FORZA
PETROLEUM

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019

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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 (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, changes in equity and 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 financial position of the Group as at December 31, 2020 and 2019, and its financial performance and its 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.

Material uncertainty related to going concern
We draw attention to Note 2b in the financial statements, which indicates that the Group incurred a net loss of $108.7m during the year ended December 31, 2020 and, as of that date the Group's current liabilities exceed its total current assets. As stated in Note 2b, these events or conditions, along with other matters as set forth in Note 2b, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters
A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matters to be communicated in our auditor's report.

Carrying value of Oil and Gas PP&E assets – refer to Note 2h 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, 2020, the Group held $507m of oil and gas production and development assets within property, plant and equipment ("PP&E"). The continued volatility in the oil price and a reduction in the oil reserves and resources represented indicators of impairment for the Group's oil and gas assets. In 2020 the Group recognised a net impairment charge of $117m against the value of its oil and gas PP&E assets, all of which relates to the Hawler Block in Kurdistan. Please refer to note 7 for further details.

As described in notes 2h 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 asset.

The calculation of the recoverable amount requires management to make estimates of proved and probable hydrocarbon reserves volumes and to exercise judgment in estimating future oil and gas 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

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 reservoir engineering specialists, inquiring of those reservoir engineers regarding the process followed and judgments made to estimate the Group's proved reserve volumes, and reading the reserve report prepared by the Group's specialists
- benchmarking and analysis of oil price assumptions against forward curves and other market data;
- agreeing proven and probable hydrocarbon reserves production profiles to third-party reserves reports;
- 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;
- recalculating and benchmarking of discount rates applied, with involvement from our industry valuation specialists; and
- consideration of evidence that could indicate management bias in the assumptions selected and the application of professional skepticism to address the risk of fraud.

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 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 judgment 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 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 Partner	Robert Purdy Director

Geneva,Switzerland
March 18, 2021

Consolidated Statements of Loss and Comprehensive Loss

		Year ended December 31	
$000s	**Note**	**2020**	**2019**
Revenue	**2g**	81,956	150,496
Royalties	**2g**	(34,660)	(66,226)
Net revenue		**47,296**	**84,270**
Operating expense		(24,806)	(28,944)
Depreciation, depletion and amortisation	**6, 7**	(22,943)	(21,932)
Net impairment expense	**6, 7**	(116,216)	(54,390)
Impairment of asset held for disposal	**12**	-	(13,266)
General and administration expense		(9,491)	(12,007)
Other income / (expense)	**24**	807	(15,018)
Change in fair value of contingent consideration	**30**	110	15,225
Loss from operations		**(125,243)**	**(46,062)**
Gain on settlement of borrowings	**14**	26,892	-
Finance costs	**25**	(8,245)	(9,604)
Foreign exchange loss		(353)	(161)
Loss before income tax		**(106,949)**	**(55,827)**
Income tax expense	**23**	(1,794)	(3,372)
Loss for the year		**(108,743)**	**(59,199)**
Other comprehensive loss net of income tax (Items that will not be subsequently reclassified to profit or loss)			
Loss on defined benefit obligation	**16**	(108)	(776)
Comprehensive loss for the year		**(108,851)**	**(59,975)**
Loss per share (basic and diluted) - $	**20**	**(0.19)**	**(0.11)**

Consolidated Statements of Financial Position

$000s	Note	December 31 2020	December 31 2019
Non-current assets			
Intangible assets	**6**	48,893	101,807
Property, plant and equipment	**7**	506,980	611,552
Deferred tax assets	**23**	229	221
		556,102	**713,580**
Current assets			
Inventories	**8**	8,786	9,421
Trade and other receivables	**9**	26,026	34,461
Other current assets	**10**	1,340	1,880
Cash and cash equivalents	**11**	13,158	8,912
		49,310	**54,674**
Total assets		**605,412**	**768,254**
Current liabilities			
Trade and other payables	**13**	46,156	48,334
ZOG credit facility	**15**	5,000	-
Borrowings	**14**	-	79,883
		51,156	**128,217**
Non-current liabilities			
Trade and other payables	**13**	56,632	56,031
Retirement benefit obligation	**16**	1,760	4,262
Decommissioning obligation	**17**	39,485	20,692
		97,877	**80,985**
Total liabilities		**149,033**	**209,202**
Equity			
Share capital	**18**	1,362,633	1,361,043
Reserves	**21**	23,182	18,594
Accumulated remeasurement of defined benefit obligation, net of income tax		(5,637)	(5,529)
Accumulated deficit		(923,799)	(815,056)
Total equity		**456,379**	**559,052**
Total equity and liabilities		**605,412**	**768,254**

The consolidated financial statements were approved by the Board of Directors and authorised for issue on March 18, 2021.

On behalf of the Board of Directors:

On behalf of the Board of Directors:

signed
Sami Zouari
Director

signed
Peter Newman
Director

Consolidated Statements of Changes in Equity

$000s	Note	Share capital	Reserves	Accumulated deficit	Accumulated remeasurement of defined benefit obligation	Total equity
Balance at January 1, 2019		**1,353,220**	**16,927**	**(755,857)**	**(4,753)**	**609,537**
Loss for the year		-	-	(59,199)	-	(59,199)
Issue of shares to settle debt interest	**18**	5,074	-	-	-	5,074
Issue of warrants	**18**	-	478	-	-	478
Private subscription	**18**	1,425	-	-	-	1,425
Share based payment expense	**21**	-	2,688	-	-	2,688
Shares and cash issued for LTIP	**18, 21**	1,324	(1,499)	-	-	(175)
Loss on defined benefit obligation, net of tax	**16**	-	-	-	(776)	(776)
Balance at December 31, 2019		**1,361,043**	**18,594**	**(815,056)**	**(5,529)**	**559,052**
Loss for the year		-	-	(108,743)	-	(108,743)
Issue of warrants	**18**	-	2,404	-	-	2,404
Share based payment expense	**21**	-	3,774	-	-	3,774
Shares issued for LTIP	**18, 21**	1,590	(1,590)	-	-	-
Loss on defined benefit obligation, net of tax	**16**	-	-	-	(108)	(108)
Balance at December 31, 2020		**1,362,633**	**23,182**	**(923,799)**	**(5,637)**	**456,379**

