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

FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020

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

*The following Management's Discussion and Analysis ("**MD&A**") should be read in conjunction with the consolidated financial statements of Forza Petroleum Limited ("**FPL**" or, the "**Company**") and its subsidiaries for the years ended December 31, 2021 and 2020 (the "**Financial Statements**"), which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").*

The date of this MD&A is March 16, 2022.

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

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

Readers should refer to the "Forward-Looking Information" advisory on page 17. Additional information relating to FPL, including FPL's Annual Information Form dated March 23, 2021, is on SEDAR at www.sedar.com. The Company will file an Annual Information Form for the year ended December 31, 2021 on or before March 31, 2022.

Table of Contents

Company Overview

The Company is a public company incorporated in Canada under the Canada Business Corporations Act and is the holding company for the Forza Petroleum group of companies (together, the "**Group**" or "**Forza Petroleum**"). The Group has a 65% Working Interest in and operates the Hawler License Area in the Kurdistan Region of Iraq ("**KRI**"), which has yielded the discovery of four oil fields, three of which are currently producing.

Operational Highlights

2021

- Average gross (100%) oil production of 12,200 bbl/d (working interest 7,900 bbl/d) versus 10,600 bbl/d (working interest 6,900 bbl/d) for the year ended December 31, 2020;
- Eight wells targeting Cretaceous or Tertiary reservoirs were drilled or spudded during 2021, including, four in the Zey Gawra field, three in the Demir Dagh field and one in the east fault block of the Banan field;
- Hawler facilities were further developed with construction of the river crossing for the gathering system to serve the western flank of the Hawler License Area, civil works for drilling pads and a new location for Banan field facilities, along with additional flowlines throughout the area;
- Gross (working interest) year-end proved oil reserves of 13.1 million bbl, up from 10.3 million bbl at year-end 2020, as estimated by Netherland, Sewell & Associates, Inc.

2022

- Average gross (100%) oil production of 13,700 bbl/d (working interest 8,900 bbl/d) and 14,600 bbl/d (working interest 9,500 bbl/d) for January and February 2022, respectively;
  - New production from recently drilled wells has more than offset declines from existing wells;
- With two drilling rigs under contract, the Group has drilled a sidetrack of the previously drilled Demir Dagh-10 well and the Zey Gawra-9 well, in each case targeting Cretaceous reservoirs;
- On February 12, 2022, Forza Petroleum spudded a sidetrack of the previously drilled Demir Dagh-3 well targeting the Cretaceous reservoir;

- For the balance of 2022, the Group plans to drill seven additional wells (including sidetracks of two previously drilled wells and a well in a previously undrilled structure west of the currently developed Zey Gawra field), to complete the Ain al Safra-2 well and, if needed, to complete two water disposal wells;
- Planning and installation of processing facilities and pipelines connecting each of the Banan field and the Zey Gawra field to the Hawler production facilities at the Demir Dagh field is progressing;
- The worldwide outbreak of the COVID-19 virus, including within Iraq, has not significantly impacted operations. The Group has taken precautions to protect its employees and contractors but does not at this time expect that the virus outbreak will restrict operations.

Financial Highlights and Outlook

Liquidity outlook

The Group expects cash on hand as of December 31, 2021 and cash receipts from net revenues from sales, exclusively made to the KRG at the tie-in to the Kurdistan Oil Export Pipeline, will allow it to fund its forecasted capital expenditures and operating and administrative costs through the end of March 2023. The Group has the ability to tailor its capital program to have the liquidity needed to settle the non-current purchase consideration following the end of the forbearance period on March 31, 2023.

Financial performance

The following table contains financial performance highlights for the three and twelve months ended December 31, 2021 and December 31, 2020.

	Three months ended		Year ended	
($ thousands unless otherwise stated)	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Revenue	57,666	23,881	187,796	81,956
Cash generated from operating activities	21,386	8,601	51,188	22,102
Cash generated from operating activities per basic and diluted share ($/share)	0.04	0.01	0.09	0.04
(Loss) / Profit for the period	(22,818)	114,562	10,270	(108,743)
(Loss) / Earnings per basic and diluted share ($/share)	(0.04)	0.20	0.02	(0.19)
Average sales price ($/bbl)	63.37	27.44	54.52	28.23
Field operating costs ($/bbl)(1)	7.96	5.83	6.78	6.93
Operating expense ($/bbl)	12.25	8.97	10.42	9.87
Capital additions(2)	20,457	10,934	45,792	18,053

Notes:

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

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

Revenue and cash receipts

Revenue of $57.7 million was recorded for the three months ended December 31, 2021. Included in revenue is $48.3 million ($63.37/bbl) realized on the sale of 762,300 bbl (WI) of crude oil and $9.4 million related to the recovery of costs carried on behalf of partners. Revenue for the fourth quarter of 2021 increased by $33.8 million compared to the same period in 2020. The increase is attributable to a 131% increase in realized sales price and a 5% increase in sales volumes.

Revenue of $187.8 million was recorded for the year ended December 31, 2021. Included in revenue is $157.3 million ($54.52/bbl) realized on the sale of 2,885,300 bbl (WI) of crude oil and $30.5 million related to the recovery of costs carried on behalf of partners. Revenue for the year ended December 31, 2021 increased by $105.8 million compared to the year ended December 31, 2020. The increase is attributable to a 93% increase in realized sales price and a 15% increase in sales volumes.

All sales during the year ended December 31, 2021 were made via the Kurdistan Oil Export Pipeline.

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

Operating expense

Operating expense during the fourth quarter of 2021 amounted to $9.3 million ($12.25/bbl) versus $6.5 million ($8.97/bbl) during the fourth quarter of 2020.

