FORZA
PETROLEUM

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

FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019

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

*The following Management's Discussion and Analysis ("**MD&A**") should be read in conjunction with the consolidated financial statements of Forza Petroleum Limited (formerly known as Oryx Petroleum Corporation Limited) ("**FPL**" or, the "**Company**") and its subsidiaries for the years ended December 31, 2020 and 2019 (the "**Financial Statements**"), which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").*

The date of this MD&A is March 18, 2021.

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

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

This MD&A contains non-IFRS measures. Please refer to the "Non-IFRS Measures" section for further information.

Readers should refer to the "Forward-Looking Information" advisory on page 23. Additional information relating to FPL, including FPL's Annual Information Form dated March 23, 2020, is on SEDAR at www.sedar.com. The Company will file an Annual Information Form for the year ended December 31, 2020 on or before March 31, 2021.

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Company Overview

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

Operational Highlights

2020

- Average gross (100%) oil production of 10,600 bbl/d (working interest 6,900 bbl/d) for the year ended December 31, 2020 versus 11,700 bbl/d (working interest 7,600 bbl/d) for the year ended December 31, 2019
- 10% decrease in gross (100%) oil production in 2020 versus 2019 primarily attributed to Banan field wells which were shut-in for three months from early April 2020 in order to optimise economics; 4% increase in gross (100%) oil production in Q4 2020 versus Q3 2020
- Notwithstanding a difficult year resulting from the worldwide outbreak of the COVID-19 virus, which led to suspension of the Group's 2020 capital expenditure program from March through September 2020, Forza Petroleum managed to maintain its operations while preserving the safety of its workforce, advanced the appraisal of the Banan field east of the Great Zab river with a sidetrack of the previously drilled Banan-1 well early in 2020, continued efforts to reduce operating expense per bbl with a workover of the Banan-4 well to replace artificial lift equipment and undertook all preparatory work necessary for a new well targeting the Tertiary reservoir of the Zey Gawra field, spudded on January 1, 2021
- As oil prices began to recover, in July 2020, the Group quickly resumed production from Banan field wells that had been temporarily shut-in
- Gross (working interest) proved plus probable oil reserves of 62 million bbl estimated by Netherland, Sewell & Associates, Inc. as at December 31, 2020

2021

- Average gross (100%) oil production of 11,600 bbl/d (working interest 7,600 bbl/d) and 11,100 bbl/d (working interest 7,200 bbl/d) in January and February 2021, respectively
  - Production rates were a little down on Q4 2020, primarily as the result of reducing the rates of the Banan-5 and Banan-6 wells in the portion of the Banan field west of the Great Zab river to avoid excess production of water
- A new well targeting the Tertiary reservoir of the Zey Gawra field, Zey Gawra-5, was completed during the first week of February 2021. The well is on production flowing 32-degree API oil at solution gas-oil ratio with no water. Production rates from the well are currently restricted but steadily being increased as facilities are being optimized to accommodate the incremental production
- Preparations are underway to spud in April 2021 a well targeting the Cretaceous reservoir of the Banan field east of the Great Zab river, a new reservoir not yet in production. A new well pad, security infrastructure and access road have been constructed in this area where the Group has not yet drilled
- For the balance of 2021, the Group plans to drill three further wells: one in the Zey Gawra field targeting the Cretaceous reservoir, one in the Banan field east of the Great Zab river targeting the Tertiary reservoir and a well in the Demir Dagh field targeting the Cretaceous reservoir
- The Group also plans to install a gathering system to eliminate trucking in the western part of the Hawler License Area to reduce environmental impact and operating expense, and undertake other facilities and maintenance activity
- The worldwide outbreak of the COVID-19 virus, including within Iraq, has not significantly impacted operations. The Group is taking precautions to protect its employees and contractors but does not at this time expect that the virus outbreak will restrict operations

Financial Highlights and Outlook

Liquidity outlook

The Group expects cash on hand as of December 31, 2020 and cash receipts from net revenues from export sales exclusively through the Kurdistan Oil Export Pipeline will allow it to fund its forecasted capital expenditures and operating and administrative costs through the end of 2021, and to settle all payables currently due to suppliers. The contingent consideration obligation is anticipated not to become payable before 2022.

Financial performance

The following table contains financial performance highlights for the three and twelve months ended December 31, 2020 and December 31, 2019.

	Three months ended		Year ended	
($ thousands unless otherwise stated)	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Revenue	23,881	40,879	81,956	150,496
Cash generated from / (used in) operating activities	8,601	(1,558)	22,102	28,141
Operating Funds Flow[(1)]	5,756	(3,918)	13,662	26,895
Operating Funds Flow[(1)] per basic and diluted share ($/share)	0.01	(0.01)	0.02	0.05
Profit / (Loss) for the period	114,562	(81,334)	(108,743)	(59,199)
Earnings / (Loss) per basic and diluted share ($/share)	0.20	(0.15)	(0.19)	(0.11)
Average sales price ($/bbl)	27.44	47.32	28.23	48.72
Field production costs[(2)] ($/bbl)	5.83	7.44	6.93	7.96
Operating expense ($/bbl)	8.97	9.73	9.87	10.41
Field Netback[(1)] ($/bbl)	7.32	16.05	6.79	15.95
Forza Petroleum Netback[(1)] ($/bbl)	9.50	19.00	8.25	18.90
Capital additions	10,934	13,390	36,457	38,240

Notes:

(1) Operating Funds Flow, Field Netback, and Forza Petroleum Netback are non-IFRS measures. See the "Non-IFRS Measures" section of this MD&A.

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

Revenue and cash receipts

Revenue of $23.9 million was recorded for the three months ended December 31, 2020. Included in revenue is $20.0 million ($27.44/bbl) realised on the sale of 728,900 bbl (WI) of crude oil and $3.9 million related to the recovery of costs carried on behalf of partners. Revenue for the fourth quarter of 2020 decreased by $17.0 million compared to the same period in 2019. The decrease is attributable to a 42% decrease in realised sales price and a 6% decrease in sales volumes.

Revenue of $82.0 million was recorded for the year ended December 31, 2020. Included in revenue is $70.9 million ($28.23/bbl) realised on the sale of 2,512,100 bbl (WI) of crude oil and $11.0 million related to the recovery of costs carried on behalf of partners. Revenue for the year ended December 31, 2020 decreased by $68.5 million compared to the same period in 2019. The decrease is attributable to a 42% decrease in realised sales price and a 10% decrease in sales volumes.

All sales during the year ended December 31, 2020 were made via the Kurdistan Oil Export Pipeline.

For oil sales up until and including July 2019, the Group had been receiving payment approximately three 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 now being made by the KRI Ministry of Natural Resources against the $22 million in past due receivables. The monthly additional 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 exceeds $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.

Field production costs and netbacks

Field production costs during the fourth quarter of 2020 amounted to $4.2 million ($5.83/bbl) in comparison to $5.8 million ($7.44/bbl) during the fourth quarter of 2019, representing a 26% decrease on a per barrel basis. The per barrel decrease was primarily due to a decrease in absolute costs, partially offset by a decrease in sales volumes.

Field Netback of $7.32/bbl for the three months ended December 31, 2020 has decreased by 54% from $16.05/bbl for the fourth quarter of 2019. The primary drivers for reduced Field Netbacks from the fourth quarter of 2019 has been lower average sales prices partly offset by the decrease in per barrel field production costs.

Field production costs for the twelve months ended December 31, 2020 amounted to $17.4 million ($6.93/bbl) in comparison to $22.1 million ($7.96/bbl) for the twelve months ended December 31, 2019, representing a 13% decrease on a per barrel basis. The per barrel decrease was primarily due to a decrease in absolute costs, partially offset by a decrease in sales volumes.

Field Netback of $6.79/bbl for the twelve months ended December 31, 2019 has decreased by 57% from $15.95/bbl for the twelve months ended December 31, 2019. The primary drivers for reduced Field Netbacks from the twelve months ended December 31, 2019 has been lower average sales prices partly offset by the decrease in per barrel field production costs.

Operating Funds Flow

Operating Funds Flow for the fourth quarter of 2020 was $5.8 million compared to negative $3.9 million during the same period in 2019. Operating Funds Flow for the three and twelve months ended December 31, 2019 was impacted by the negative and non-recurring $15.7 million provision for the Haute Mer B arbitration award recorded during the fourth quarter of 2019. The positive impact of this nonrecurring item in 2020 is partially offset by decreased cash generated from the Group's ongoing operation. This is primarily due to lower Forza Petroleum Netbacks which have contributed cash in excess of cash general and administrative expenditure.