Consolidated Statements of Cash Flows

$000s	Note	Year ended December 31 2020	2019
Operating activities			
Loss for the year		(108,743)	(59,199)
Items not involving cash	**22**	123,047	86,938
Change in retirement benefit obligation		(642)	(844)
Changes in non-cash working capital	**22**	8,440	1,246
Net cash generated from operating activities		**22,102**	**28,141**
Investing activities			
Acquisition of intangible assets		(741)	(1,530)
Acquisition of property, plant and equipment		(18,090)	(33,535)
Net cash used in investing activities		**(18,831)**	**(35,065)**
Financing activities			
Proceeds from issuance of common shares	**18**	-	1,426
Payment of interest on borrowings	**14**	(4,025)	-
ZOG credit facility drawdown	**15**	5,000	-
Net cash generated from financing activities		**975**	**1,426**
Net increase / (decrease) in cash and cash equivalents		**4,246**	**(5,498)**
Cash and cash equivalents at beginning of the year		8,912	14,410
Cash and cash equivalents at end of the year		**13,158**	**8,912**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Forza Petroleum Limited (formerly Oryx Petroleum Corporation 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 very significant decline in spot and forward crude oil prices during March 2020, occasioned principally by geopolitical events, and exacerbated by the decreasing oil demand due to measures introduced by governments globally to combat the COVID-19 pandemic, resulted in an impairment of the Hawler oil and gas asset at March 31, 2020, which was partially reversed at 31 December 2020 (note 7).

The consolidated financial statements (the "Financial Statements") were authorised for issue by the Board of directors on March 18, 2021.

2. Summary of significant accounting policies

a. Basis of preparation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit and 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 the US Dollar currency (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 realisation 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, 2020, the Group met its day to day working capital requirements and funded its capital and operating expenditures through cash reserves, receipt of its share of oil sales revenues from the Hawler license area and a partial drawdown of the ZOG Credit Facility (note 15, 27).

The Group's ability to continue as a going concern is primarily dependent on the Group's ability to produce, sell and receive payment for crude oil from the Hawler license area.

2. Summary of significant accounting policies (continued)

b. Going concern (continued)

For oil sales up until and including July 2019, the Group had been receiving payment approximately 3 months after the month during which oil was delivered. Accordingly, the payment in respect of oil sales invoiced for July 2019 was received in October 2019. However, there were then increasing delays in receiving payment for oil sales made from August 2019 onwards. Payment of August and September 2019 invoices were received in January and February 2020, respectively.

As provided in a communication from the office of the Prime Minister of the government of the Kurdistan Region of Iraq ("KRI") in late March 2020, the October 2019 oil sales invoice was settled in April 2020. The Prime Minister's communication also proposed that settlement of past due receivables in respect of oil sales made between November 2019 and February 2020 would be deferred for at least nine months and would not attract interest.

In December 2020, the Prime Minister of the government of the KRI communicated that any amounts due to the government, both current unpaid balances as well as future liabilities arising, could be set-off against the overdue receivables. Further, beginning with January 2021 oil sales, monthly payments are being made by the KRI Ministry of Natural Resources against past due receivables. The monthly payment is equal to gross sales barrels from the Hawler license area for the applicable month multiplied by 50% of the amount by which the average dated Brent price for the month exceed $50/bbl.

After the agreed set-off with the KRI Ministry of Natural Resources, the balance outstanding for oil sales during the months of November and December 2019 and January and February 2020 has been reduced to $22 million.

The Group has received full payment for all oil sales made from March 2020 through January 2021.

The Group has identified the following risks to going concern as at December 31, 2020:

i) A loss of $108.7 million was recorded for the year ended December 31, 2020

ii) Current liabilities exceed current assets as at December 31, 2020

The Directors have carefully considered the forecast cash flows for the 15 months following December 31, 2020, 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 Hawler drilling and facilities work program for the next 15 months will be tailored to the funding available for capital expenditure, with commitments and activity being contingent upon continued levels of revenue and collection of outstanding receivables.

In preparing forecasts supporting the going concern assumption, management has applied the following significant judgments and assumptions:

i) Hawler license area oil sales are based on Brent crude oil prices averaging $61.83 per barrel during the 15-month period ending March 31, 2022. If the forecast were to be prepared using an average of $50.00/bbl the going concern conclusion would continue to be supported.

ii) No outflow of cash or other assets in satisfaction of the claim outlined in note 12.

iii) No cash outflows arising from the contingent consideration liability (note 30) prior to March 31, 2022.

If the assumptions listed above, which are largely outside of the control of the directors, are not borne out, then they represent material uncertainties that may cast significant doubt about the Group's ability to continue as a going concern and thus to realise its assets and discharge its liabilities in the normal course of business. Should the Group be unable to meet its obligations as they fall due and to fund its committed capital investments and operating expenditures, the preparation of these Financial Statements on a going concern basis may not be appropriate. The Financial Statements do not reflect adjustments, which may be material, that would be necessary if the going concern assumption were not appropriate.

2. Summary of significant accounting policies (continued)

c. New and amended standards adopted by the Group

Effective January 1, 2020, the Group adopted the following IFRS as amended by the IASB:

Amendments to Standards	Effective for annual periods beginning on or after
Amendments to References in the Conceptual Framework in IFRS Standards	January 1, 2020
Definition of a Business (Amendments to IFRS 3)	January 1, 2020

The above amended standard has not had a material impact on these Financial Statements.

d. New and amended standards issued but not yet effective

At the date of authorisation 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
Classification of Liabilities as Current or Non-Current (Amendments to IFRS 1)	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022

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.

e. 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 recognises 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 recognised 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 recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised 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 recognised 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)

e. 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 recognised 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 recognised 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 recognised 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 recognising the Group's share of the assets, liabilities, revenues, and expenses.

f. 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 (USD), 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 recognised 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 recognised 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 presentation 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.

g. Revenue

The Group recognises revenue associated with the sale of the Group's working interest share of oil and natural gas products when control of the product is transferred to its customer(s) 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 and natural gas 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 and natural gas products (Cost Recovery Oil) and to share in the value of the remaining oil and natural gas 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)

g. Revenue (continued)

All remittances to governments who are party to the applicable Production Sharing Contract ("PSC") 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, 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 recognises the amount as a deduction to royalties with a corresponding income tax expense when the oil and natural gas products are sold.

h. 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 capitalised as intangible E&E assets. Payments to acquire the legal rights to explore, costs of technical work, seismic acquisition, education and training funds, production sharing contract costs, exploratory and appraisal drilling, general technical support and directly attributable administrative costs are capitalised as E&E assets.