Field operating costs during the fourth quarter of 2021 amounted to $6.1 million ($7.96/bbl) in comparison to $4.2 million ($5.83/bbl) during the fourth quarter of 2020. Field operating costs per barrel increased for the three months ended December 31, 2021 compared to the three months ended December 31, 2020 as a result of a 43% increase in costs due primarily to operational workovers and an increase in security costs, partially offset by a 5% increase in sales volumes. Field operating costs represent Forza Petroleum's Working Interest share of gross operating costs and exclude partner share of operating costs which are being carried by Forza Petroleum.

Operating expense of $30.1 million ($10.42/bbl) were recorded for the year ended December 31, 2021 compared to $24.8 million ($9.87/bbl) for the year ended December 31, 2020.

Field operating costs during the year ended December 31, 2021 amounted to $19.5 million ($6.78/bbl) versus $17.4 million ($6.93/bbl) during the year ended December 31, 2020. Field operating costs per barrel decreased for the year ended December 31, 2021 compared to the year ended December 31, 2020 as a 12% increase in costs was more than offset by a 15% increase in sales volumes.

Cash generated from operating activities

Cash generated from operating activities for the fourth quarter of 2021 was $21.4 million compared to $8.6 million during the same period in 2020. Cash generated from operating activities for the year ended December 31, 2021 was $51.2 million compared to $22.1 million for the year ended December 31, 2020. The increases versus both comparable periods mainly relate to higher crude oil sales revenue received during the period, partially offset by an increase in cash payments relating to operating expenses.

Profit / Loss

Loss for the three months ended December 31, 2021 was $22.8 million compared to a profit of $114.6 million during the fourth quarter of 2020. The variance in profit/loss for three months ended December 31, 2021 versus the same period in 2020 is primarily attributable to i) a $32.4 million impairment expense recorded during the three months ended December 31, 2021 compared to a $121 million impairment reversal recorded during the same period in 2020, both relating to the Hawler License Area; ii) a $2.8 million increase in operating expenses in the current period mainly due to costs on operational workovers, increased security costs and increased production; and iii) an increase of $3.2 million in depletion recorded in the current period due to a reduction in proved plus probable oil reserve estimates greater than production, partially offset by a lower depletable base. These negative factors have been partially offset by i) a $20.0 million increase in net revenue primarily resulting from increased realized sales price and recovery of carried costs; and ii) a $0.9 million non-cash gain during the current period resulting from the decrease in the fair value of the purchase consideration obligation due on the Hawler License Area compared to a $6.9 million charge for the three months ending December 31, 2020.

Profit for the year ended December 31, 2021 was $10.3 million compared to a loss of $108.7 million in 2020. The variance in profit/loss for the year ended December 31, 2021 versus in the year ended December 31, 2020 is primarily attributable to i) a $63.6 million increase in net revenue resulting from increased realized sales price and recovery of carried costs, and higher sales volumes; ii) a $32.4 million impairment expense recorded during the twelve months ended December 31, 2021 compared to a $117.3 million net impairment expense recorded during the twelve months ended December 31, 2020, both relating to the Hawler License Area; iii) a $15.7 million gain recorded during the twelve months ended December 31, 2021 relating to the deconsolidation of OP Congo SA; iv) a $3.5 million complete reversal of the expected credit loss during the twelve months ended December 31, 2021 compared to a $0.2 million increase to the expected credit loss during the year ended December 31, 2020; v) a $8.0 million reduction in financing costs mainly related to the settlement of a loan facility in July 2020; and vi) a $3.8 million decrease in general and administration expense compared to the year ended December 31, 2020 mainly due to the corporate restructuring which was implemented in Q2 2020, resulting in reduced personnel costs. These positive factors have been partially offset by i) a $26.9 million gain recorded on the settlement of a loan facility during the twelve months ended December 31, 2020; ii) a $11.3 million non-cash charge in the current period resulting from the increase in the fair value of the purchase consideration obligation due on the Hawler License Area; iii) an increase of $15.3 million in depletion recorded in the current period due to a reduction in proved plus probable oil reserve estimates greater than production, partially offset by a lower depletable base; and iv) a $5.3 million increase in operating expenses in the current period mainly due to costs on operational workovers in 2021, increased security costs, increased production in 2021 and the temporary shut-in of the Banan field during the second quarter of 2020.

Capital additions

During the fourth quarter of 2021, the Group recorded capital additions of $20.5 million, consisting of $17.0 million invested in drilling activities in the Banan, Demir Dagh and Zey Gawra fields, $1.1 million invested in facilities, and $2.4 million incurred for directly attributable support costs.

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

During the year ended December 31, 2021, the Group recorded capital additions of $45.8 million, consisting of $39.9 million invested in drilling activities in the Banan, Demir Dagh and Zey Gawra fields, $2.9 million invested in facilities, and $2.9 million incurred for directly attributable support costs. A non-cash credit of $13.6 million was recorded relating to changes in the estimates used to calculate the decommissioning obligation.

Financial position

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

($ thousands)	December 31, 2021	December 31, 2020
Total cash and cash equivalents	24,672	13,158
Working Capital	45,416	(1,846)
Total assets	587,725	605,412
ZOG Credit Facility	-	5,000
Total long-term liabilities	96,095	97,877

The cash and cash equivalents balance of $24.7 million as at December 31, 2021 increased from $13.2 million at December 31, 2020. This increase is due to $51.2 million in cash generated from operating activities partially offset by $34.7 million in cash used in investing activities and $5.0 million in cash used in financing activities.

Working capital improved from negative $1.8 million at December 31, 2020 to positive $45.4 million at December 31, 2021 mainly due to (i) a $21.4 million decrease in the trade and other payables balance; (ii) a $8.5 million increase in the trade and other receivables balance; (iii) a $11.5 million increase in the cash and cash equivalents balance; (iv) a $0.5 million increase in the other current assets balance; and (v) the settlement of the $5.0 million balance related to the ZOG Credit Facility.

