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

FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

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

*The following Management's Discussion and Analysis ("**MD&A**") should be read in conjunction with the consolidated financial statements of Forza Petroleum Limited ("**FPL**" or, the "**Company**") and its subsidiaries for the years ended December 31, 2022 and 2021 (the "**Financial Statements**"), which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").*

The date of this MD&A is March 16, 2023.

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

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

Readers should refer to the "Forward-Looking Information" advisory on page 17. Additional information relating to FPL, including FPL's Annual Information Form dated March 23, 2022, is on SEDAR at www.sedar.com. The Company will file an Annual Information Form for the year ended December 31, 2022 on or before March 31, 2023.

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Company Overview

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

Operational Highlights

2022

- Average gross (100%) oil production of 14,500 bbl/d (working interest 9,400 bbl/d) versus 12,200 bbl/d (working interest 7,900 bbl/d) for the year ended December 31, 2021;
- Nine wells were drilled, sidetracked or recompleted during 2022, including three in the Zey Gawra field, four in the Demir Dagh field and one in the Ain al Safra field, together with conversion of a previously drilled Zey Gawra well for water disposal;
- Hawler facilities were further developed during the year with conversion of the previously drilled Zey Gawra-2 well into a water disposal well, continuing construction of the gathering system to serve the western flank of the Hawler license area, civil works for drilling pads and additional flowlines throughout the area;

2023

- Average gross (100%) oil production of 13,700 bbl/d (working interest 8,900 bbl/d) and 13,900 bbl/d (working interest 9,100 bbl/d) for January and February 2023, respectively;
- The Zey Gawra-10H well, drilled late in 2022, has been completed and turned over to production;
- The Ain al Safra-1 and -2 wells, which were recompleted in the Jurassic and Triassic reservoirs, respectively, in recent months, have been tested. Although the presence of oil has been confirmed in each reservoir, test results were inconclusive in part because of the influx of formation water. Data from testing and available data from offset wells is being analyzed to determine next steps;
- On January 13, 2023, Forza Petroleum spudded the Demir Dagh-15 well targeting the Cretaceous reservoir. Logging of a pilot hole is underway;

- For the balance of 2023, the Corporation plans to drill four additional wells targeting both Tertiary and Cretaceous reservoirs. Capital budgets also include extending the coverage of 3D seismic data for the Hawler license area and completing installation of processing facilities and pipelines connecting each of the Banan field and the Zey Gawra field to the Hawler production facilities at the Demir Dagh field;
- Forza Petroleum forecasts $68.3 million of capital expenditure for 2023, down from $80 million budgeted, resulting primarily from the rescheduling of a well targeting the Demir Dagh Jurassic reservoir into 2024.

Financial Highlights and Outlook

Liquidity outlook

The Group expects cash on hand as of December 31, 2022 and cash receipts from net revenues from sales, exclusively made to the KRG at the tie-in to the Kurdistan Oil Export Pipeline, will fund its forecasted capital expenditures and operating and administrative costs through the end of March 2024 and the $76.2 million in deferred purchase consideration, falling due at the end of March 2023, owing in connection with the original acquisition of the Hawler License Area. Management is engaged with the principal shareholder to discuss funding support for the Group's near-term projected cash outflows. Management expects that a facility, up to $10 million, from the shareholder can be promptly arranged, if needed.

Financial performance

The following table contains financial performance highlights for the three and twelve months ended December 31, 2022 and December 31, 2021.

	Three months ended		Year ended	
($ thousands unless otherwise stated)	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Revenue	57,570	57,666	323,769	187,796
Cash generated from operating activities	28,341	21,386	111,952	51,188
Cash generated from operating activities per basic and diluted share ($/share)	0.05	0.04	0.19	0.09
(Loss) / Profit for the period	(215,429)	(22,818)	(137,984)	10,270
(Loss) / Earnings per basic and diluted share ($/share)	(0.36)	(0.04)	(0.23)	0.02
Average sales price ($/bbl)	59.09	63.37	78.71	54.52
Field operating costs(1) ($/bbl)	8.14	7.96	7.02	6.78
Operating expense ($/bbl)	12.53	12.25	10.80	10.42
Capital additions(2)	18,669	20,454	58,921	45,789

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

Revenue and cash receipts

Revenue of $57.6 million was recorded for the three months ended December 31, 2022. Included in revenue is $48.2 million realized on the sale of 816,100 bbl (WI) of crude oil ($59.09/bbl) and $9.3 million related to the recovery of costs carried on behalf of partners. Revenue from sales decreased by $0.1 million versus the three months ended December 31, 2021 due to a 7% decrease in average realized sales price partly offset by a 7% increase in sales volumes.