E&E costs are not amortised 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 capitalised 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 capitalised 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 recognised 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 capitalised equipment, the remaining carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to expense 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 recognised 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)

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

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

Costs that are capitalised 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 capitalised costs plus the estimated future field development costs. The impact of changes in reserves estimates is accounted for prospectively.

Depreciation on other assets 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 statement of 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 amortised over their expected useful economic lives on a straight-line basis.

i. 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 amortisation 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 recognised if the asset'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 provisions related to non-financial assets other than goodwill are reviewed and subject to reversal at each reporting date. They may be subject to an impairment reversal in the event that the underlying conditions that led to the impairment no longer exist, and that the amount of the reversal is limited to the lower of the amount of the impairment loss or the value of the asset that would have been recorded if no impairment had been recorded.

2. Summary of significant accounting policies (continued)

j. Financial assets

The Group classifies its financial assets in the following categories: 'amortised 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 derecognised 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 amortised cost

Financial assets classified at amortised 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 recognised at the transaction price and subsequently measured at amortised cost using the effective interest rate method.

ii. Financial assets at fair value through profit or loss

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

k. 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 realisable value, taking into account slow moving inventory and obsolescence. Cost is determined by the first-in first-out method. Net realisable 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 realisable value. Cost is determined using the first-in first-out method.

l. Trade and other receivables

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

m. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other highly liquid investments with original maturities of three months or less.

n. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

2. Summary of significant accounting policies (continued)

o. 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 Company 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 substantively 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 recognised to the extent it is probable the Group will have sufficient future taxable earnings available against which the unused tax losses can be utilised.

p. Employee benefits

i. Pension obligations

The Group participates in two Swiss 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 recognised 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 to the terms of the related pension obligation.

The retirement benefit obligation recognised in the statement of financial position represents the deficit or surplus in the Group’s defined benefit plans. Any recognised 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 recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

q. Trade and other payables

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

r. Provisions

Provisions are recognised 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.

2. Summary of significant accounting policies (continued)

r. Provisions (continued)

The Group's activities give rise to dismantling, decommissioning and site disturbance remediation activities. The Group recognises provisions for the estimated cost of site restoration which are capitalised 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 statement 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 recognised 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 recognised 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.

s. Interest income

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

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 amortised cost, and trade and other payables and borrowings are classified as financial liabilities at amortised cost.

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

Classification ($000s)	December 31, 2020	December 31, 2019
Financial assets at fair value through profit or loss	13,158	8,912
Financial assets at amortised cost	26,026	34,461
Financial liabilities at fair value through profit or loss	56,632	56,031
Financial liabilities at amortised cost	51,156	128,217

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 currency risk, fair value interest rate risk, cash flow interest rate risk and 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. 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.

a. Market risk

i. Commodity price risk

The market prices for crude oil and natural gas are 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 recognised during 2020 would have resulted in a decrease or increase respectively of $16.2 million to the loss for the year.

3. Financial risk management (continued)

3.2 Financial risk factors (continued)

a. Market risk (continued)

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 recognised 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 minimise exposure to foreign exchange risks.

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

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 contingent consideration, 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 loss for the year ended December 31, 2020.

The ZOG Credit Facility does not accrue interest (note 15).

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.

For oil sales up until and including July 2019, the Group had been receiving payment approximately 3 months after the month during which oil was delivered. Accordingly, the payment in respect of oil sales invoiced for July 2019 was received in October 2019. However, there were then increasing delays in receiving payment for oil sales made from August 2019 onwards. Payment of August and September 2019 invoices were received in January and February 2020, respectively.

As provided in a communication from the office of the Prime Minister of the government of the KRI in late March 2020, the October 2019 oil sales invoice was settled in April 2020. The Prime Minister's communication also proposed that settlement of past due receivables in respect of oil sales made between November 2019 and February 2020 would be deferred for at least nine months and would not attract interest.

In December 2020, the Prime Minister of the government of the KRI communicated that any amounts due to the government, both current unpaid balances as well as future liabilities arising, could be set-off against the overdue receivables. Further, beginning with January 2021 oil sales, monthly payments are being made by the KRI Ministry of Natural Resources against past due receivables. The monthly payment is equal to gross sales barrels from the Hawler license area for the applicable month multiplied by 50% of the amount by which the average dated Brent price for the month exceed $50/bbl.

3. Financial risk management (continued)

3.2 Financial risk factors (continued)

b. Credit risk (continued)

The Group expects to fully recover the overdue amounts within the next 12 months. The provision held against the receivables balance is $3.6 million at December 31, 2020 (2019 - $3.2 million).

Where a Group company undertakes its activities under joint arrangements, its joint operations partners are obligated to make cash contributions to fund the joint operations and have historically done so. The balance of joint operations receivables/payables, classified within other payables and accrued liabilities, arises from timing differences between cash calls and the expenditure incurred on behalf of joint operations partners. The Group is exposed to credit risk on cash call balances receivable and extends unsecured credit to joint operations partners. The Company has not experienced any material credit losses in the collection of accounts receivable.

The following table presents the credit risk exposure to individual financial institutions as at December 31, 2020 and December 31, 2019:

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

Credit rating	Cash balance at December 31, 2019 ($000s)	Maximum balance with any individual bank during 2019 ($000s)	Number of banks
A1	8,278	21,726	3
Other / not rated /Cash held by Group	634	999	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, 2020 and December 31, 2019. 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, 2020				
Trade and other payables	46,156	76,447	-	-
ZOG credit facility (note 15)	5,000	-	-	-
Decommissioning obligation	-	-	-	60,382
At December 31, 2019				
Trade and other payables	48,334	75,674	-	-
Borrowings (note 14)	80,059	-	-	-
Decommissioning obligation	-	-	-	33,122

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 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 estimates and judgments

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.