For the year ended December 31, 2020, Operating Funds Flow was $13.7 million compared to $26.9 million during the year ended December 31, 2019, representing a 49% decrease. The positive impact of the Haute Mer B arbitration award in 2020 is partially offset by decreased cash generated from the Group's ongoing operation. This is primarily due to lower Forza Petroleum Netbacks which have contributed cash in excess of cash general and administrative expenditure.

Cash generated from operating activities during the quarter ended December 31, 2020 amounted to $8.6 million reflecting Operating Funds Flow of $5.8 million combined with a $2.8 million decrease in non-cash working capital which was primarily related to an increase in trade and other payables, partially offset by an increase in oil sales receivables.

Cash generated from operating activities during the year ended December 31, 2020 amounted to $22.1 million reflecting Operating Funds Flow of $13.7 million and a $8.4 million decrease in non-cash working capital which was primarily related to an increase in trade and other payables, partially offset by an increase in oil sales receivables.

Profit / Loss

Profit for the three months ended December 31, 2020 was $114.6 million compared to a loss of $81.3 million during the fourth quarter of 2019. The variance in profit/loss for three months ended December 31, 2020 in comparison to the same period in 2019 is primarily attributable to i) a $121.0 million impairment reversal recorded during the three months ended December 31, 2020 compared to a $54.4 million impairment expense recorded during the same period in 2019, both relating to the Hawler License Area, ii) non-recurring charges during the three months ended December 31, 2019 in relation to the Haute Mer B exploration license comprising an impairment of Assets held for disposal of $13.3 million and provision for a tribunal award of $15.7 million, and iii) a $2.7 million decrease to the trade and other receivables provision during the three months ended December 31, 2020 compared to a $1.5 million increase to the provision during the same period in 2019. These positive factors have been partially offset by i) a decrease in net revenue of $8.8 million resulting from a 42% decrease in the realised sales price combined with a 6% decrease in sales volumes, and ii) an increase of $9.2 million in the non-cash loss resulting from the increase in the fair value of the contingent consideration obligation potentially due to the Hawler License Area and associated interest.

Loss for the year ended December 31, 2020 was $108.7 million compared to $59.2 million in 2019. The variance in loss for the year ended December 31, 2020 in comparison to the same period in 2019 is primarily attributable to i) an increased impairment expense of $61.8 million in 2020 compared to the prior year; the impairment expense in both years relating to the Hawler License Area, and ii) a decrease in net revenue of $37.0 million resulting from a 42% decrease in the realised sales price combined with a 10% decrease in sales volumes. These negative factors have been partially offset by i) a $26.9 million gain recorded on the settlement of the Loan Facility (see the "Shareholder and Loan Facility Restructuring" section of this MD&A), and ii) non-recurring charges during the three months ended December 31, 2019 in relation to the Haute Mer B exploration license comprising an impairment of Assets held for disposal of $13.3 million and provision for a tribunal award of $15.7 million.

Capital additions

During the fourth quarter of 2020, the Group recorded capital additions of $11.0 million. The Group recorded $7.5 million in additions relating to Hawler License Area costs. Additional amounts of $3.0 million were invested on drilling and facilities activities in the Banan, Zey Gawra and Demir Dagh fields in the Hawler License Area.

During the year ended December 31, 2020, the Group recorded net capital additions of $36.5 million. The Group invested $7.8 million primarily on drilling activities in the Banan field and $1.6 million on facilities in the Hawler License Area. The Group also recorded $7.5 million in additions relating to Hawler License Area costs. As part of the 2020 PSC Amendments, the Group agreed to finance all costs attributed to the 35% interest it does not own for the duration of the development period. Accordingly, included in the capital additions for the year ended December 31, 2020, is an $18.4 million non-cash increase primarily related to increased expected future, decommissioning cash outflows as a result of the 2020 PSC Amendments, and the changes in discount and inflation rates used to calculate the decommissioning obligation.

Financial position

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

($ thousands)	December 31, 2020	December 31, 2019
Total cash and cash equivalents	13,158	8,912
Working Capital	(1,846)	(73,543)
Total assets	605,412	768,254
Borrowings	-	79,883
ZOG Interim Credit Facility	5,000	-
Total long-term liabilities	97,877	80,985

The cash and cash equivalents balance of $13.2 million as at December 31, 2020 increased from $8.9 million at December 31, 2019. This increase is due to $22.1 million in cash generated from operating activities and $1.0 million in cash generated from financing activities. These positive movements are partially offset by $18.8 million in cash used in investing activities.

Working capital improved from negative $73.5 million at December 31, 2019 to negative $1.8 million at December 31, 2020 mainly due to i) the settlement of the borrowings balance (refer to the "Shareholder and Loan Facility Restructuring" section of this MD&A), ii) a $4.2 million increase in cash, and iii) a $2.2 million decrease in current trade and other payables. These positive factors were partially offset by i) an $8.4 million decrease in trade and other receivables, and ii) a $5.0 million drawdown of the ZOG credit facility during 2020.

The total assets balance decreased to $605.4 million at December 31, 2020 from $768.3 million at December 31, 2019. This change is primarily due to i) a net impairment expense of $117.3 million recorded during the year ended December 31, 2020 relating to the Hawler License Area, combined with depletion expense of $22.9 million, partially offset by $36.1 million of additions, ii) the sale of the shares of the formerly wholly-owned subsidiary which holds the AGC Central License Area resulting in a $52.9 million decrease in intangible assets (refer to the "Shareholder and Loan Facility Restructuring" section of this MD&A), and iii) an $8.4 million decrease in trade and other receivables. These negative factors were partially offset by a $4.2 million increase in cash and cash equivalents.

The $16.9 million increase in total long-term liabilities from December 31, 2019 is due to the $18.8 million increase in the decommissioning obligation balance primarily due to increased expected cash outflows as a result of the 2020 PSC Amendments and the change in discount and inflation rates used to calculate this balance. This variance is partially offset by a $2.5 million decrease in the retirement benefit obligation balance primarily due to a curtailment gain recorded.

The undiscounted balance of 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 (December 31, 2019 - $75.7 million).

Business Environment

Following various destabilising geopolitical events impacting the KRI over several years, relative political stability has supported conditions where the Group has been able to continue its activities in the KRI. However, the recent impact of the COVID-19 pandemic and oil price volatility compounds uncertainty associated with unresolved political disputes, and their eventual impact on the Group's operations may be significant and remains unclear. Political and other risk factors which are disclosed in FPL's Annual Information Form could have an adverse effect on Forza Petroleum's performance.

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

Uncertainty related to global, social, political, and economic conditions and the resulting changes in global oil supply chains and infrastructure investment contribute to volatility in the price of crude oil. Most recently, the global response to the spread of COVID-19 has decreased global economic activity and, correspondingly, the demand for and price of crude oil. The related uncertainty regarding returns on investments in upstream oil and gas exploration and development has impacted the availability and cost of capital resources. In late March 2020, the KRG advised that payments overdue for oil sales from November 2019 through February 2020 to International Oil Companies, including Forza Petroleum, would be delayed by at least nine months. In December 2020, the KRG announced a repayment plan which is detailed in the "Revenue and cash receipts" section of this MD&A. There remains an ongoing risk that any degradation of the regional security situation could have a material adverse effect on the operating and financial performance of the Group.

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

The market on which oil produced from the Hawler License Area is sold affects the price realised and, consequently, Forza Petroleum's cash flows. Complexities in local, regional, and international market access may impact the Group's realised oil sales prices and its future ability to sell its produced oil. In March 2016, the Group initiated crude oil deliveries to international markets through the Kurdistan Oil Export Pipeline. Although management has not experienced, and does not expect, restrictions on its ability to access pipeline capacity, Forza Petroleum is not aware of official allocations of export pipeline capacity and is uncertain as to the extent to which its future production will continue to able to be sold through this export pipeline. Commercial arrangements currently in place to sell oil produced from the Hawler License Area may not continue to be in effect.

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

With the exception of the items discussed above, together with risks disclosed in FPL's Annual Information Form dated March 23, 2020, management has not identified trends or events that are expected to have a material adverse effect on the financial performance of Forza Petroleum.