The total assets balance decreased to $587.7 million at December 31, 2021 from $605.4 million at December 31, 2020. This change is primarily due to i) an impairment expense of $32.4 million recorded during the year ended December 31, 2021 relating to the Hawler License Area; ii) a depletion expense of $38.2 million; and iii) a $13.6 million non-cash credit relating to the estimates used to calculate the decommissioning obligation. These negative factors were partially offset by i) $45.8 million of capital additions; ii) an $8.5 million increase in trade and other receivables; iii) an $11.5 million increase in cash and cash equivalents; iv) a $0.5 million increase in other current assets; and v) a $0.4 million increase in inventories.

The $1.8 million decrease in total long-term liabilities from December 31, 2020 is due to a $13.6 million decrease to the decommissioning obligation mainly due to changes in estimates used to calculate the liability, partially offset by a $11.3 million increase in the fair value of the purchase consideration balance.

The undiscounted balance of principal and accrued interest owed under the purchase consideration obligation to the vendor of the Hawler License Area as at December 31, 2021 was $76.2 million (December 31, 2020 - $76.4 million).

Business Environment

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

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

On February 15, 2022, the Iraqi Federal Supreme Court (the "**Court**") ruled as unconstitutional the KRG Law No. 28 of 2007, which regulates the oil and gas sector in the KRI. The Court's judgment also provides that the Iraqi Ministry of Oil may pursue the annulment of 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, 2021, the Group received payment for its Hawler oil sales made to the KRG in November 2021.

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

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

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

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

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

Operations Review

Kurdistan Region of Iraq

The following table summarizes production and sales data for the three months ended December 31, 2021, September 30, 2021, and December 31, 2020 and for the year ended December 31, 2021 and December 31, 2020:

	Three months ended			Year ended	
	December 31, 2021	September 30, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Gross (100%) Production (bbl)	1,174,100	1,103,400	1,120,900	4,440,800	3,863,800
Gross (100%) Production per day (bbl/d)	12,800	12,000	12,200	12,200	10,600
WI production (bbl)	763,200	717,200	728,600	2,886,600	2,511,500
WI production per day (bbl/d)	8,300	7,800	7,900	7,900	6,900
WI sales (bbl)	762,300	718,500	728,900	2,885,300	2,512,100
WI sales per day (bbl/d)	8,300	7,800	7,900	7,900	6,900

Production and sales

Gross (100%) oil production for the three months ended December 31, 2021 was 1,174,100 bbl representing an average rate of 12,800 bbl/d. The Group's Working Interest share of oil production during this period was 763,200 bbl representing an average rate of 8,300 bbl/d.

Gross (100%) oil production for the year ended December 31, 2021 was 4,400,800 bbl representing an average rate of 12,200 bbl/d. The Group's Working Interest share of oil production during this period was 2,886,600 bbl representing an average rate of 7,900 bbl/d.

The Group recognized revenue on the sale of 762,300 bbl (Working Interest) and 2,885,300 bbl (Working Interest) of crude oil during the three and twelve months ended December 31, 2021, respectively.

Crude oil sale prices

Commencing in March 2016, the Group began selling crude oil to the KRG's Ministry of Natural Resources at Forza Petroleum's tie-in into the Kurdistan Oil Export Pipeline. The realized prices on sales through this pipeline are referenced to the monthly average Dated Brent crude oil prices, discounted by approximately $8/bbl for pipeline system tariffs and fees, and adjusted for differences in oil gravity and sulphur from standard Brent specifications.

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

	2021				2020			
	Dec 31	Sept 30	June 30	Mar 31	Dec 31	Sept 30	Jun 30	Mar 31
Brent average price ($/bbl)	79.76	73.51	69.19	61.12	44.16	42.95	29.56	50.10
Realized sales price ($/bbl)	63.37	56.81	52.32	44.44	27.44	26.35	15.78	34.03

Hawler license operation, appraisal and early production

Eight wells targeting Cretaceous or Tertiary reservoirs were drilled or spudded during 2021, including, four in the Zey Gawra field, three in the Demir Dagh field and one in the east fault block of the Banan field.

Hawler facilities were further developed with construction of the river crossing for the gathering system to serve the western flank of the Hawler License Area, civil works for drilling pads and a new location for Banan field facilities, along with additional flowlines throughout the area.

Capital Additions

The following table summarizes the capital additions incurred by activity during the three and twelve months ended December 31, 2021 and December 31, 2020:

($ thousands)	Three months ended December 31, 2021	Three months ended December 31, 2020	Year ended December 31, 2021	Year ended December 31, 2020
Middle East				
Drilling	16,992	2,643	39,918	7,796
Facilities	1,106	289	2,943	1,634
Studies, license, and support	2,356	7,980	2,928	8,225
Sub-Total	**20,454**	**10,912**	**45,789**	**17,655**
Decommissioning(1)	291	22	(13,646)	18,404
Total Middle East	**20,745**	**10,934**	**32,143**	**36,059**
Total West Africa	-	-	-	**397**
Corporate	-	-	-	**1**
Total capital additions	**20,745**	**10,934**	**32,143**	**36,457**

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

Middle East

During the three months ended December 31, 2021, the Group invested $17.0 million drilling in the Hawler License Area, incurring costs of $4.4 million on the Demir Dagh-12 Cretaceous well, $3.8 million on the Zey Gawra-8 Tertiary well, $2.8 million on the Demir Dagh-13 Tertiary well, $2.6 million on the Zey Gawra-7 Tertiary well, $1.0 million on the Banan-8 Cretaceous well and $2.4 million on completion works and preparation for future wells. Expenditure of $1.1 million on facilities and $2.4 million on studies and support were also incurred in the period.

The Group recorded capital additions of $39.9 million during the twelve months ended December 31, 2021 related to drilling in the Hawler License Area, comprising $5.7 million on the Zey Gawra-6 Cretaceous well, $5.5 million on the Banan-8 Cretaceous well, $4.3 million on the Zeg Gawra-5 Tertiary well, $3.6 million on the Demir Dagh-2 Cretaceous sidetrack, $7.5 million on the Demir Dagh-12 Cretaceous well, $4.1 million on the Zey Gawra-7 Tertiary well, $3.8 million on the Zey Gawra-8 Tertiary well, $2.8 million on the Demir Dagh-13 Tertiary well, and $2.6 million towards the preparation of future wells. Expenditure of $2.9 million on facilities and $2.9 million in studies and support were also incurred in the period.