Information about critical estimates and judgments that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognised 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.

b. Carrying value of E&E assets

The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written off to the income statement as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment in accordance with the Group's accounting policy. 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 sets out a detailed discussion regarding the critical judgments and estimates used in determining the carrying value of oil and gas assets.

d. Contingent consideration

Estimating the fair value of contingent consideration relating to the acquisition of OP Hawler Kurdistan Limited requires significant judgment as described in note 30.

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, 2020. As at December 31, 2020, 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 costs	Computer Software	Total
Cost			
At January 1, 2019	**99,852**	**2,211**	**102,063**
Additions	1,931	14	1,945
At December 31, 2019	**101,783**	**2,225**	**104,008**
Additions	776	-	776
Disposal of subsidiary (note 14)	(53,676)	-	(53,676)
At December 31, 2020	**48,883**	**2,225**	**51,108**
Accumulated amortisation and impairment			
At January 1, 2019	**-**	**2,188**	**2,188**
Amortisation	-	13	13
At December 31, 2019	**-**	**2,201**	**2,201**
Amortisation	-	14	14
At December 31, 2020	**-**	**2,215**	**2,215**
Carrying amount			
At December 31, 2020	48,883	10	48,893
At December 31, 2019	101,783	24	101,807

The carrying amounts of intangible E&E assets relate to:

$000s	December 31 2020	December 31 2019
Middle East	48,883	48,524
West Africa	-	53,259
	48,883	**101,783**

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 as consideration for the full settlement of borrowings, including accrued interest outstanding. Refer to note 14 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 amounts of the exploration and evaluation asset exceeds its recoverable amount. The group plans to continue the testing of the Ain Al Safra sub-contract area in the coming year.

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, 2019	**902,592**	**3,544**	**906,136**
Additions	36,290	5	36,295
At December 31, 2019	**938,882**	**3,549**	**942,431**
Additions[1]	35,681	1	35,682
At December 31, 2020	**974,563**	**3,550**	**978,113**
Accumulated depreciation, depletion and impairment			
At January 1, 2019	**251,216**	**3,341**	**254,557**
Impairment [2]	54,390	-	54,390
Depreciation	-	75	75
Depletion	21,857	-	21,857
At December 31, 2019	**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**
Carrying amount			
At December 31, 2020	506,921[4]	59	506,980
At December 31, 2019	611,419	133	611,552

(1) Additions for the twelve months ended December 31, 2020 include $17.4 million in non-cash additions relating to the change in the cost estimates relating to the amended PSC terms used to calculate the decommissioning obligation and the change in the discount and inflation rates used to calculate the decommissioning obligation (note 17).

(2) As at December 31, 2019 and March 31, 2020, respectively, the Group recorded successive impairment charges of $54.4 million and $238.1 million relating to the Hawler license area. The impairment charge recorded at March 31, 2020 was partially reversed at December 31, 2020. The impairment charges 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) Oil and Gas assets include a decommissioning asset of $35.1 million (December 31, 2019 - $17.6 million).

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 Ministry of Natural Resources of the Kurdistan Region of Iraq ("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 recognised if and when the carrying amount exceeds the recoverable amount. An impairment reversal is recognised 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 recognised.

Impairment test at December 31, 2020

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, 2020. The indicators of impairment identified include a decrease in proved plus probable oil reserves compared to prior year, and net assets in excess of the market capitalisation of the Company as at December 31, 2020.

In performing the impairment test as at December 31, 2020, 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 26, 2021 ("2P Development Case"), adjusted to reflect management's assumptions related to future crude oil sale prices.

Expected cash inflows from oil sales were based on quoted Brent Crude forward contract prices for 2021 through 2023. Management's Brent Crude assumptions beyond 2023 were benchmarked against the forward contract prices and longer-term pricing forecasts prepared as at January 1, 2021 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)
2021	59.67	Not applicable	59.67	44.58
2022	56.19	Not applicable	56.19	41.87
2023	54.10	Not applicable	54.10	39.65
2024	52.96	57.87	56.40	41.54
2025	52.40	59.00	57.02	42.10
2026	Not applicable	60.15	60.15	45.08
2027	Not applicable	61.33	61.33	45.70
2028	Not applicable	62.53	62.53	46.45
Thereafter	Not applicable	2% escalation	2% escalation	2% escalation

Management applied the fair value less costs of disposal methodology to establish the net present value of expected after-tax cash flows associated with proved plus probable oil reserves as at December 31, 2020 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, therefore the value in use is deemed to be materially consistent with the fair value less costs of disposal. The inputs and assumptions used by management are the same as those a market participant would use.

7. Property, plant and equipment (continued)

In measuring the recoverable amount of the Hawler license area CGU as defined in IFRS 13, 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, 2020 to be $507 million, including the decommissioning asset, for which the associated liability of $38 million is separately recognized within non-current liabilities (note 17). Consequently, the Group recorded a $117.3 million impairment as at December 31, 2020, comprising an interim impairment charge of $238.2 million, initially recorded to reflect an impairment test as at March 31, 2020, less a partial reversal of $120.9 million recorded after a further impairment test as at December 31, 2020.

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, 2020 that resulted from applying various crude oil price forecasts and discount rates:

	Discount rate		
Estimated recoverable amount ($ millions) – based on	**12.5%**	**15%**	**17.5%**
Management Forecast prices less $10/bbl	336	307	212
Management Forecast prices, shown above	552	**507**	467
Management Forecast prices plus $10/bbl	647	602	561

The net present value of expected cash-flows associated with the 2P Development Case is also highly sensitive to the Group's independently evaluated estimation of proved plus probable oil reserves and to the production profile associated with the exploitation of those reserves. Hence the estimated recoverable and carrying values of the Group's Hawler license area CGU are subject to significant adjustment should there be significant changes to estimated oil reserves and/or their anticipated production profile.

8. Inventories

$000s	December 31 2020	December 31 2019
Oil inventory	218	217
Materials, net of provision	8,568	9,204
	8,786	**9,421**

The cost of oil inventory is expensed through production and depletion expenses in the year during which it is sold. As at December 31, 2020 the Group's working interest share of oil inventory was 10,760 bbl (December 31, 2019 – 11,330 bbl).