Operations Review

Kurdistan Region of Iraq

The following table summarises production and sales data for the three months ended December 31, 2020, September 30, 2020, and December 31, 2019 and for the year ended December 31, 2020 and December 31, 2019:

	Three months ended			Year ended	
	December 31, 2020	September 30, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Gross (100%) Production (bbl)	1,120,900	1,080,000	1,201,000	3,863,800	4,278,100
Gross (100%) Production per day (bbl/d)	12,200	11,700	13,100	10,600	11,700
Participating interest production (bbl)	728,600	702,000	780,700	2,511,500	2,780,800
Participating interest production per day (bbl/d)	7,900	7,600	8,500	6,900	7,600
Participating interest sales (bbl)	728,900	698,900	777,800	2,512,100	2,781,000
Participating interest sales per day (bbl/d)	7,900	7,600	8,500	6,900	7,600

Production and sales

Gross (100%) oil production for the three months ended December 31, 2020 was 1,120,900 bbl representing an average rate of 12,200 bbl/d. The Group's participating interest share of oil production during this period was 728,600 bbl representing an average rate of 7,900 bbl/d.

Gross (100%) oil production for the year ended December 31, 2020 was 3,863,800 bbl representing an average rate of 10,600 bbl/d. The Group's participating Interest share of oil production during this period was 2,511,500 bbl representing an average rate of 6,900 bbl/d. The decrease in production and sales volumes during the year ended December 31, 2020 is primarily attributable to decreased production from the Banan field wells which were shut-in for three months from early April 2020 in order to optimise economics.

The Group recognised revenue on the sale of 728,900 bbl (Working Interest) and 2,512,100 bbl (Working Interest) of crude oil during the three and twelve months ended December 31, 2020, respectively.

Crude oil sale prices

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

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

	2020				2019			
	Dec 31	Sept 30	June 30	Mar 31	Dec 31	Sept 30	Jun 30	Mar 31
Brent average price ($/bbl)	44.16	42.95	29.56	50.10	63.08	62.00	68.86	62.93
Realised sales price ($/bbl)	27.44	26.35	15.78	34.03	47.32	46.05	53.47	48.35

Netbacks

The following table summarises the Field Netback and Forza Petroleum Netback for the three months ended December 31, 2020 and 2019:

	Three months ended December 31, 2020		Three months ended December 31, 2019	
	($ thousands)	($/bbl)	($ thousands)	($/bbl)
Oil sales	20,004	27.44	36,802	47.32
Royalties	(9,777)	(13.41)	(17,989)	(23.13)
Field production costs(1)	(4,248)	(5.83)	(5,784)	(7.44)
Current taxes	(639)	(0.88)	(543)	(0.70)
Field Netback(2)	**5,340**	**7.32**	**12,486**	**16.05**
Recovery of Carried Costs	3,877	5.32	4,077	5.24
Partner share of production costs	(2,287)	(3.14)	(1,779)	(2.29)
Forza Petroleum Netback(2)	**6,930**	**9.50**	**14,784**	**19.00**

Notes:
(1) Field production costs represent the Forza Petroleum's participating Interest share of gross production costs and exclude partner share of production costs which are being carried by Forza Petroleum.
(2) Field Netback and Forza Petroleum Netback are non-IFRS measures. See the "Non-IFRS Measures" section of this MD&A.

Field Netback for the three months ended December 31, 2020 of $5.3 million incorporates field production costs of $4.2 million. On a per barrel basis, Field Netback has decreased to $7.32/bbl for the three months ended December 31, 2020 from $16.05/bbl for the three months ended December 31, 2019. This variance is attributable to a decrease in the realised sales prices, partially offset by a decrease in per barrel field production costs.

The following table summarises the Field Netback and Forza Petroleum Netback for the year ended December 31, 2020 and 2019:

	Year ended December 31, 2020		Year ended December 31, 2019	
	($ thousands)	($/bbl)	($ thousands)	($/bbl)
Oil sales	70,910	28.23	135,488	48.72
Royalties	(34,660)	(13.80)	(66,226)	(23.81)
Field production costs(1)	(17,410)	(6.93)	(22,134)	(7.96)
Current taxes	(1,794)	(0.71)	(2,782)	(1.00)
Field Netback(2)	**17,046**	**6.79**	**44,346**	**15.95**
Recovery of Carried Costs	11,046	4.40	15,008	5.40
Partner share of production costs	(7,396)	(2.94)	(6,810)	(2.45)
Forza Petroleum Netback(2)	**20,696**	**8.25**	**52,544**	**18.90**

Notes:
(1) Field production costs represent the Forza Petroleum's participating Interest share of gross production costs and exclude partner share of production costs which are being carried by Forza Petroleum.
(2) Field Netback and Forza Petroleum Netback are non-IFRS measures. See the "Non-IFRS Measures" section of this MD&A.

Field Netback for the year ended December 31, 2020 of $17.0 million incorporates field production costs of $17.4 million. On a per barrel basis, Field Netback has reduced to $6.79/bbl for the year ended December 31, 2020 from $15.95/bbl for the year ended December 31, 2019. This variance is attributable to a decrease in the realised sales prices, partially offset by a decrease in per barrel field production costs.

Hawler license operation, appraisal and early production

Production from the Demir Dagh and Zey Gawra fields continued throughout 2020. Production from the Banan field was shut-in in for three months in early April 2020 in order to optimise economics. Production from the Banan field is subject to higher oil quality discounts and involves higher per barrel facilities operating costs than the Group's other fields. Operations at Banan re-commenced in July 2020 in recognition of increasing Brent crude oil prices.

A workover of the Banan-4 well to replace a rental pump with equipment owned by the Group was successfully completed in November 2020, achieving monthly operating expense savings of more than $100,000.

A new well targeting the Tertiary reservoir of the Zey Gawra field, Zey Gawra-5, was completed during the first week of February 2021. The well is on production flowing 32-degree API oil at solution gas-oil ratio with no water. Production rates from the well are currently restricted but steadily being increased as facilities are being optimized to accommodate the incremental production.

The worldwide outbreak of the COVID-19 virus, including within Iraq, has not significantly impacted operations. The Group is taking precautions to protect its employees and contractors but does not at this time expect that the virus outbreak will restrict operations.

West Africa

AGC Central License Area

On July 23, 2020, the Group's shares of OP AGC Central Limited, the former wholly-owned subsidiary of the Company that holds interests in the AGC Central License Area were transferred to an affiliate of AOG as consideration for the full settlement of the Loan Facility. Refer to the "Shareholder and Loan Facility Restructuring" section of this MD&A for further information.

Capital Additions

The following table summarises the capital additions incurred by activity during the three and twelve months ended December 31, 2020 and December 31, 2019:

	Three months ended		Year ended	
($ thousands)	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Middle East				
Drilling	2,643	9,325	7,796	26,743
Facilities	289	975	1,634	3,224
Studies, license, and support	7,980	2,319	8,225	4,816
Sub-Total	**10,912**	**12,619**	**17,655**	**34,783**
Decommissioning(1)	22	69	18,404	1,632
Total Middle East	**10,934**	**12,688**	**36,059**	**36,415**
Total West Africa	**-**	**702**	**397**	**1,806**
Corporate	**-**	**-**	**1**	**19**
Total capital additions	**10,934**	**13,390**	**36,457**	**38,240**

Note:

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

Middle East

During the three months ended December 31, 2020, the Group invested $10.9 million in the Hawler License Area. The Group capitalised $7.5 million of license costs. Drilling costs of $1.3 million and $0.8 million were incurred on the Banan-4 workover and the Zeg-5 Tertiary well, respectively, during the quarter. Additional drilling costs of $0.5 million were incurred in preparation for drilling future wells. Expenditure of $0.3 million on facilities and $0.4 million on studies and support were also incurred in the period.

The Group recorded capital additions of $36.5 million during the year ended December 31, 2020. The Group invested $7.8 million in drilling costs primarily related to the horizontal sidetrack of the previously drilled Banan-1 well, the Banan-4 workover, the Zeg-5 Tertiary well, and costs relating to preparation for drilling. The Group capitalised $7.5 million of license costs during the year ended December 31, 2020. Expenditure of $1.6 million on facilities and $0.7 million on studies and support were also incurred in the period. Included in the capital additions for the year ended December 31, 2020 is also a $18.4 million non-cash increase primarily related to the 2020 PSC Amendments and the change in discount and inflation rates used to calculate the decommissioning obligation. See "Shareholder and Loan Facility Restructuring" section of this MD&A for further detail on the 2020 PSC Amendments.