During the twelve months ended December 31, 2021, the Group revised the cost estimates used to calculate the decommissioning obligation based on an updated engineering assessment of resources, and the latest contractual prices for equipment and services, required for decommissioning activities. Updated inflation and discount rates were also applied to the calculation. As a result of these changes in estimates, partially offset by new obligations incurred through drilling, a non-cash credit of $13.6 million was recorded during the twelve months ended December 31, 2021.

Cost Pools

Cost Pool for the Hawler License Area, which is available for recovery through future oil sales from the License Area, as at December 31, 2021, is detailed in the table below:

License Area	Location	Gross Cost Pool[3]	Group Working Interest Cost Pool	Costs carried by Forza Petroleum	Costs recovered through cost oil	Group share of recoverable costs available[1][2]
		($ million)	($ million)	($ million)	($ million)	($ million)
Hawler	Iraq – Kurdistan Region	1,036.9	521.3	225.7	(272.9)	474.1

Notes:

(1) Cost Pool balances are subject to audit by relevant government entities.

(2) Forza Petroleum share of costs available for future recovery through the sale of cost oil.

(3) The difference between the Gross Cost Pool and the Group Working Interest Cost Pool is the former includes the partners' share of total expenditure (both carried and not carried by Forza Petroleum) as well as the $137 million deduction to the Group's Working interest Cost Pool agreed in connection with the change in control in July 2020.

Property, plant and equipment and intangible assets

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

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

($ thousands)	Oil & Gas assets	Furniture and fixtures	Total PP&E
As at January 1, 2021	**506,921**	**59**	**506,980**
Capital additions	6,014	-	6,014
DD&A	(8,257)	(20)	(8,277)
Decommissioning	1,008	-	1,008
As at March 31, 2021	**505,686**	**39**	**505,725**
Capital additions	9,309	-	9,309
DD&A	(8,948)	(19)	(8,967)
Decommissioning	(15,640)	-	(15,640)
As at June 30, 2021	**490,407**	**20**	**490,427**
Capital additions	10,004	-	10,004
DD&A	(8,775)	(18)	(8,793)
Decommissioning	1,838	-	1,838
As at September 30, 2021	493,474	2	493,476
Capital additions	20,454	-	20,451
DD&A	(12,262)	(2)	(12,267)
Decommissioning	291	-	297
Impairment (1)	(32,440)	-	(32,440)
As at December 31, 2021	**469,517**	**-**	**469,517**

Notes:

(1) Refer to the "New Accounting Pronouncements, Policies and Critical Estimates" section of this MD&A for further information on the impairment expense recorded during the three months ended December 31, 2021.

Financial Results

Revenue

The following table summarizes Forza Petroleum's revenue for the three and twelve months ended December 31, 2021 and 2020. All oil sold during each of the below periods was produced at the Hawler License Area.

($ thousands)	Three months ended December 31		Year ended December 31	
	2021	2020	2021	2020
Oil Sales	48,303	20,004	157,303	70,910
Recovery of Carried Costs	9,363	3,877	30,493	11,046
Revenue	**57,666**	**23,881**	**187,796**	**81,956**

The Group recognized revenue on the sale of 762,300 bbl (WI) of oil during the three months ended December 31, 2021, compared to revenue on the sale of 728,900 bbl (WI) of oil during the same period in the previous year. Revenue from oil sales of $48.3 million during the fourth quarter of 2021 increased by $28.3 million compared to the three months ended December 31, 2020. The increase is attributable to a 131% increase in realized sales price and 5% increase in sales volumes. A $5.5 million increase in the recovery of carried costs also contributed to the increase in revenue compared to the same period in 2020.

The Group recognized revenue on the sale of 2,885,300 bbl (WI) of oil during the year ended December 31, 2021, compared to revenue on the sale of 2,512,100 bbl (WI) of oil during the previous year. Revenue from oil sales of $157.3 million during the year ended December 31, 2021 increased by $86.4 million compared to the year ended December 31, 2020. The increase is attributable to a 93% increase in realized sales and a 15% increase in sales volumes. The increase in sales volumes versus the earlier period reflects the temporary shut-in of Banan production during the second quarter of 2020. A $19.4 million increase in the recovery of carried costs also contributed to the increase in revenue compared to the year ended December 31, 2020.

Sales volumes are determined by the timing of deliveries into the Kurdistan Oil Export Pipeline and are not directly correlated with production volumes. As at December 31, 2021, the Group's Working Interest share of oil inventory amounted to 12,000 bbl.

Royalties

The following table summarises royalty expense during the three and twelve months ended December 31, 2021 and December 31, 2020:

	Three months ended December 31		Year ended December 31	
($ thousands)	2021	2020	2021	2020
Royalties	**23,610**	**9,777**	**76,940**	**34,660**

All remittances to governments that are directly attributable to the sale of oil during the reporting period, including the government share of Profit Oil but excluding income taxes, are reported as royalties. Royalties increased by $13.8 million during the three months ended December 31, 2021, and by $42.3 million during the year ended December 31, 2021, compared to the same periods in the previous year. The variances in royalties from period to period are attributable to the same factors as those applicable to revenues from oil sales as discussed above.

Operating expense

	Three months ended December 31		Year ended December 31	
($ thousands)	2021	2020	2021	2020
Field operating costs(1)	6,071	4,248	19,548	17,410
Partner's share of operating costs carried by Forza Petroleum	3,269	2,287	10,526	7,396
Operating expense	**9,340**	**6,535**	**30,074**	**24,806**
Sales(2) (bbl)	762,300	728,900	2,885,300	2,512,100
Field operating costs(1) ($/bbl)	**7.96**	**5.83**	**6.78**	**6.93**
Operating expense ($/bbl)	**12.25**	**8.97**	**10.42**	**9.87**

Notes:

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

(2) Forza Petroleum's Working Interest share.