The Group has adjusted the carrying value of materials inventory to management's estimate of net realisable value. The provision at December 31, 2020 is $6.9 million (December 31, 2019: $7.0 million) and an expense of $1.5 million has been included in other income/expense during the year ended December 31, 2020 (December 31, 2019 – income of $2.2 million) (note 24).

No inventories have been pledged as security during the year.

9. Trade and other receivables

$000s	December 31 2020	December 31 2019
Revenue receivables, net of provision	24,622	33,227
Other receivables	1,404	1,234
	26,026	**34,461**

9. Trade and other receivables (continued)

Trade and other receivables are denominated in US Dollars. The Group received communication from the office of the Prime Minister of the government of the Kurdistan Region of Iraq in late March 2020 proposing that settlement of past due receivables, in respect of oil sales made between November 2019 and February 2020, would be deferred for at least nine months and would not attract interest.

In December 2020, the Prime Minister of the government of the KRI communicated that any amounts due to the government, both current unpaid balances as well as future liabilities arising, could be set-off against the overdue receivables. Further, beginning with January 2021 oil sales, monthly payments are being made by the KRI Ministry of Natural Resources against past due receivables. The monthly payment is equal to gross sales barrels from the Hawler license area for the applicable month multiplied by 50% of the amount by which the average dated Brent price for the month exceed $50/bbl.

The revenue receivables balance at December 31, 2020 is presented net of an expected credit loss provision of $3.6 million (December 31, 2019 – $3.2 million) to reflect discounting and credit risk and is a reasonable approximation of the fair value.

10. Other current assets

$000s	December 31 2020	December 31 2019
Deposits	349	1,149
Prepaid charges and other current assets	991	731
	1,340	**1,880**

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 2020	December 31 2019
US Dollar	12,868	8,334
Swiss Franc	164	499
Other	126	79
	13,158	**8,912**

12. Assets held for disposal

On April 23, 2018, OP Congo SA (formerly Oryx Petroleum Congo SA) (the “Seller”), a wholly-owned subsidiary of the Company, entered into an agreement providing for the sale of a 30% participating 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 also 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 the Sale Agreement.

12. Assets held for disposal (continued)

As at December 31, 2019, the Group adjusted the carrying value of these assets held for disposal to Nil and recorded a payable for the costs awarded to the Seller (note 13). The Group does not expect outflows of cash or other assets in excess of the Seller's assets, which are reflected in these financial statements at nominal carrying values. OP Congo SA, a wholly owned subsidiary of the Company, initiated liquidation proceedings in Congo (Brazzaville) during the year ended December 31, 2020. The Company expects that a liquidator will be formally confirmed in the coming weeks, after which the Company will no longer have control over this entity.

13. Trade and other payables

$000s	December 31 2020	December 31 2019
Trade accounts payable	14,113	6,148
Amounts payable to related parties	-	21
Other payables and accrued liabilities [(1)]	32,043	42,165
Current portion	**46,156**	**48,334**
Contingent consideration, non-current (note 30)	56,632	56,031
Total trade and other payables	**102,788**	**104,365**

(1) Includes $15.7 million for HMB License arbitration award against OP Congo SA (note 12).

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

As at December 31, 2020, the Group has recognised a non-current liability of $56.6 million (December 31, 2019 - $56.0 million) representing the estimated fair value of contingent consideration arising upon the acquisition of OP Hawler Kurdistan Limited. The liability is presented at fair value estimated using the expected present value technique where future cash flows have been discounted at a rate of 10% (notes 25 and 30).

14. Borrowings

Prior to July 23, 2020, the Group's indirect controlling shareholder was The Addax and Oryx Group PLC ("AOG"). Borrowings comprised a loan from a subsidiary of AOG. The carrying value of the loan was measured at amortised cost using the effective interest rate method, and its components are summarised in the table below:

At December 31, 2018	**76,624**
Interest expense	7,983
Accretion of deferred financing costs	350
Extinguishment through issuance of common shares (note 18)	(5,074)
At December 31, 2019	**79,883**
Interest expense	4,471
Deferred financing costs (note 18b)	(2,404)
Accretion of deferred financing costs	2,578
Payment of accrued interest	(4,025)
Settlement (non-cash)	(80,503)
At December 31, 2020	**-**

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 Loan Facility was fully drawn and had an initial maturity of March 10, 2018 (the "Maturity Date"). 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. 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). A gain of $26.9 million was recorded in the Statement of Loss upon settlement of the Borrowings amount and transfer of the shareholding in OP AGC Central Limited. The Borrowings amounted to $80.5 million (including accrued interest) at the date of final settlement.

15. Interim credit facilities

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 has been drawn as at December 31, 2020. There is no commitment fee and, under the original agreement, any amounts drawn under this facility are due for repayment at the earlier of (a) the third business day after the Company has received payments from the MNR representing 50% of the total amount originally owing for oil sales during the period from November 2019 to February 2020, or (b) July 31, 2022. Subsequent to December 31, 2020, the ZOG Credit Facility has matured. The Group has received a waiver from ZOG confirming that no amounts need to be repaid prior to June 30, 2021. The fair value and the carrying value of the ZOG Credit Facility are not materially different.

2020 Interim Credit Facility

On March 11, 2020, the Group entered into a $5 million committed and unsecured short-term credit facility ("2020 Interim Credit Facility") with an affiliate of AOG. Amounts drawn 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 equivalent to 1% of the undrawn amount under the 2020 Interim Credit Facility. The 2020 Interim Credit Facility was terminated at June 22, 2020. The Group did not draw any amounts under the 2020 Interim Credit Facility.

2018 Interim Credit Facility

On November 13, 2018, the Group entered into a committed and unsecured term loan agreement ("2018 Interim Credit Facility") jointly with an affiliate of AOG and ZOG. On September 30, 2019, the 2018 Interim Credit Facility expired in accordance with its terms. No amounts were borrowed by the Group under the facility. The Group incurred a commitment fee equivalent to 1% of the undrawn amount under the 2018 Interim Credit Facility.