West Africa

Capital additions of $0.4 million for the year ended December 31, 2020 were primarily comprised of costs related to preparation for drilling, the conduct of an environmental and social impact assessment, and directly attributable technical support costs in the AGC Central License Area prior to the divestment of the license area described in the "Shareholder and Loan Facility Restructuring" section of this MD&A.

Cost Pools

Cost Pool for the Hawler License Area, which is available for recovery through future oil sales from the License Area, as at December 31, 2020, is detailed in the table below:

License Area	Location	Gross Cost Pool	Group participating interest Cost Pool	Costs carried by Forza Petroleum	Costs recovered through cost oil	Group share of recoverable costs available[(1)(2)]
		($ million)	($ million)	($ million)	($ million)	($ million)
Hawler	Iraq – Kurdistan Region	959.5	471.0	210.2	185.8	495.4

Notes:

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

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

Property, plant and equipment and intangible assets

The capital additions described in the sections above, net of depletion, depreciation and amortisation ("**DD&A**") and net impairment reversals, have resulted in the following movements in intangible asset and PP&E balances during the three months ended March 31, 2020, June 30, 2020, September 30, 2020 and December 31, 2020:

($ thousands)	Exploration and Evaluation Assets	Other Intangible Assets	Total Intangible Assets
As at January 1, 2020	**101,783**	**24**	**101,807**
Capital additions	200	-	200
DD&A	-	(3)	(3)
As at March 31, 2020	**101,983**	**21**	**102,004**
Capital additions, net of credit relating to estimates made in prior period[(2)]	(157)	-	(157)
DD&A	-	(4)	(4)
Transfer to Assets held for disposal[(1)]	(53,676)	-	(53,676)
As at June 30, 2020	**48,150**	**17**	**48,167**
Additions	732	-	732
DD&A	-	(3)	(3)
As at September 30, 2020	**48,882**	**14**	**48,896**
Capital additions	1	-	1
DD&A	-	(4)	(4)
As at December 31, 2020	**48,883**	**10**	**48,893**

Notes:

(1) On July 23, 2020, the Group's shares of OP AGC Central Limited, the former wholly-owned subsidiary of the Company that holds interests in the AGC Central License Area, were transferred to an affiliate of AOG as consideration for the full settlement of the Loan Facility. Refer to the "Shareholder and Loan Facility Restructuring" section of this MD&A for further information.

(2) During the three months ended June 30, 2020, the Group recorded a credit to additions and an equivalent impairment reversal of $1.1 million due to revisions in accruals for costs that had been estimated in prior periods relating to a previously divested E&E asset. The additions amount in the table above has been presented net of the associated impairment reversal during the period.

($ thousands)	Oil & Gas assets	Furniture and fixtures	Total PP&E
As at January 1, 2020	**611,420**	**133**	**611,552**
Capital additions	4,491	17	4,508
DD&A	(7,573)	(18)	(7,591)
Impairment[(1)]	(238,245)	-	(238,245)
As at March 31, 2020	**370,093**	**131**	**370,224**
Capital additions	5,241	(15)	5,226
DD&A	(1,595)	(20)	(1,615)
As at June 30, 2020	**373,739**	**96**	**373,835**
Capital additions	15,014	-	15,014
DD&A	(4,685)	(18)	(4,703)
As at September 30, 2020	**384,068**	**78**	**384,146**
Capital additions	10,934	-	10,934
DD&A	(9,033)	(20)	(9,053)
Impairment reversal[(1)]	120,953	-	120,953
As at December 31, 2020	**506,922**	**58**	**506,980**

Notes:

(1) Refer to the "New Accounting Pronouncements, Policies and Critical Estimates" section of this MD&A for further information on the impairment and partial reversal recorded during the three months ended March 31, 2020 and December 31, 2020.

Financial Results

Revenue

The following table summarises Forza Petroleum's revenue for the three and twelve months ended December 31, 2020 and 2019. All oil sold during each of the below periods was produced at the Hawler License Area.

	Three months ended December 31		Year ended December 31	
($ thousands)	2020	2019	2020	2019
Oil Sales	20,004	36,802	70,910	135,488
Recovery of Carried Costs	3,877	4,077	11,046	15,008
Revenue	**23,881**	**40,879**	**81,956**	**150,496**

The Group recognised revenue on the sale of 728,900 bbl (participating interest) of oil during the three months ended December 31, 2020, compared to revenue on the sale of 777,800 bbl (participating interest) of oil during the same period in the previous year. Revenue of $23.9 million during the fourth quarter of 2020 decreased by $17.0 million compared to the three months ended December 31, 2019. The decrease is attributable to a 42% decrease in realised sales price and 6% decrease in sales volumes.

The Group recognised revenue on the sale of 2,512,100 bbl (participating interest) of oil during the year ended December 31, 2020, compared to revenue on the sale of 2,781,000 bbl (participating interest) of oil during the previous year. Revenue of $82.0 million during the year ended December 31, 2020 decreased by $68.5 million compared to the year ended December 31, 2019. The decrease is attributable to a 42% decrease in realised sales and a 10% decrease in sales volumes.

The decrease in sales volumes for the year ended December 31, 2020 was primarily due to decreased production from Banan field wells which were shut-in for three months from early April 2020 in order to optimise economics.

Sales volumes are determined by the timing of deliveries into the customer's export pipeline and are not directly correlated with production volumes. As at December 31, 2020, the Group's participating interest share of oil inventory amounted to 11,080 bbl.

Royalties

The following table summarises royalty expense during the three and twelve months ended December 31, 2020 and December 31, 2019:

	Three months ended December 31		Year ended December 31	
($ thousands)	2020	2019	2020	2019
Royalties	**9,777**	**17,989**	**34,660**	**66,226**

All remittances to governments that are directly attributable to the sale of oil during the reporting period, including the government share of Profit Oil but excluding income taxes, are reported as royalties. Royalties decreased by $8.2 million during the three months ended December 31, 2020, and by $31.6 million during the year ended December 31, 2020, compared to the same periods in the previous year. The variances in royalties from period to period are attributable to the same factors as those applicable to revenues from oil sales as discussed above.

Operating expense

	Three months ended December 31		Year ended December 31	
($ thousands)	2020	2019	2020	2019
Field production costs(1)	4,248	5,784	17,410	22,134
Partner's share of production costs carried by Forza Petroleum	2,287	1,779	7,396	6,810
Operating expense	**6,535**	**7,563**	**24,806**	**28,944**
Sales(2) (bbl)	728,900	777,800	2,512,100	2,781,000
Field production costs(1) ($/bbl)	**5.83**	**7.44**	**6.93**	**7.96**
Operating expense ($/bbl)	**8.97**	**9.73**	**9.87**	**10.41**

Notes:

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

(2) Forza Petroleum's participating Interest share.

Operating expense of $6.5 million in the three months ended December 31, 2020 decreased by $1.0 million compared to the same period in the previous year. The decrease in operating expenses is primarily attributable to decreased security costs and cost savings associated with the Banan-4 workover. Operating costs per barrel decreased during the three months ended December 31, 2020 compared to the three months ended December 31, 2019 due to a 14% decrease in costs partially offset by a 6% decrease in sales volumes.

Operating expense for the year ended December 31, 2020 decreased by $4.1 million compared to the year ended December 31, 2019. This variance comprises a $5.1 million decrease in gross operating expenses partially offset by a $1.0 million increase in the share of costs borne due to the 2020 PSC Amendments in effect from July 1, 2020 (see " Shareholder and Loan Facility Restructuring" section of this MD&A for further detail). The decrease in gross operating expenses is primarily attributable to shutting in Banan field operations for three months from early April 2020 in order to optimise economics, combined with cost savings from the Banan-4 workover executed in the fourth quarter of 2020.

Operating expense per barrel decreased during the year ended December 31, 2020 compared to the year ended December 31, 2019 due to the decrease in gross operating expenses for the period, partially offset by the increase in the share of costs borne due to the 2020 PSC Amendments and a 10% decrease in production volumes.