Operating expense of $9.3 million in the three months ended December 31, 2021 increased by $2.8 million compared to the same period in the previous year. The increase in operating expenses is primarily attributable to increased security costs and due to operational workovers. Operating costs per barrel increased during the three months ended December 31, 2021 compared to the three months ended December 31, 2020 due to a 43% increase in costs partially offset by a 5% increase in sales volumes.

Operating expense for the twelve months ended December 31, 2021 increased by $5.3 million compared to the twelve months ended December 31, 2020. The increase in operating expenses is primarily attributable to the temporary reduction in the comparative period due to shutting in Banan field operations in early April 2020 due to poor economics; operations at Banan re-commenced in July 2020. Operating expense per barrel increased during the twelve months ended December 31, 2021 compared to the twelve months ended December 31, 2020 due to a 21% increase in operating expense for the period partially offset, by a 15% increase in sales volumes.

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

($ thousands)	($000)	($/bbl)
Operating expense – three months ended September 30, 2021	**7,256**	**10.10**
Contribution of the following to variance:		
Personnel and camp costs	4	0.01
Well maintenance	1,146	1.50
Facilities lease and maintenance, diesel and operation	1,002	1.31
Security	(68)	(0.09)
Decrease in production	-	(0.58)
Operating expense – three months ended December 31, 2021	**9,340**	**12.25**

General and administration

	Three months ended December 31		Year ended December 31	
($ thousands)	2021	2020	2021	2020
Total General and Administration	**2,168**	**1,200**	**5,657**	**9,491**

General and administration expenses of $2.2 million and $5.7 million, incurred during the three and twelve months ended December 31, 2021, respectively, compared with $1.2 million and $9.5 million in the comparable periods during 2020. The decrease between years is primarily due to the corporate restructuring which was implemented in Q2 2020, resulting in reduced personnel costs for the remainder of 2020 and into 2021.

Impairment

	Three months ended December 31		Year ended December 31	
($ thousands)	2021	2020	2021	2020
Impairment reversal of exploration and evaluation assets	-	-	-	(1,076)
Impairment expense / (reversal) of property, plant and equipment	32,440	(120,953)	32,440	117,292
Total impairment (reversal)	**32,440**	**(120,953)**	**32,440**	**116,216**

During the three months and year ended December 31, 2021, the Group recorded an impairment of $32.4 million related to the Hawler License Area mainly due to a decrease in the proved plus probable production profile, partially offset by higher oil prices. The carrying value of this oil and gas asset at December 31, 2021 is $469.5 million.

During the first quarter of 2020 the Group recorded an impairment charge of $238.2 million related to the Hawler License Area due to a sharp fall in forecast oil prices. During the fourth quarter of 2020, the Group recorded a partial reversal of the impairment in the amount of $121.0 million as a result of a significant recovery in forecast oil prices, partially offset by a decrease in reserves compared to year-end 2019.

Refer to the "New Accounting Pronouncements, Policies and Critical Estimates" section of this MD&A for further information.

Depletion, depreciation and amortization

The following table summarizes the component parts of depletion, depreciation and amortization for the three and twelve months ended December 31, 2021 and 2020:

	Three months ended December 31		Year ended December 31	
($ thousands)	2021	2020	2021	2020
Intangible assets: Amortization	-	4	10	14
PP&E assets: Depreciation	2	20	59	76
Depletion	12,209	8,973	38,184	22,853
Total DD&A	**12,211**	**8,997**	**38,253**	**22,943**

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

The increased depletion charges for the three months ended December 31, 2021 is due to a higher per barrel depletion charge, primarily due to a reduction in proved plus probable oil reserve estimates greater than production, partially offset by a lower depletable base.

Other (expense) / income

The following table summarizes the components of other (expense) / income for the three and twelve months ended December 31, 2021 compared to the same periods in 2020:

	Three months ended December 31		Year ended December 31	
($ thousands)	2021	2020	2021	2020
Curtailment of retirement benefit obligation	10	1,231	10	3,052
Restructuring charge	-	-	-	(558)
Decrease / (increase) of provision against trade and other receivables	(1)	2,670	3,538	(205)
Reduction in / (increase) in materials inventory provision	(191)	321	1,831	(1,530)
Other	(300)	(1)	(300)	48
Other (expense) / income	**(482)**	**4,221**	**5,079**	**807**

Other income for the year ended December 31, 2021 relates primarily to a $3.5 million reduction of the provision against trade and other receivables because of the settlement of overdue receivables and a $1.8 million reduction in the materials inventory provision because of increased activity during the year.

Finance expense

	Three months ended December 31		Year ended December 31	
($ thousands)	2021	2020	2021	2020
Interest expense on loan facility	-	-	-	4,471
Accretion of deferred financing costs on loan facility	-	-	-	2,578
Interest on purchase consideration	-	113	(249)	712
Accretion of decommissioning liability	70	117	374	470
Other	-	-	-	14
Finance expense	**70**	**230**	**125**	**8,245**

Finance expense for the year ended December 31, 2021 relates primarily to the accretion of the decommissioning liability, partially offset by the reversal of interest on the purchase consideration. Decommissioning expenditures are forecast to be incurred in 2038. For year ended December 31, 2020, finance costs were recorded related to accrued interest and accretion of deferred financing costs associated with a loan facility, which was settled in full in July 2020.

On July 9, 2021, the Group entered into an agreement ("**the Forbearance Agreement**") with the seller of OP Hawler Kurdistan Limited ("**OPHKL**"), now a wholly-owned subsidiary of the Company, which established that outstanding purchase consideration would not become due prior to March 31, 2023 in the event of a second commercial discovery.