16. Retirement benefit obligation

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

The disclosures set out below are based on calculations carried out as at December 31, 2020 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 2020	December 31 2019
Discount rate	0.20%	0.30%
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%

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

$000s	December 31 2020	December 31 2019
Fair value of plan assets	1,966	6,486
Present value of defined benefit obligation	(3,726)	(10,748)
Excess of obligation over value of assets	**(1,760)**	**(4,262)**

16. Retirement benefit obligation (continued)

The change in the defined benefit obligation is as follows:

$000s	2020	2019
Defined benefit obligation, beginning of year	(10,748)	(11,590)
Current service cost	(906)	(1,124)
Interest cost	(25)	(74)
Remeasurement gains / (losses)	476	(976)
Benefits paid / (deposited)	4,984	(262)
Past service gain/(cost)	3,051	(380)
Derecognition pensioners	-	3,834[1]
Translation difference and other	(558)	(176)
Defined benefit obligation, end of year	**(3,726)**	**(10,748)**

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

$000s	2020	2019
Fair value of plan assets, beginning of year	6,486	8,883
Interest income	15	49
(Loss) / return on plan assets	(584)	200
Employer contributions	717	842
Benefits deposited / (paid)	(4,984)	262
Derecognition pensioners [1]	-	(3,834)
Translation gain	316	84
Fair value of plan assets, end of year	**1,966**	**6,486**

(1) During 2019, the Group modified its pension coverage. Certain pensioners, who continue to be covered by the previous and fully funded insurance contract, were derecognised from the Group's current plan in 2019. Plan assets and liabilities related to such pensioners were consequently derecognised.

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 $0.4 million to the defined benefit plan during 2021. Actual contributions for 2020 amounted to $0.7 million.

The amounts recognised in loss for the year comprise the following:

$000s	Year ended December 31 2020	Year ended December 31 2019
Current service cost	906	1,124
Gain on curtailment	(3,051)	-
Past service cost	-	380
Net interest expense	11	26
Other	4	6
Defined benefit (gain)/cost recognised in loss for the year	**(2,130)**	**1,536**

Defined benefit costs of $0.9 million (2019 - $1.5 million) have been included in general and administrative expenses and a $3.1 million gain (2019 – nil) on curtailment of retirement benefit obligations related to former employees has been included in other income.

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

$000s	Year ended December 31 2020	Year ended December 31 2019
Actuarial (gain) / loss	(476)	976
Loss / (return) on plan assets, excluding interest income	584	(200)
Defined benefit cost recognised in other comprehensive income / (loss), net of income tax	**108**	**776**

17. 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, 2020, management has made significant assumptions 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.

The assumed inflation rate used in the calculation to determine the carrying value of the decommissioning obligation was updated on June 30, 2020 to 1.2% (December 31, 2019 – 0.2%). The assumed discount rate was also reviewed as at June 30, 2020 and was updated to 2.4% (December 31, 2019 – 2.5%). Decommissioning obligations, all of which relate to the Hawler license in the KRI are anticipated to be incurred in 2038.

In connection with the 2020 PSC Amendments described in note 7, the Group's share of estimated future cash flows associated with the decommissioning obligation increased during the year ended December 31, 2020.

The estimated net present value of the decommissioning obligation at December 31, 2020 is $39.5 million (December 31, 2019 - $20.7 million) based on the Group's undiscounted liability of $60.4 million (December 31, 2019 - $33.1 million).

$000s	**December 31 2020**	**December 31 2019**
Decommissioning obligation, beginning of the year	**20,692**	**16,674**
Change in future cash flow estimates due to 2020 PSC Amendments (note 7)	13,611	-
Change in inflation rate	4,190	(3,603)
Change in discount rate	455	5,525
Property acquisition and development activity	67	1,631
	39,015	**20,227**
Accretion expense	470	465
Decommissioning obligation, end of the year	**39,485**	**20,692**

18. Share capital

a. Issued common shares

	Number of shares	**Share capital $000s**
At January 1, 2019	**515,031,222**	**1,353,220**
Issue of shares to an affiliate of Lender (note 14)	23,901,430	5,074
Issue of shares for private placement	6,711,444	1,425
Issue of shares for LTIP	6,837,566	1,324
At December 31, 2019	**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**

The Company has unlimited authorised share capital at December 31, 2020.

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 (notes 19, 21).

2019 share capital transactions

On August 19, 2019, the Group extinguished $5.1 million of accrued interest under the Loan Facility described in note 14, in consideration for 23,901,430 common shares of the Company.

18. Share capital (continued)

a. Issued common shares (continued)

On September 3, 2019, the Company issued 6,837,566 common shares to employees under the Group's LTIP.

On September 16, 2019, the Company issued 6,711,444 common shares of the Company to ZOG for cash consideration of $1.4 million (note 27).

b. Warrants

In 2019 and then in March 2020, respectively, in accordance with successive amendments to the Loan Facility (note 13), the Group issued warrants to an affiliate of the Lender to acquire firstly 6,132,804 and then 33,149,000 common shares of the Company. The exercise prices of the two tranches of warrants are, respectively, $0.2094 and $0.1633 per common share. The warrants expire on November 13, 2021 and March 10, 2023, respectively, and comprise a total of 39,281,804 warrants outstanding and exercisable as at December 31, 2020.

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

19. 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, 2020, the Company issued 18,029,159 shares relating to the 2019 LTIP and 7,686,397 shares related to the 2018 LTIP. During the year ended December 31, 2019, the Company issued 3,536,221 shares relating to the 2018 LTIP and 3,301,345 shares related to the 2017 LTIP.

The fair value of share-based payments in respect of officers and employees charged to the statement of loss for the year ended December 31, 2020 was $3.7 million (2019 - $2.7 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.

20. Basic and diluted loss per share

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

	Year ended December 31 2020	Year ended December 31 2019
Loss for the year attributable to equity holders ($000s)	(108,743)	(59,199)
Weighted average number of common shares for basic and diluted loss per share [(1)] [(2)]	563,525,870	528,086,908
Basic and diluted loss per share - $	**(0.19)**	**(0.11)**

(1) The unvested LTIP shares are excluded as they are anti-dilutive (note 19).

(2) Outstanding warrants are excluded from diluted shares for the year ended December 31, 2020 and December 31, 2019 as they are anti-dilutive for the periods.