The following table indicates the impact of the variances in operating expense between the third and fourth quarters of 2020:

($ thousands)	($000)	($/bbl)
Operating expense – three months ended September 30, 2020	**7,061**	**10.11**
Contribution of the following to variance:		
PSC Amendments	981	1.34
Personnel and camp costs	(370)	(0.51)
Well maintenance	(97)	(0.13)
Facilities lease and maintenance, diesel and operation	(877)	(1.22)
Security	(163)	(0.22)
Decrease in production	-	(0.40)
Operating expense – three months ended December 31, 2020	**6,535**	**8.97**

General and administration

	Three months ended December 31		Year ended December 31	
($ thousands)	2020	2019	2020	2019
Total General and Administration	**1,200**	**3,742**	**9,491**	**12,007**

General and administration expenses of $1.2 million and $9.5 million, incurred during the three and twelve months ended December 31, 2020, respectively, compared with $3.7 million and $12.0 million in the comparable periods during 2019. The decrease during both periods is primarily due to the corporate restructuring which was implemented in Q2 2020, resulting in reduced personnel costs for the remainder of 2020.

Impairment

	Three months ended December 31		Year ended December 31	
($ thousands)	2020	2019	2020	2019
Impairment reversal of exploration and evaluation assets	-	-	(1,076)	-
Impairment (reversal) / expense of property, plant and equipment	(120,953)	54,390	117,292	54,390
Total impairment (reversal)	**(120,953)**	**54,390**	**116,216**	**54,390**

During the three months and year ended December 31, 2019, the Group recorded an impairment of $54.4 million related to the Hawler License Area. The carrying value of this asset at December 31, 2019 was $611.4 million, primarily related to the reduction of reserves from 2018.

During the first quarter of 2020 the Group recorded an impairment charge of $238.2 million related to the Hawler License Area due to a sharp fall in forecast oil prices. During the fourth quarter of 2020, the Group recorded a partial reversal of the impairment of $121.0 million as a result of a significant recovery in forecast oil prices, partially offset by a decrease in reserves compared to 2019. The carrying value of this oil and gas asset at December 31, 2020 is $506.9 million.

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

Depletion, depreciation and amortisation

The following table summarises the component parts of depletion, depreciation and amortisation for the three and twelve months ended December 31, 2020 and 2019:

	Three months ended December 31		Year ended December 31	
($ thousands)	2020	2019	2020	2019
Intangible assets: Amortisation	4	4	14	13
PP&E assets: Depreciation	20	19	76	75
Depletion	8,973	7,017	22,853	21,844
Total DD&A	**8,997**	**7,040**	**22,943**	**21,932**

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

The increased depletion charges for the three months ended December 31, 2020 is due to a higher per barrel depletion charge, primarily due to a greater reduction in proved plus probable oil reserve estimates combined with a lower depletable base. The reserve estimates are detailed in the independent evaluator's report referenced in the Group's Material Change Report dated March 10, 2021.

Other income / (expense)

The following table summarises the components of other income / (expense) for the three and twelve months ended December 31, 2020 compared to the same periods in 2019:

	Three months ended December 31		Year ended December 31	
($ thousands)	2020	2019	2020	2019
Curtailment of retirement benefit obligation	1,231	-	3,052	-
Restructuring charge	-	-	(558)	-
Decrease / (increase) of provision against trade and other receivables	2,670	(1,465)	(205)	(1,432)
Provision for arbitration award	-	(28,997)	-	(15,731)
Reduction in / (increase) in materials inventory provision	321	329	(1,530)	2,182
Other	(1)	9	48	(37)
Other income / (expense)	**4,221**	**(30,124)**	**807**	**(15,018)**

Other income for the three months ended December 31, 2020 relates primarily to a $2.7 million reduction of the provision against trade and other receivables and a $1.2 million gain resulting from retirement benefit obligation curtailment relating to the corporate restructuring announced late in the first quarter of 2020.

Other expense for the year ended December 31, 2020 relates primarily to a $3.1 million gain resulting from retirement benefit obligation curtailment relating to the corporate restructuring announced late in the first quarter of 2020, partially offset by a $1.5 million increase in the materials inventory provision.

Finance expense

	Three months ended December 31		Year ended December 31	
($ thousands)	2020	2019	2020	2019
Interest expense on Loan Facility	-	2,012	4,471	7,983
Accretion of deferred financing costs on Loan Facility	-	90	2,578	351
Interest on contingent consideration	113	418	712	263
Accretion of decommissioning liability	117	117	470	465
Issue of warrants	-	-	-	478
Other	-	(3)	14	64
Finance expense	**230**	**2,634**	**8,245**	**9,604**

Finance expense for twelve months ended December 31, 2020 and December 31, 2019 primarily relates to accrued interest and accretion of deferred financing costs associated with the Loan Facility, which was settled in full in July 2020.

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

Income tax expense

The following table summarises the component parts of income tax expense for the three and twelve months ended December 31, 2020 and December 31, 2019.

	Three months ended December 31		Year ended December 31	
($ thousands)	2020	2019	2020	2019
Current income tax expense	501	949	1,802	3,357
Deferred tax (benefit) / expense	(12)	4	(8)	15
Total income tax expense	**489**	**953**	**1,794**	**3,372**

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

Liquidity and Capital Resources

During 2020, the Group met its day to day working capital requirements and funded its capital and operating expenditures from cash reserves, receipt of its share of oil sales revenues from the Hawler License Area, and a partial drawdown of the ZOG Credit Facility (see "Interim Credit Facilities" section of this MD&A).

Shareholder and Loan Facility Restructuring

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 Group settled in full the Loan Facility balance through the transfer, by the Group to an affiliate of AOG, of the shares of OP AGC Central Limited, the former wholly-owned indirect subsidiary of the Company that holds interests in the AGC Central License Area (the "**Loan Settlement**"). The loan balance (including accrued and unpaid interest) at the time of settlement amounted to $80.5 million. Upon closing, a gain of $26.9 million was recognised.

The Group's two largest shareholders informed the Group of the closing of a transaction between them whereby ZOG acquired the outstanding common shares and warrants held by AOG Upstream BV (and certain related parties) on July 23, 2020, increasing its ownership stake in the Group to approximately 89% at such date. The transaction was conditional upon and subsequent to the closing of the Loan Settlement and has resulted in a change in control of the Company.

In connection with the change in control, the previously announced 2020 Interim Credit Facility (see below) was terminated. The Group had not drawn any amounts under the 2020 Interim Credit Facility.

Throughout this MD&A, the two transactions are referred to as the "**Shareholder and Loan Facility Restructuring**".

As part of 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 KRG, the Group agreed to amend certain terms of the PSC governing the Hawler License Area effective at July 1, 2020 (the "**2020 PSC Amendments**"). Specifically, the Group agreed to a 22% reduction in the 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 and without a cap on such financing facility. Previously, the Group was financing only the costs attributable to a 20% interest held by the KRG in the license, to a maximum of $300 million. The Ministry of Natural Resources has agreed to waive any rights it has to perform an audit on costs incurred prior to January 1, 2021.

Interim credit facilities

On August 26, 2020, the Group entered into an interest-free $10 million credit facility agreement with ZOG (the "**ZOG Credit Facility**"). There is no commitment fee and 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 Ministry of Natural Resources of the KRG representing 50% of the total amount owing for oil sales during the period from November 2019 to February 2020, or (b) July 31, 2022. A total of $5 million has been drawn under the ZOG Credit Facility. 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.

On March 11, 2020, the Group entered into a $5 million committed and unsecured short-term credit facility agreement ("**2020 Interim Credit Facility**") with an affiliate of AOG. In connection with the Shareholder and Loan Facility Restructuring described above, the 2020 Interim Credit Facility has been terminated. No amounts were drawn under the 2020 Interim Credit Facility. The Group incurred a commitment fee charged at 1% per annum of the undrawn amount under the 2020 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% per annum of the undrawn amount under the 2018 Interim Credit Facility.

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 an additional Hawler License Area discovery is declared to be commercial, beyond the initially declared Demir Dagh commercial discovery. While the Purchase Agreement has been amended by subsequent agreement, these agreements each had expiry provisions which have been triggered. Consequently, the terms of the original Purchase Agreement prevail.

For the specific purpose of estimating the fair value of the contingent consideration in accordance with IFRS, management has applied the expected present value technique. 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. The liability is 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).