The Forbearance Agreement establishes that interest would not accrue on the outstanding purchase consideration from July 23, 2020 to March 31, 2023. Therefore, during the year ended December 31, 2021, accrued interest of $0.2 million, previously recorded, was released to income.

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

Income tax expense

The following table summarizes the component parts of income tax expense for the three and twelve months ended December 31, 2021 and December 31, 2020.

	Three months ended December 31		Year ended December 31	
($ thousands)	2021	2020	2021	2020
Current income tax expense	1,024	501	3,633	1,802
Deferred tax (benefit) / expense	(7)	(12)	(11)	(8)
Total income tax expense	**1,017**	**489**	**3,622**	**1,794**

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

Liquidity and Capital Resources

During the year ended December 31, 2021, the Group met its day to day working capital requirements and funded its capital and operating expenditures from cash reserves and receipt of its share of oil sales revenues from the Hawler License Area.

ZOG Credit Facility

On August 26, 2020, the Group entered 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 in September, 2021.

Purchase consideration

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 proceeds in the amount of $71 million plus interest at LIBOR plus 0.25% per annum were due to the seller of OPHKL in the event of notification of a second commercial discovery.

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

On July 9, 2021 the Group entered into an agreement ("**the Forbearance Agreement**") with the seller of OPHKL which established that, in the event of notification of a second commercial discovery, the related contingent consideration would not be payable prior to March 31, 2023.

The Forbearance Agreement establishes that interest will not accrue on the liability from July 23, 2020 to March 31, 2023. Therefore, interest previously accrued from July 23, 2020 until July 8, 2021 was reversed and released to income during the year ended December 31, 2021.

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 distribution were to be made to the Company's shareholders during the forbearance period, an equivalent sum would become payable to the seller of OPHKL, up to the maximum amount of the liability.

Although the above-contemplated negotiations are pending, the Group has determined that the additional purchase liability has now 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 purchase consideration obligation to the vendor of the Hawler License Area as at December 31, 2021 was $76.2 million (December 31, 2020 - $76.4 million). Because no amounts are likely to be payable prior to March 31, 2023, the liability is classified as non-current at December 31, 2021.

Liquidity outlook

The Group expects cash on hand as of December 31, 2021 and cash receipts from net revenues from sales, exclusively made to the KRG at the tie-in to the Kurdistan Oil Export Pipeline, will allow it to fund its forecasted capital expenditures and operating and administrative costs through the end of March 2023. The Group has the ability to tailor its capital program to have the liquidity needed to settle the non-current purchase consideration following the end of the forbearance period on March 31, 2023.

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

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

	Three months ended December 31		Twelve months ended December 31	
($ thousands)	2021	2020	2021	2020
Net cash generated from operating activities	21,386	8,601	51,188	22,102
Net cash used in investing activities	(16,205)	(6,401)	(34,674)	(18,831)
Net cash (used in) / generated by financing activities	-	-	(5,000)	975
Total change in cash	**5,181**	**2,200**	**11,514**	**4,246**
Cash and cash equivalents at beginning of the period	19,491	10,958	13,158	8,912
Cash and cash equivalents at end of the period	**24,672**	**13,158**	**24,672**	**13,158**

The $5.2 million increase in cash during the three months ended December 31, 2021 resulted from $21.4 million in cash generated from operating activities, partially offset by the use of $16.2 million in cash to invest in drilling, facilities and other costs in the Hawler License Area.

The $11.5 million increase in cash during the twelve months ended December 31, 2021 resulted from $51.2 million in cash generated from operating activities, partially offset by the use of $34.7 million in cash to invest in drilling, facilities and other costs in the Hawler License Area and the $5 million repayment of the ZOG Credit Facility.

Risks and uncertainties

The Group's ability to realize cash inflows from crude oil sales is subject to significant uncertainty related to the future performance and productivity of individual wells and production facilities, future crude oil prices, and customer credit risk. In particular, credit risk is impacted by the uncertainty associated with the COVID-19 pandemic, and political tensions between the governments of Iraq and the Kurdistan Region of Iraq.

The Group's ability to secure external financing, if and when required, is also subject to significant uncertainty and is dependent on the Group's performance and on market conditions. Furthermore, the execution of capital investment plans requires significant capital expenditures. Long lead times between initiation of commitments to capital projects and completion thereof are common in the industry. During these lead times, Forza Petroleum expects to incur significant costs at a level which may be difficult to predict. Prevailing market conditions, together with Forza Petroleum's business performance, will impact the Group's ability to realize required cash flows from operating activities and to arrange further financing as needed. While the Group retains the flexibility to defer certain budgeted expenditures and to adjust the timing of its expenditures on the development of the Hawler License Area, slowing the rate of development expenditures related to the Hawler License Area would be likely to impede the Group's ability to achieve expected production and sales levels. Refer to the "Critical estimates" section of this MD&A for additional discussion regarding management's going concern assumption which contemplates that the Group will realize its assets and settle its liabilities and commitments during the 15-month period ending March 31, 2023.

Economic Sensitivities

The following table shows the estimated effect that changes to crude oil prices, Gross (100%) oil sale volumes and operating costs would have had on the Group's profit for the year ended December 31, 2021, had these changes occurred on January 1, 2021. These calculations are based on business conditions, production and sales volumes existing during the year ended December 31, 2021. The 1,000 bbl/d increase assumes the increase is to Gross (100%) sale volumes and the Group's entitlement is calculated according to the provisions of the Hawler PSC.

	Change	Profit impact ($000s)	Profit impact ($ per basic share)
Change in average realized price	$10.00/bbl	19,687	0.03
Change in crude oil sales volumes	1,000 bbl/d	8,825	0.02
Change in operating expenses	$1.00/bbl	2,885	0.00

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

Outstanding Share Data

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

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

In March 2020 the Group issued warrants to acquire 33,149,000 common shares of the Company. The exercise price is $0.1633 per common share and the warrants expire on March 10, 2023.