21. Reserves

$000s	Share based payments	Other Reserves	Total reserves
At January 1, 2019	**14,284**	**2,643**	**16,927**
Share based payment transactions	2,688	-	2,688
Issue of shares and cash for LTIP	(1,499)	-	(1,499)
Issue of warrants (note 18b)	478	-	478
At December 31, 2019	**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 18b)	2,404	-	2,404
At December 31, 2020	**20,539**	**2,643**	**23,182**

22. Supplemental cash flow information

Items not involving cash $000s	Year ended December 31 2020	Year ended December 31 2019
Gain on settlement of borrowings	(26,892)	-
Depreciation, depletion and amortization	22,942	21,932
Share based payment expense	2,653	1,830
Net impairment expense	116,216	54,390
Impairment of asset held for sale	-	13,266
Change in retirement benefit obligation in other comprehensive loss	(108)	-
Unrealised foreign exchange losses	353	72
Income tax (benefit) / expense	(8)	15
Finance costs	8,230	9,538
Change in retirement benefit obligation in loss	922	1,651
Decrease in fair value of contingent consideration	(110)	(15,225)
Other (income) / expense	(1,151)	(531)
Items not involving cash	**123,047**	**86,938**

Cash flows relating to non-cash working capital $000s	Year ended December 31 2020	Year ended December 31 2019
Inventories	(1,064)	2,005
Trade and other receivables	(6,889)	(12,874)
Other current assets	509	(680)
Trade and other payables	13,228	11,725
Cash flows relating to non-cash working capital	**5,784**	**175**

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

$000s	Year ended December 31 2020	Year ended December 31 2019
Operations	8,440	1,246
Investing - PP&E	(675)	(1,247)
Investing - Intangible assets	(1,981)	176
Cash flows relating to non-cash working capital	**5,784**	**175**

22. Supplemental cash flow information (continued)

Other cash flow Information **$000s**	**Year ended December 31 2020**	**Year ended December 31 2019**
Cash income taxes paid	331	193

23. Income tax expense

$000s	**Year ended December 31 2020**	**Year ended December 31 2019**
Current income tax expense	(1,802)	(3,357)
Deferred tax on LTIP shares	8	(15)
Income tax expense	**(1,794)**	(3,372)

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, 2020, income taxes related to oil sales in the Kurdistan Region of Iraq in the amount of $1.6 million (2019 - $3.1 million) were deemed to be collected by the government through its allocation of Profit Oil under the Hawler PSC.

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 2020**	**Year ended December 31 2019**
Loss before income tax	(106,949)	(55,827)
Combined Canadian federal and provincial income tax recovery at the statutory rate	24,230	15,073
Effect of income / (losses) exempt from taxation	(18,760)	-
Effect of tax rates of subsidiaries operating in other jurisdictions	550	635
Effect of non-taxable gains / non-deductible expenses	(533)	(17,049)
Effect of current year non-recognition of deferred tax assets	(7,780)	(2,031)
Other items	499	-
Income tax expense	**(1,794)**	**(3,372)**

Deferred tax assets related to the benefit of other tax deductions and losses have not been recognised as it is not sufficiently probable that these assets will be realised. Cumulative unused tax losses unrecognised in deferred tax assets amount to $102.2 million at December 31, 2020 (December 31, 2019 - $96.6 million).

24. Other income / (expense)

The components of other income / (expense) for the years indicated are as follows:

$000s	**Note**	**Year ended December 31 2020**	**Year ended December 31 2019**
Increase of expected credit loss provision against trade and other receivables	**9**	(205)	(1,432)
(Increase) / reduction in materials inventory provision	**8**	(1,530)	2,182
Provision for arbitration award	**12**	-	(15,731)
Restructuring charges[(1)]		(558)	-
Curtailment of retirement benefit obligation[(1)]	**16**	3,051	-
Other		49	(37)
Other income / (expense)		**807**	**(15,018)**

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

25. Finance costs

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

$000s	Note	Year ended December 31 2020	Year ended December 31 2019
Interest on borrowings	**14**	(4,471)	(7,983)
Accretion of deferred financing costs	**14**	(2,578)	(350)
Interest accrued on contingent consideration	**30**	(712)	(263)
Accretion of decommissioning obligation	**17**	(470)	(465)
Issue of warrants	**21**	-	(478)
Other		(14)	(64)
Finance costs		**(8,245)**	**(9,604)**

26. Subsidiaries

Details of the Company's subsidiaries at December 31, 2020 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] (formerly Oryx Petroleum Holdings PLC)	Malta	Malta	Intermediate holding company	100%
Forza Petroleum Services SA (formerly Oryx Petroleum Services SA)	Switzerland	Switzerland	Administrative / technical services	100%
Forza Petroleum Middle East Limited (formerly Oryx Petroleum Middle East Limited)	BVI	BVI	Intermediate holding company	100%
Forza Petroleum Africa Limited (formerly Oryx 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%
OP Congo SA [2]	Congo	Congo	Inactive	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) OP Congo SA and KPA Western Desert Energy Limited are in the course of liquidation.

27. Related party transactions

Following a change of control in July 2020, the Group's controlling shareholder at December 31, 2020 is ZOG and its ultimate controlling parent is SBK Investment Holdings Limited. The Group's ultimate controlling party is Baz Karim.

Prior to the change of control, the Group's indirect majority shareholder was AOG. The majority of AOG's shares were owned by Clanta Trust, an irrevocable discretionary charitable trust created at the suggestion of Jean Claude Gandur, a former director and chair of the Company. Mr. Gandur is not one of the beneficiaries of Clanta Trust.

27. Related party transactions (continued)

The following transactions were carried out with related parties, which are all subsidiaries of AOG or ZOG.

a. Borrowings (note 14*)*

On March 11, 2015, the Group entered into a committed and unsecured term loan facility agreement with a subsidiary of its 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. Interest and accretion expense of $7.0 million relating to this loan have been recorded for the year ended December 31, 2020 (2019 - $8.3 million). 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). The borrowings amounted to $80.5 million (including accrued interest) at the date of settlement. Management believes the terms and conditions negotiated to be materially comparable to terms applicable to similar market transactions.

b. Interim credit facility (note 15*)*

ZOG Credit Facility

On August 26, 2020, the Group entered the ZOG Credit Facility of which $5 million has been drawn as at December 31, 2020. There is no commitment fee and, under the original agreement, any amounts drawn under this facility are due at the earlier of (a) the third business day after the Company has received payments from the MNR representing 50% of the total amount owing for oil sales during the period from November 2019 to February 2020, or (b) July 31, 2022. Subsequent to December 31, 2020, the ZOG Credit Facility has matured. The Group has received a waiver from ZOG confirming that no amounts need to be repaid prior to June 30, 2021.