Management has based cash outflow forecast scenarios on possible future circumstances that may cause the contingent consideration to become payable, or not, in its entirety at future dates or on a scheduled basis. The scenarios range from Nil cash outflow in the event that the conditions causing the contingent consideration to become payable do not materialize, to maximum undiscounted principal and interest in the amount of $98.3 million 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 year ended December 31, 2020, contingent interest accrued at a rate of 1.02% per annum (year ended December 31, 2019 – 2.71%).

Management expects that, should cash outflows related to the contingent consideration liability arise, it is more likely than not that these cash outflows 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 judgement (IFRS 13 Level 3 hierarchy category).

Liquidity outlook

The Group expects cash on hand as of December 31, 2020 and cash receipts from net revenues and export sales exclusively through the Kurdistan Oil Export Pipeline will allow it to fund its forecasted capital expenditure and operating and administrative costs through the end of 2021, and to settle all payables currently due to suppliers. The contingent consideration is not anticipated to become payable before 2022.

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

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

	Three months ended December 31		Year ended December 31	
($ thousands)	2020	2019	2020	2019
Operating Funds Flow[(1)]	5,756	(3,918)	13,662	26,895
Change in non-cash working capital	2,845	2,360	8,440	1,246
Net cash generated from / (used in) operating activities	**8,601**	**(1,558)**	**22,102**	**28,141**
Additions to E&E and PP&E	(6,401)	(9,971)	(18,831)	(35,065)
Net cash used in investing activities	**(6,401)**	**(9,971)**	**(18,831)**	**(35,065)**
Net cash generated from financing activities	**-**	**-**	**975**	**1,426**
Total change in cash	**2,200**	**(11,529)**	**4,246**	**(5,498)**
Cash and cash equivalents at beginning of the period	10,958	20,441	**8,912**	**14,410**
Cash and cash equivalents at end of the period	**13,158**	**8,912**	**13,158**	**8,912**

Note:
(1) Operating Funds Flow is a non-IFRS measure. See the "Non-IFRS Measures" section of this MD&A.

During the three months ended December 31, 2020, the Group used $6.4 million in cash to invest in drilling and facilities costs in the Hawler License Area. Operating activities for the three months ended December 31, 2020 generated $8.6 million in cash, reflecting Operating Funds Flow of $5.8 million and a $2.8 million net cash inflow relating to non-cash working capital which was primarily related to an increase in trade and other receivables, partially offset by an increase in trade and other payables, net of non-cash movements.

The Group used $18.8 million in cash during the year ended December 31, 2020 to invest in exploration, appraisal, and development activities in the Hawler and AGC Central License Areas. Operating activities for the year ended December 31, 2020 generated $22.1 million in cash, reflecting Operating Funds Flow of $13.7 million and a $8.4 million net cash inflow relating to non-cash working capital which was primarily related to an increase in trade and other payables, partially offset by an increase in trade and other receivables, net of non-cash movements.

Risks and uncertainties

The Group's ability to realise cash inflows from crude oil sales is subject to significant uncertainty related to the future performance and productivity of individual wells and production facilities, future crude oil prices, and customer credit risk. In particular credit risk is impacted by the uncertainty associated with the COVID-19 pandemic, and political tensions between the governments of Iraq and the Kurdistan Region of Iraq. The Group's ability to secure external financing, if and when required, is also subject to significant uncertainty and is dependent on the Group's performance and on market conditions. Furthermore, the execution of capital investment plans requires significant capital expenditures. Long lead times between initiation of commitments to capital projects and completion thereof are common in the industry. During these lead times, Forza Petroleum expects to incur significant costs at a level which may be difficult to predict. Please refer to the "Liquidity Outlook" section of this MD&A for further details regarding liquidity risk. Prevailing market conditions, together with Forza Petroleum's business performance, will impact the Group's ability to realise required Operating Funds Flows and to arrange further financing as needed. While the Group retains the flexibility to defer certain budgeted expenditures and to adjust the timing of its expenditures on the development of the Hawler License Area, slowing the rate of development expenditures related to the Hawler License Area would be likely to impede the Group's ability to achieve expected production and sales levels. Refer to the "Critical estimates" section of this MD&A for additional discussion regarding management's going concern assumption which contemplates that the Group will realise its assets and settle its liabilities and commitments during the 15 month period ending March 31, 2022.

Economic Sensitivities

The following table shows the estimated effect that changes to crude oil prices, Gross (100%) oil sale volumes, operating costs and interest rates would have had on the Group's profit for the year ended December 31, 2020, had these changes occurred on January 1, 2020. These calculations are based on business conditions, production and sales volumes existing during the year ended December 31, 2020. The 1,000 bbl/d increase assumes the increase is to Gross (100%) sale volumes and the Group's entitlement is calculated according to the provisions of the Hawler PSC.

	Change	Profit impact ($000s)	Profit impact ($ per basic share)
Change in average realised price	$10.00/bbl	16,241	0.03
Change in crude oil sales volumes	1,000 bbl/d	4,582	0.01
Change in operating expenses	$1.00/bbl	2,512	0.00
Change in interest rate	1%	295	0.00

The future cash flows relating to the contingent consideration balance (refer to the "Liquidity and Capital Resources" section of this MD&A) have been estimated based on the terms outlined in the agreement with the counterparty and discounted using an observed market rate for similar obligations. As at December 31, 2020, management has assumed interest at LIBOR plus 0.25% per annum and a 10% discount rate. The following table shows the estimated effect that a 5% change in the interest and discount rates applicable to the contingent consideration balance would have had on the Group's profit for the year ended December 31, 2020.

	Change	Profit impact ($000s)	Profit impact ($ per basic share)
Change in interest rate	5%	1,473	0.00
Change in discount rate	5%	216	0.00

The impact of the above changes may be compounded or offset by changes to other business conditions. In addition, the tables do not reflect any inter-relationships between the above factors. Changes in foreign exchange rates have not been considered in this analysis as they do not have a significant impact on the Group's operations.

Non-IFRS Measures

Field Netback

Field Netback is a non-IFRS measure that represents the Group's Working Interest share of oil sales net of the Group's Working Interest share of Royalties, the Group's Working Interest share of operating expense and the Group's Working Interest share of taxes.

Management believes that Field Netback is a useful supplemental measure to analyse operating performance and provides an indication of the results generated by the Group's principal business activities prior to the consideration of PSC and Joint Operating Agreement financing characteristics, and other income and expenses. Field Netback does not have a standard meaning under IFRS and may not be comparable to similar measures used by other companies. See the "Operations Review" section of this MD&A for a reconciliation of Field Netback.

Forza Petroleum Netback

Forza Petroleum Netback is a non-IFRS measure that represents Field Netback adjusted to reflect the impact of Carried Costs incurred and recovered through the sale of Cost Oil during the reporting period. Management believes that Forza Petroleum Netback is a useful supplemental measure to analyse the net cash impact of the Group's principal business activities prior to the consideration of other income and expenses. Forza Petroleum Netback does not have a standard meaning under IFRS and may not be comparable to similar measures used by other companies. See the "Operations Review" section of this MD&A for a reconciliation of Forza Petroleum Netback.

Operating Funds Flow

Operating Funds Flow is a non-IFRS measure that represents cash generated from operating activities before changes in non-cash working capital. The term Operating Funds Flow should not be considered an alternative to or more meaningful than "net cash used in operating activities" as determined in accordance with IFRS.

Management considers Operating Funds Flow to be a key measure as it demonstrates the Group's ability to generate the cash necessary to fund future growth through capital investment. Operating Funds Flow does not have any standardised meaning prescribed by IFRS and therefore may not be comparable to similar measures used by other companies.

The following table reconciles Operating Funds Flow to the IFRS measure of 'Net cash generated by / (used in) operating activities':

	Three months ended December 31		Year ended December 31	
($ thousands)	2020	2019	2020	2019
Net cash generated from / (used in) operating activities	8,601	(1,558)	22,102	28,141
Changes in non-cash working capital	(2,845)	(2,360)	(8,440)	(1,246)
Operating Funds Flow	**5,756**	**(3,918)**	**13,662**	**26,895**

Outstanding Share Data

At the date of this MD&A, 578,197,218 Common Shares are issued and outstanding. In connection with the Shareholder and Loan Facility Restructuring, all FPL LTIP share awards outstanding at July 23, 2020 were subject to accelerated vesting and 25,715,556 shares were issued in July 2020.

