entered the ZOG Credit Facility of which $5 million had been drawn as at December 31, 2020. There was no commitment fee and amounts borrowed under the facility accrued no interest. The ZOG Credit Facility was settled in full during September 2021.

<u>2020 Interim Credit Facility</u>

On March 11, 2020, the Group entered into the 2020 Interim Credit Facility with an affiliate of AOG. Amounts borrowed under the 2020 Interim Credit Facility ("Principal") were subject to interest at an annual rate of 10.5% calculated daily and compounding at the end of each calendar month ("Interest"). Principal and Interest were payable no later than September 30, 2020. The Group incurred a commitment fee of $14 thousand under the 2020 Interim Credit Facility. The Group did not draw any amounts under the 2020 Interim Credit Facility, which was terminated at June 22, 2020.

26. Related party transactions (continued)

c. Purchases of goods and services

During the year ended December 31, 2021 the Group acquired technical services from an entity under common control for interpretation and processing of technical data.

The services acquired from fellow subsidiaries of the former parent company of the Corporation during the year ended December 31, 2020 comprised mainly of trademark license, parent company guarantee and management services fees.

$000s	Year ended December 31 2021	Year ended December 31 2020
From fellow subsidiaries of former parent company	-	1,386
From an entity under common control	180	-
	180	**1,386**

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. The above amounts have been settled in full at December 31, 2021.

d. Key management compensation

The remuneration of the executive directors and senior officers, the key management personnel of the Group, in aggregate is set out below.

$000s	Year ended December 31 2021	Year ended December 31 2020
Wages, salaries and other short-term benefits	2,371	3,214
Post-employment benefits	157	218
Share based compensation	194	576
	2,722	**4,008**

27. Segment information

The Group has a single class of business which is to acquire, explore, develop and produce oil from oil and gas assets. The Group operated in two geographical areas until July 23, 2020. During the third quarter of 2020, the group ceased all its activities in West Africa (Notes 6 and 13). Segmented information related to the two operating segments, where applicable, and corporate activities is as follows:

For the year ended December 31, 2021 **$000s**	**Middle East**	**Corporate**	**Total**
Revenue	187,796	-	187,796
Royalty	(76,940)	-	(76,940)
Net revenue	**110,856**	**-**	**110,856**
Operating expense	(30,074)	-	(30,074)
Depreciation, depletion and amortisation	(38,184)	(69)	(38,253)
Impairment loss	(32,440)	-	(32,440)
General and administration expense	(3,252)	(2,405)	(5,657)
Other income	5,076	3	5,079
Gain on deconsolidation of subsidiary	-	15,725	15,725
Change in fair value of purchase consideration (Note 12a)	(11,256)	-	(11,256)
Segment result	**726**	**13,254**	**13,980**
Finance costs			(125)
Foreign exchange gain			37
Profit before income tax			**13,892**
Income tax expense			(3,622)
Profit for the year			**10,270**
Capital additions(1)	45,792	-	45,792
Segment assets as at December 31, 2021	582,880	4,845	587,725
Segment liabilities as at December 31, 2021	117,330	3,568	120,898

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

27. Segment information (continued)

For the year ended December 31, 2020 **$000s**	**Middle East**	**West Africa**	**Corporate**	**Total**
Revenue	81,956	-	-	81,956
Royalty	(34,660)	-	-	(34,660)
Net revenue	**47,296**	**-**	**-**	**47,296**
Operating expense	(24,806)	-	-	(24,806)
Depreciation, depletion and amortisation	(22,854)	-	(89)	(22,943)
Impairment (loss) / reversal	(117,292)	1,076	-	(116,216)
General and administration expense	(3,697)	(213)	(5,581)	(9,491)
Other income / (expense)	(1,673)	(553)	3,033	807
Change in fair value of contingent consideration	110	-	-	110
Segment result	**(122,916)**	**310**	**(2,637)**	**(125,243)**
Gain on settlement of borrowing				26,892
Finance costs				(8,245)
Foreign exchange (loss)				(353)
Loss before income tax				**(106,949)**
Income tax expense				(1,794)
Loss for the year				**(108,743)**
Capital additions[(1)]	17,655	397	1	18,053
Segment assets as at December 31, 2020	604,598	-	814	605,412
Segment liabilities as at December 31, 2020	129,268	15,750	4,015	149,033

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

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

$000s	**December 31 2021**	**December 31 2020**
Iraq (Kurdistan Region)	517,265	555,815
Other	241	287
	517,506	**556,102**

28. Commitments

a. Contractual obligations

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

$000s	**December 31 2021**	**December 31 2020**
No later than one year	2,479	2,479
One to five years	9,915	9,915
Greater than five years	17,354	19,834
	29,748	**32,228**

28. Commitments (continued)

a. Contractual obligations (continued)

The commitments noted above reflect the contractually committed amounts relating to the Group's planned execution of expected and contracted exploration and development activities as at December 31, 2021. The contractually committed amounts are significantly lower than the budgeted capital expenditure in 2022 relating to the Hawler license area. 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 budgeted 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 $0.3 million.

29. Contingent liabilities

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

30. Subsequent events

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 and, on March 10, 2022, the Group received payment for its Hawler oil sales made to the KRG in November 2021.

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