2020 Interim Credit Facility

On March 11, 2020, the Group entered into the 2020 Interim Credit Facility with an affiliate of AOG. Amounts drawn 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 equivalent to 1% of the undrawn amount under the 2020 Interim Credit Facility. The 2020 Interim Credit Facility was terminated at June 22, 2020. The Group did not draw any amounts under the 2020 Interim Credit Facility.

2018 Interim Credit Facility

On November 13, 2018, the Group entered into a committed and unsecured term loan agreement jointly with an affiliate of AOG and ZOG. The amount of the 2018 Interim Credit Facility was subsequently reduced to $7.25 million and the availability period to draw funds under the facility was extended to September 25, 2019. On September 30, 2019, the 2018 Interim Credit Facility expired in accordance with its terms. No amounts were borrowed by the Group under the facility.

Management believes the terms and conditions of the above facilities to be materially comparable to terms applicable to similar market transactions.

27. Related party transactions (continued)

c. Purchases of goods and services

$000s	Year ended December 31 2020	Year ended December 31 2019
The Addax and Oryx Group PLC	1,137	1,458
Addax Immobilier SA	244	193
AOG Advisory Services SA	5	3
	1,386	**1,654**

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.

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 2020	Year ended December 31 2019
Wages, salaries and other short-term benefits	3,214	3,978
Post-employment benefits	218	193
Share based compensation	576	809
	4,008	**4,980**

e. Share issuances

On September 16, 2019, the Company issued 6,711,444 common shares of the Company to ZOG for cash consideration of $1.4 million (note 18).

28. 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 14). Segmented information related to the two operating segments and corporate activities is as follows:

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 (expense) / 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	34,985	397	1	35,383
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

28. Segment information (continued)

For the year ended December 31, 2019 $000s	Middle East	West Africa	Corporate	Total
Revenue	150,496	-	-	150,496
Royalty	(66,226)	-	-	(66,226)
Net revenue	**84,270**	**-**	**-**	**84,270**
Operating expense	(28,944)	-	-	(28,944)
Depreciation, depletion and amortisation	(21,844)	-	(88)	(21,932)
Impairment expense	(54,390)	-	-	(54,390)
Impairment of asset held for disposal	-	(13,266)	-	(13,266)
General and administration expense	(4,408)	(726)	(6,873)	(12,007)
Other income / (expense)	713	(15,731)	-	(15,018)
Change in fair value of contingent consideration	15,225	-	-	15,225
Segment result	**(9,378)**	**(29,723)**	**(6,961)**	**(46,062)**
Finance income				(9,604)
Foreign exchange loss				(161)
Loss before income tax				**(55,827)**
Income tax expense				(3,372)
Loss for the year				**(59,199)**
Capital additions	36,415	1,806	19	38,240
Segment assets as at December 31, 2019	706,748	54,370	7,136	768,254
Segment liabilities as at December 31, 2019	184,852	17,562	6,788	209,202

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

$000s	December 31 2020	December 31 2019
Iraq (Kurdistan Region)	555,815	659,842
Senegal and Guinea Bissau	-	53,278
Other	287	360
	556,102	**713,580**

29. Commitments

a. Contractual obligations

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

$000s	December 31 2020	December 31 2019
No later than one year	2,479	17,419
One to five years	9,915	23,428
Greater than five years	19,834	14,503
	32,228	**55,350**

29. Commitments (continued)

a. Contractual obligations (continued)

The commitments noted above reflect the Group's planned execution of expected and contracted exploration and development activities as at December 31, 2020. 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.

30. Contingent liabilities and consideration

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 recognised 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.

Contingent consideration

During 2011, the Group acquired OP Hawler Kurdistan Limited under the terms of a sale and purchase agreement (the "Purchase Agreement").

The Purchase Agreement establishes that additional consideration in the remaining amount of $66 million plus interest at LIBOR plus 0.25% per annum becomes payable if a second Hawler license area discovery, beyond the initially declared Demir Dagh commercial discovery, is declared to be commercial. A financial liability was recognised for the contingent consideration as part of the business combination accounting in 2010 in accordance with IFRS.

While the Purchase Agreement had been amended by subsequent agreements, these have expired and consequently, the terms of the original Purchase Agreement prevail.

For the specific purpose of estimating the fair value of the contingent consideration obligation in accordance with IFRS, management has applied the expected present value technique as they believe that this is the manner in which a market participant would estimate a fair value. Management has accordingly set out possible future cash outflow scenarios and has aggregated the probability-weighted present value of each cash outflow forecast scenario, discounted at a rate of 10% per annum (2019 – 10% per annum).

Management has exercised significant judgment and made significant estimates in order to identify the cash outflow forecast scenarios and possible future circumstances that may cause the contingent consideration to become payable, or not, in its entirety at various future dates or on a scheduled basis.

The scenario outcomes range from Nil cash outflow in the event that the conditions causing the contingent consideration to become payable do not materialize, to a maximum of undiscounted principal and interest in the amount of $98.3 million, if the liability were ultimately to arise and payments were scheduled over time through 2026.

The balance of unpaid principal and accrued interest potentially owed under the contingent consideration obligation to the vendor of the Hawler license area as at December 31, 2020 was $76.4 million. During the twelve months ended December 31, 2020, contingent interest accrued at a rate of 1.02% per annum (year ended December 31, 2019 – 2.71%).

After applying the present value technique, the liability is thus presented at management's estimate of fair value which, as at December 31, 2020, amounted to $56.6 million (December 31, 2019 - $56.0 million) (note 13).

30. Contingent liabilities and consideration (continued)

Management expects that, should a cash outflow related to the contingent consideration liability arise, it is more likely than not that this cash outflow would occur after December 31, 2021. Consequently, the liability has been classified as a non-current liability.

The fair value of the liability was established using a combination of observable inputs other than quoted prices and unobservable inputs derived from management's internal analysis and judgment. As such it is now classified as level 3 in the fair value hierarchy (December 31, 2019 – level 3).