Upon vesting, FPL LTIP share awards issued in October 2020 will result in the issuance of up to an additional 16,716,008 Common Shares in 2021 and 2022.

Warrants

In 2019 and then in March 2020, respectively, in accordance with successive amendments to the Loan Facility, 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 the date of this MD&A.

In connection with the change of control transactions described in the "Shareholder and Loan Facility Restructuring" section of this MD&A the outstanding warrants were all transferred to ZOG on July 23, 2020.

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

The Company has not paid or declared any dividends during the year ended December 31, 2020.

There were no repurchases of FPL's equity securities by the Company during the year ended December 31, 2020.

2019 share capital transactions

On August 19, 2019, the Company extinguished $5.1 million of accrued interest under the Loan Facility in consideration for 23,901,430 Common Shares.

On September 3, 2019, the Company issued 6,837,566 Common Shares to employees under the Company's LTIP.

On September 16, 2019, the Company issued 6,711,444 Common Shares to ZOG for cash consideration of $1.4 million.

Commitments and Contractual Obligations

The table below sets forth information relating to Forza Petroleum's commitments and contractual obligations as at December 31, 2020.

($ thousands)	Within One Year	From 1 to 5 Years	More than 5 Years	Total
Operating leases[1]	226	-	-	**226**
Other obligations[2]	2,479	9,915	19,834	**32,228**
Total	**2,705**	**9,915**	**19,834**	**32,454**

(1) Operating leases primarily relate to office rent.
(2) Consists principally of obligations related to PSC commitments and capital expenditure commitments. The main purpose of these commitments is to develop the Group's oil and gas assets.
(3) The table above does not include costs the Group is obligated to finance as part of its participation in the Hawler PSC.

Summary of Quarterly Results

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

($ thousands, unless otherwise stated)	2019				2020			
	Mar 31	Jun 30	Sept 30	Dec 31	Mar 31	Jun 30	Sept 30	Dec 31
Revenue, net of royalties	19,043	22,327	20,010	22,890	17,893	2,370	12,983	14,104
Operating expense	(7,270)	(6,938)	(7,173)	(7,563)	(7,678)	(3,532)	(7,061)	(6,535)
Depletion	(4,708)	(4,990)	(5,129)	(7,017)	(7,579)	(1,636)	(4,666)	(8,997)
G&A	(2,103)	(3,361)	(2,801)	(3,742)	(2,738)	(2,185)	(3,368)	(1,200)
Profit / (Loss)	1,544	2,313	18,278	(81,334)	(249,590)	(3,854)	30,139	114,562
Earnings / (Loss) per basic and diluted share ($/share)	0.00	0.00	0.03	(0.15)	(0.45)	(0.01)	0.05	0.20
Operating Funds Flow[2]	9,180	11,852	9,781	(3,918)	6,551	(2,339)	3,701	5,756
Gross Production (bbl)	975,000	1,029,500	1,072,500	1,201,000	1,295,500	367,600	1,080,000	1,120,900
WI Production (bbl)	633,800	669,200	697,200	780,700	842,000	238,900	702,000	728,600
Gross Sales (bbl)	974,300	1,032,800	1,074,800	1,196,600	1,296,700	371,400	1,075,300	1,121,400
WI Sales (bbl)	633,300	671,300	698,600	777,800	842,800	241,400	698,900	728,900
Field production costs[1]	(5,560)	(5,306)	(5,484)	(5,784)	(5,871)	(2,701)	(4,590)	(4,248)
Field Netback[2]	9,397	12,231	10,233	12,486	8,140	(839)	4,406	5,340
Forza Petroleum Netback[2]	11,078	14,575	12,108	14,784	9,510	(1,248)	5,504	6,930
Brent price ($/bbl)	62.93	68.86	62.00	63.08	50.10	29.56	42.95	44.16
Sales price ($/bbl)	48.35	53.47	46.05	47.32	34.03	15.78	26.35	27.44
Royalties ($/bbl)	(23.63)	(26.14)	(22.51)	(23.13)	(16.64)	(7.71)	(12.88)	(12.35)
Field production costs[1] ($/bbl)	(8.78)	(7.90)	(7.85)	(7.44)	(6.97)	(11.19)	(6.57)	(5.83)
Current taxes ($/bbl)	(1.10)	(1.21)	(1.04)	(0.70)	(0.77)	(0.36)	(0.60)	(0.88)
Field Netback[2] ($/bbl)	14.84	18.22	14.65	16.05	9.65	(3.48)	6.30	7.32
Forza Petroleum Netback[2] ($/bbl)	17.49	21.71	17.33	19.00	11.28	(5.17)	7.87	9.50
Capital additions	2,313	10,639	11,899	13,390	4,708	5,069	15,746	10,934

Notes:
(1) Field production costs represent the Forza Petroleum's Working Interest share of gross production costs and exclude partner share of production costs which are being carried by Forza Petroleum. See the "Operating expense" section of this MD&A.
(2) Operating Funds Flow, Field Netback and Forza Petroleum Netback are non-IFRS measures. See the "Non-IFRS Measures" section of this MD&A.

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

Variations in Field Netback and Forza Petroleum Netback reflect changes in revenue discussed above and the impact of changes in field production costs. Field production costs increased during 2019 as wells from the Zey Gawra and Banan fields were brought onto production. Operating expenses and capital expenditures for the year ended 2020 include increased costs carried by the Company as a result of the 2020 PSC Amendments, partially offset by cost savings following the Banan-4 workover and decreased security costs. Included in capital additions for the year ended December 31, 2020 are non-cash additions of $18.4 million related to the increased cost estimates used in the decommissioning obligation calculation resulting from the 2020 PSC Amendments. For further information regarding the 2020 PSC Amendments, refer to the "Shareholder and Loan Facility Restructuring" section of this MD&A.

Selected Annual Information

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

	Year ended December 31		
($ thousands except per share amounts)	2020	2019	2018
Revenue	81,956	150,496	97,642
(Loss) / Profit attributable to owners	(108,743)	(59,199)	43,753
(Loss) / Earnings per share (basic and diluted)	(0.19)	(0.11)	0.09
Total assets	605,412	768,254	812,976
Non-current financial liabilities[(1)]	97,877	80,985	133,526

Notes:

(1) Includes non-current trade and other payables, decommissioning obligation and finance lease obligation.

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

Financial and Other Instruments and Off-Balance Sheet Arrangements

Forza Petroleum operates internationally and has foreign exchange risk arising from various currency exposures, notably the Swiss Franc. In November 2019, the Group entered into six foreign exchange contracts to purchase CHF 0.4 million and to sell US Dollars at various rates at any time during the six months from January to June 2020 in order to hedge its exposure to foreign exchange risk.

Forza Petroleum was not party to any off-balance sheet arrangements during the twelve months ended December 31, 2020 that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of Forza Petroleum. Further, on the date of this MD&A, Forza Petroleum is not party to any such off-balance sheet arrangements.

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

Transactions with Related Parties

On March 11, 2015, the Group entered into the Loan Facility with a subsidiary of AOG. The Loan Facility was fully drawn and had an initial maturity of March 10, 2018. The Loan Facility was subsequently amended in April 2017, December 2018 and March 2020, ultimately extending the Maturity Date to July 1, 2021. Management believes the terms and conditions negotiated to be materially comparable to terms applicable to similar market transactions. On March 20, 2020, the Company issued warrants to acquire 33,149,000 Common Shares to an affiliate of the Lender in consideration for the most recent amendment. During the year ended December 31, 2020, the Company paid $4.0 million in interest accrued under the Loan Facility.

Refer to the "Shareholder and Loan Facility Restructuring" section of this MD&A for details regarding the settlement of the Loan Facility in July 2020.

On September 16, 2019, the Company issued 6,711,444 Common Shares to ZOG for cash consideration of $1.4 million.

On November 13, 2018, the Group entered into an Interim Credit Facility jointly with an affiliate of AOG and ZOG. The Interim Credit Facility provided the Group with access to $7.25 million, which had to be drawn no later than September 23, 2019. The facility expired, undrawn. Refer to the "Liquidity and Capital Resources" section of this MD&A.

On March 11, 2020, the Group entered into a $5 million committed and unsecured short-term credit facility with an affiliate of AOG. This short-term credit facility was not drawn and has been terminated. Refer to the "Liquidity and Capital Resources" section of this MD&A.