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

The Company has not paid or declared any dividends during the twelve months ended December 31, 2021.

There were no repurchases of FPL's equity securities by the Company during the year ended December 31, 2021.

Commitments and Contractual Obligations

The table below sets forth information relating to Forza Petroleum's commitments and contractual obligations as at December 31, 2021.

($ thousands)	Within One Year	From 1 to 5 Years	More than 5 Years	Total
Operating leases[(1)]	294	-	-	**294**
Other obligations[(2)]	2,479	9,915	17,354	**29,748**
Total	**2,773**	**9,915**	**17,354**	**30,042**

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

Summary of Quarterly Results

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

($ thousands, unless otherwise stated)	2020				2021			
	Mar 31	Jun 30	Sept 30	Dec 31	Mar 31	Jun 30	Sept 30	Dec 31
Revenue, net of royalties	17,893	2,370	12,983	14,104	21,049	26,974	28,776	34,057
Operating expense	(7,678)	(3,532)	(7,061)	(6,535)	(6,100)	(7,380)	(7,256)	(9,340)
Depletion	(7,579)	(1,636)	(4,666)	(8,997)	(8,234)	(8,953)	(8,788)	(12,209)
G&A	(2,738)	(2,185)	(3,368)	(1,200)	(1,081)	(929)	(1,479)	(2,168)
Profit / (Loss)	(249,590)	(3,854)	30,139	114,562	21,165	4,351	7,572	(22,818)
Earnings / (Loss) per basic and diluted share ($/share)	(0.45)	(0.01)	0.05	0.20	0.04	0.01	0.01	(0.04)
Cash generated from operating activities	6,805	3,079	3,622	8,601	4,207	14,557	13,911	21,386
Gross Production (bbl)	1,295,500	367,600	1,080,000	1,120,900	1,039,100	1,124,200	1,103,400	1,174,100
WI Production (bbl)	842,000	238,900	702,000	728,600	675,400	730,700	717,200	763,200
Gross Sales (bbl)	1,296,700	371,400	1,075,300	1,121,400	1,036,000	1,124,900	1,105,400	1,172,700
WI Sales (bbl)	842,800	241,400	698,900	728,900	673,400	731,200	718,500	762,300
Field operating costs[(1)]	(5,871)	(2,701)	(4,590)	(4,248)	(3,965)	(4,797)	(4,717)	(6,071)
Field operating costs[(1)] ($/bbl)	(6.97)	(11.19)	(6.57)	(5.83)	(5.89)	(6.56)	(6.57)	(7.96)
Brent price ($/bbl)	50.10	29.56	42.95	44.16	61.12	69.19	73.51	79.76
Sales price ($/bbl)	34.03	15.78	26.35	27.44	44.44	52.32	56.81	63.37
Capital additions[(2)]	4,706	406	2,029	10,912	6,017	9,311	10,007	20,457

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

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

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

Loss for the three months ended March 31, 2020 and December 31, 2021 included impairment expense of $238.2 million and $32.4 million, respectively, relating to the Hawler License Area. Profit for the three months ended September 30, 2020 includes a gain of $26.9 million recorded upon settlement of the borrowings. Profit for the three months ended December 31, 2020 includes an impairment reversal of $121.0 million, also relating to the Hawler License Area. Profit for the first quarter of 2021 was impacted by a $15.7 million gain resulting from the liquidation and consequent deconsolidation of OP Congo SA.

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

Operating expenses and capital expenditures for the year ended 2020 and 2021 include increased costs carried by the Group on behalf of partners, partially offset by cost savings following the Banan-4 well workover and decreased security costs. Operating expenses for the three months ended December 31, 2021 also includes the cost of a non-rig workover.

Selected Annual Information

The following table sets forth a summary of Forza Petroleum's results for the years indicated, in each case prepared in accordance with IFRS as issued by the IASB.

	Year ended December 31		
($ thousands except per share amounts)	2021	2020	2019
Revenue	187,796	81,956	150,496
(Loss) / Profit attributable to owners	10,270	(108,743)	(59,199)
(Loss) / Earnings per share (basic and diluted)	0.02	(0.19)	(0.11)
Total assets	587,725	605,412	768,254
Non-current financial liabilities(1)	96,095	97,877	80,985

Notes:
(1) Includes non-current trade and other payables, decommissioning obligation and retirement benefit obligation.

There have been no changes in accounting policies, nor acquisitions. No producing assets have been sold, but certain E&E assets have been relinquished or sold during the three-year period.

Financial and Other Instruments and Off-Balance Sheet Arrangements

Forza Petroleum was not party to any off-balance sheet arrangements during the twelve months ended December 31, 2021 that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of Forza Petroleum. Further, on the date of this MD&A, Forza Petroleum is not party to any such off-balance sheet arrangements.

Refer to the Financial Statements for further information on significant assumptions made in determining the fair value and classification of financial instruments recognized during the period.

Transactions with Related Parties

During the year ended December 31, 2021 the Group acquired $180 thousand in technical services from an entity under common control for interpretation and processing of technical data. The above transactions did not contain unusual commercial terms and the fees charged under the agreements were reasonable and not materially inconsistent with fees which would normally be associated with broadly comparable agreements. All amounts have been settled in full at December 31, 2021.

On August 26, 2020, the Group entered the ZOG Credit Facility from 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 in September, 2021.

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

In each of January and July 2020, and in January 2021 the directors of FPL were awarded $0.2 million in cash as remuneration for services provided in the previous two quarters. In April 2021, July 2021, October 2021 and January 2022 the directors of FPL were awarded $0.1 million in cash as remuneration for services provided during the previous three months.

New Accounting Pronouncements, Policies, and Critical Estimates

New Pronouncements

At the date of this MD&A, the following standards applicable to the Group were issued but not yet effective:

Amendments to 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 1, 2023

The above amended standard will not have a material impact on the Group's Financial Statements.