On August 26, 2020, the Group entered into an interest-free $10 million credit facility agreement with ZOG. There is no commitment fee and 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 Ministry of Natural Resources of the Kurdistan Region of Iraq representing 50% of the total amount owing for oil sales during the period from November 2019 to February 2020, or (b) July 31, 2022. A total of $5 million has been drawn under the ZOG Credit Facility. 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.

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

On October 19, 2016, the Group entered into an office lease agreement with a subsidiary of AOG. Rental expense $174 thousand relating to this agreement was recorded for the twelve months ended December 31, 2020. The office lease agreement terminated on December 31, 2020.

For the year ended December 31, 2020, the Group incurred costs of $0.8 million (2019: $0.8 million) related to trademark license fees, parent company guarantees, and management services under agreements between the Group and AOG, prior to the change in control transaction described in the "Shareholder and Loan Restructuring" section of this MD&A. Additional information relating to such agreements is available in FPL's Annual Information Form dated March 23, 2020 available on SEDAR at www.sedar.com. Management exercised judgment, which was based on its industry specific knowledge and experience, to determine that i) the transactions described above did not contain any unusual commercial terms, and ii) the fees charged under the agreements were reasonable and not materially inconsistent with fees which would normally be associated with broadly comparable agreements. The agreements relating to parent company guarantees and management services were terminated on July 23, 2020. The agreement relating to trademark license fees was terminated on December 17, 2020.

In each of January and July in both 2019 and 2020, and in January 2021 the directors of FPL were awarded $0.2 million in cash as remuneration for services provided in the previous two quarters.

See "Liquidity and Capital Resources" section of this MD&A for a description of Shareholder and Loan Facility Restructuring transactions involving related parties.

New Accounting Pronouncements, Policies, and Critical Estimates

New Pronouncements

Forza Petroleum has adopted the new and revised standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee that are relevant to its operations and effective for accounting periods beginning on or after January 1, 2020 as described in Note 2 of the Financial Statements. The adoption of these standards and interpretations has not had a material effect on FPL.

Effective January 1, 2020, the Group adopted the following IFRS as issued or 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 the Group's Financial Statements.

Critical estimates

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

Going Concern

Financial statement disclosure

The 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.

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 additional payment is equal to gross sales barrels from the Hawler License Area for the applicable month multiplied by 50% of the amount by which monthly 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 of the Financial Statements.

iii) No cash outflows arising from the contingent consideration liability 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 the 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.

Carrying value of intangible exploration and evaluation assets

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.

Management has made significant estimates and judgments related to the determination of whether impairment indicators are present in respect of the E&E asset. These critical estimates and judgments are discussed in detail in note 6 of the Financial Statements.

Carrying value of Oil and Gas assets

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, constitutes the Group's single CGU which contains property, plant and equipment.

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 KRI. 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.

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. 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 $121.0 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)	**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.

Contingent Consideration

Refer to the "Liquidity and Capital Resources" section of this MD&A.

Financial Controls

Disclosure Controls and Procedures

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

An evaluation of the design and operational effectiveness of Forza Petroleum's DC&P in place during 2020 was carried out under the supervision of, and with the participation of, management, including its certifying officers. Based on the evaluation, the certifying officers concluded that the design and operation of the DC&P were effective as at December 31, 2020.

Internal Controls over Financial Reporting

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

An evaluation of the design and operational effectiveness of Forza Petroleum's ICFR in place during 2020 was carried out under the supervision of, and with the participation of management, including its certifying officers. Based on the evaluation, the certifying officers concluded that the design and operation of the ICFR were effective as at December 31, 2020. There were no changes in Forza Petroleum's ICFR during the year ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, Forza Petroleum's ICFR.

Forward-Looking Information

Certain statements in this MD&A constitute "forward-looking information" within the meaning of applicable Canadian securities legislation, including statements related to the nature, timing and effect of Forza Petroleum's forecast capital expenditure, financing and capital activities, expectations that cash on hand as of December 31, 2020 and cash receipts from net revenues from export sales exclusively through the Kurdistan Oil Export Pipeline will allow the Group to fund its committed capital expenditures and operating and administrative costs through the end of 2021 and to settle obligations currently due to suppliers, business and acquisition strategy and goals, opportunities, drilling and well workover plans, development plans and schedules and chance of success, results of exploration activities, declarations of commercial discovery, contingent liabilities and government approvals, the ability to consistently access the export pipeline or other exterior facilities to sell oil production, sales channels for future sales, future drilling of new wells and the reservoirs to be targeted, costs and drilling times for new wells, ultimate recoverability of current and long-term assets, estimates of oil reserves and resources, future royalties and tax levels, access to and sources of future financing and liquidity, future debt levels, availability of committed credit facilities, possible commerciality of our projects, expected operating capacity, expected operating costs, estimates on a per share basis, future foreign currency exchange rates, the issuance of shares as a result of the vesting of LTIP awards and exercise of outstanding warrants, estimates for the fair value of the contingent consideration arising from the acquisition of OP Hawler Kurdistan Limited in 2011, the expected timing for receipt of payment for outstanding oil sales invoices for the months of November 2019, December 2019, January 2020 and February 2020 and future oil sales invoices, expectations that the COVID-19 virus outbreak will not restrict operations, the expected timing for settlement of liabilities including the contingent consideration arising from the acquisition of OP Hawler Kurdistan Limited in 2011, no cash outflow in connection with Haute Mer B, changes in any of the foregoing, and statements that contain words such as "may", "will", "would", "could", "should", "anticipate", "believe", "intend", "expect", "plan", "estimate", "budget", "outlook", "propose", "potentially", "project", "forecast" or the negative of such expressions and statements relating to matters that are not historical fact. Although Forza Petroleum believes these statements to be reasonable, the assumptions upon which they are based may prove to be incorrect. In making certain statements in this MD&A, Forza Petroleum has made assumptions with respect to the following: the general continuance of the current or, where applicable, assumed industry conditions, the continuation of assumed tax, royalties and regulatory regimes, forecasts of capital expenditures and the sources of financing thereof, timing and results of exploration activities, access to local and international markets for future crude oil production and future crude oil prices, Forza Petroleum's ability to obtain and retain qualified staff, contractors and personnel and equipment in a timely and cost-efficient manner, the political situation and stability in the jurisdiction in which Forza Petroleum has its license, the ability to renew its license on satisfactory terms, Forza Petroleum's future production levels, the applicability of technologies for the recovery and production of Forza Petroleum's oil reserves and resources, the amount, nature, timing and effects of capital expenditures, geological and engineering estimates in respect of Forza Petroleum's reserves and resources, the geology of the areas in which Forza Petroleum is conducting exploration and development activities, operating and other costs, the extent of Forza Petroleum's liabilities, and business strategies and plans of management and Forza Petroleum's business partners. For more information about these assumptions and risks facing the Group, refer to FPL's Annual Information Form dated March 23, 2020, available at www.sedar.com and the Group's website at www.forzapetroleum.com.

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

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

Glossary and Abbreviations

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

AGC
Agence de Gestion et de Cooporation, an inter-governmental agency established in 1993 to manage and administer petroleum and fishing activities in the maritime zone between Senegal and Guinea Bissau

AOG
The Addax and Oryx Group PLC

bbl
Barrel(s) of oil

bbl/d
Barrel(s) of oil per day

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

Common Shares
Common shares of the Company

Company or FPL
Forza Petroleum Limited

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

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

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

Farm-in
To acquire an interest in a license from another party

G&A
General and administration

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

IAS
International Accounting Standards

IFRS
International Financial Reporting Standards

KRG
Kurdistan Regional Government of Iraq

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

Loan Facility
A committed and unsecured term loan facility agreement that the Group entered into with a subsidiary of its indirect controlling shareholder AOG. Refer to Liquidity and Capital Resources section

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

Participating Interest
The Group's current interest in an applicable License Area

PP&E
Property, plant and equipment

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

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

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

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

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

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

ZOG
Zeg Oil and Gas Limited

2020 PSC Amendments
As part of 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 KRG, the Group agreed to amend certain terms of the PSC governing the Hawler License Area effective at July 1, Specifically, the Group agreed to a 22% reduction in the 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 and without a cap on such financing facility. Previously, the Group was financing only the costs attributable to a 20% interest held by the KRG in the license, to a maximum of $300 million. The Ministry of Natural Resources has agreed to waive any rights it has to perform an audit on costs incurred prior to January 1, 2021.