Critical estimates

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

Going Concern

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

Carrying value of intangible exploration and evaluation assets

The amounts for intangible exploration and evaluation assets represent active exploration projects. If commercial reserves are discovered, the carrying value, less any impairment loss, of the relevant E&E assets 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 of the Financial Statements.

Carrying value of Oil and Gas assets

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

Carrying value of Decommissioning obligation

Estimating the decommissioning 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 of the Financial Statements.

Financial Controls

Disclosure Controls and Procedures

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

An evaluation of the design and operational effectiveness of Forza Petroleum's DC&P in place during 2021 was carried out under the supervision of, and with the participation of, management, including its certifying officers. Based on the evaluation, the certifying officers concluded that the design and operation of the DC&P were effective as at December 31, 2021.

Internal Controls over Financial Reporting

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

An evaluation of the design and operational effectiveness of Forza Petroleum's ICFR in place during 2021 was carried out under the supervision of, and with the participation of management, including its certifying officers. Based on the evaluation, the certifying officers concluded that the design and operation of the ICFR were effective as at December 31, 2021. There were no changes in Forza Petroleum's ICFR during the year ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, Forza Petroleum's ICFR.

Forward-Looking Information

Certain statements in this MD&A constitute "forward-looking information" within the meaning of applicable Canadian securities legislation, including statements related to the nature, timing and effect of Forza Petroleum's forecast and budgeted capital expenditure, financing and capital activities, expectations that cash on hand as of December 31, 2021 and cash receipts from net revenues from sales, exclusively made to the KRG at the tie-in to the Kurdistan Oil Export Pipeline, will allow the Group to fund its forecasted capital expenditures and operating and administrative costs through the end of March 2023, business and acquisition strategy and goals, opportunities, drilling and well workover plans, development plans and schedules and chance of success, results of exploration activities, government approvals, the ability to consistently access the export pipeline or other exterior facilities to sell oil production, sales channels for future sales, future drilling of new wells and the reservoirs to be targeted, costs and drilling times for new wells, ultimate recoverability of current and long-term assets, estimates of oil reserves and resources, future royalties and tax levels, access to and sources of future financing and liquidity, future debt levels, availability of committed credit facilities, possible commerciality of our projects, expected operating capacity, expected operating costs, estimates on a per share basis, future foreign currency exchange rates, the issuance of shares as a result of the vesting of LTIP awards and exercise of outstanding warrants, estimates for the fair value of the purchase consideration arising from the acquisition of OP Hawler Kurdistan Limited in 2011, expectations that the COVID-19 virus outbreak will not restrict operations, the expected timing for settlement of liabilities, changes in any of the foregoing, and statements that contain words such as "may", "will", "would", "could", "should", "anticipate", "believe", "intend", "expect", "plan", "estimate", "budget", "outlook", "propose", "potentially", "project", "forecast" or the negative of such expressions and statements relating to matters that are not historical fact. Although Forza Petroleum believes these statements to be reasonable, the assumptions upon which they are based may prove to be incorrect. In making certain statements in this MD&A, Forza Petroleum has made assumptions with respect to the following: the general continuance of the current or, where applicable, assumed industry conditions, the continuation of assumed tax, royalties and regulatory regimes, forecasts of capital expenditures and the sources of financing thereof, timing and results of exploration activities, access to local and international markets for future crude oil production and future crude oil prices, Forza Petroleum's ability to obtain and retain qualified staff, contractors and personnel and equipment in a timely and cost-efficient manner, the political situation and stability in the jurisdiction in which Forza Petroleum has its license, the ability to renew its license on satisfactory terms, Forza Petroleum's future production levels, the applicability of technologies for the recovery and production of Forza Petroleum's oil reserves and resources, the amount, nature, timing and effects of capital expenditures, geological and engineering estimates in respect of Forza Petroleum's reserves and resources, the geology of the areas in which Forza Petroleum is conducting exploration and development activities, operating and other costs, the extent of Forza Petroleum's liabilities, business strategies and plans of management and Forza Petroleum's business partners, global sanctions imposed in relation to the Russian invasion of Ukraine will not have an impact on the Corporation and its assets and business, and disputes between the Kurdistan Regional Government and the federal government of Iraq, including as recently embodied in the judgment of the Iraqi Federal Supreme Court dated February 15, 2022 regarding the validity of the oil and gas law of the Kurdistan Regional Government, will not materially impact the Corporation, its interests in the Hawler production sharing contract or Hawler license area operations. For more information about these assumptions and risks facing the Group, refer to FPL's Annual Information Form dated March 23, 2021, available at www.sedar.com and the Group's website at www.forzapetroleum.com.

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

Readers are strongly cautioned that the above list of factors affecting forward-looking information is not exhaustive. Although FPL believes that the expectations conveyed by the forward-looking information are reasonable based on information available to it on the date such forward-looking information was made, no assurances can be given as to future results, levels of activity and achievements. Readers should not place undue importance or reliance on the forward-looking information and should not rely on the forward-looking information as of any date other than the date hereof. Further, statements including forward-looking information are made as at the date they are given and, except as required by applicable law, Forza Petroleum does not intend, and does not assume any obligation, to update any forward-looking information, whether as a result of new information or otherwise. If FPL does update one or more statements containing forward-looking information, it is not obligated to, and no inference should be drawn that it will make additional updates with respect thereto or with respect to other forward-looking information. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Glossary and Abbreviations

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

bbl
Barrel(s) of oil

bbl/d
Barrel(s) of oil per day

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

Common Shares
Common shares of the Company

Company or FPL
Forza Petroleum Limited

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

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

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

G&A
General and administration

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

IAS
International Accounting Standards

IFRS
International Financial Reporting Standards

KRG
Kurdistan Regional Government of Iraq

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

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

PP&E
Property, plant and equipment

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

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

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

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

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

Working Interest or WI
The Group's interest in an applicable License Area, assuming the exercise of back-in rights or options

ZOG
Zeg Oil and Gas Limited