Revenue of $323.8 million was recorded for the twelve months ended December 31, 2022. Included in revenue is $271.2 million realized on the sale of 3,445,400 bbl (WI) of crude oil ($78.71/bbl) and $52.6 million related to the recovery of costs carried on behalf of partners. Revenue for the twelve months ended December 31, 2022 increased by $136.0 million compared to the year ended December 31, 2021. The increase is attributable to a 44% increase in average realized sales price and a 19% increase in sales volumes.

All sales during the twelve months ended December 31, 2022 were made via the Kurdistan Oil Export Pipeline.

The Group has received full payment for all oil sales made to the end of September 2022.

Operating expense

Operating expense during the fourth quarter of 2022 amounted to $10.2 million ($12.53/bbl) versus $9.3 million ($12.25/bbl) during the fourth quarter of 2021.

Field operating costs during the fourth quarter of 2022 amounted to $6.6 million ($8.14/bbl) compared to $6.1 million ($7.96/bbl) during the fourth quarter of 2021. Field operating costs per barrel increased for the three months ended December 31, 2022 compared to December 31, 2021 due to increases in security, diesel and personnel costs, partially offset by lower operational workover costs and a 7% increase in sales volumes. The increased security costs were primarily due to increased activity during the three months ended December 31, 2022 compared to the same period in 2021. Diesel and personnel costs have increased due to both higher prices and rates and increased activity during the three months ended December 31, 2022 compared to the same period in 2021.

Operating expense during the twelve months ended December 31, 2022 amounted to $37.2 million ($10.80/bbl) versus $30.1 million ($10.42/bbl) during the twelve months ended December 31, 2021.

Field operating costs during the twelve months ended December 31, 2022 amounted to $24.2 million ($7.02/bbl) compared to $19.5 million ($6.78/bbl) during the twelve months ended December 31, 2021. Field operating costs per barrel increased for the twelve months ended December 31, 2022 compared to the twelve months ended December 31, 2021 as a result of an increase in security, personnel, consumables and diesel costs, partially offset by lower operational workover costs and a 19% increase in sales volumes. The increased security costs were due to a higher rate in the first half of 2022, compared to a temporarily reduced rate during the first quarter of 2021, combined with increased activity. Diesel, personnel and consumable costs have increased due to both higher prices and rates and increased activity during the twelve months ended December 31, 2022 compared to the same period in 2021.

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

Cash generated from operating activities

Cash generated from operating activities for the fourth quarter of 2022 was $28.3 million compared to $21.4 million during the same period in 2021. Cash generated from operating activities for the twelve months ended December 31, 2022 was $112.0 million compared to $51.2 million during the same period in 2021. The increase for both periods mainly relates to higher crude oil sales revenue received during the period. This positive factor has been partially offset by an increase in royalties and cash payments relating to inventories and trade and other payables. Royalties increase proportionally with sales revenue. The increase in payments relating to inventory and trade and other payables primarily relates to increased activity, including operating a higher number producing wells.

Profit / Loss

Loss for the three months ended December 31, 2022 was $215.4 million compared to a loss of $22.8 million during the three months ended December 31, 2021. The variance in loss for three months ended December 31, 2022 is primarily attributable to i) a $220.6 million impairment charge recorded during the three months ended December 31, 2022 compared to a $32.4 million impairment charge recorded in the same period in 2021, both relating to the Hawler licence area; ii) a $2.7 million increase in the non-cash charge resulting from the change in the fair value of the purchase consideration obligation; iii) a $0.9 million increase in general and administration expense primarily related to increased long-term incentive plan costs compared to the same period in 2021; iv) a $0.9 million increase in operating expense as a result of increased security, personnel, and diesel costs, partially offset by lower operational workover costs; and v) a $0.3 million increase in income tax expense as a result of increased net revenue.

Loss for the twelve months ended December 31, 2022 was $138.0 million compared to a profit of $10.3 million during the twelve months ended December 31, 2021. The variance in loss/profit for twelve months ended December 31, 2022 is primarily attributable to i) a $220.6 million impairment charge recorded during the year ended December 31, 2022 compared to a $32.4 million impairment charge recorded during the year ended December 31, 2021, both relating to the Hawler licence area; ii) no one-time gains during the period while there was a non-recurring gain of $15.7 million recorded during the twelve months ended December 31, 2021 relating to the deconsolidation of OP Congo SA; iii) a $11.0 million non-cash increase in the depletion charge for the twelve months ended December 31, 2022 as a result of increased production volumes and a higher depletion rate per barrel; iv) a $7.1 million increase in operating expense as a result of increased security, personnel, consumables, and diesel costs, partially offset by lower operational workover costs; v) a $2.9 million increase in income tax expense as a result of increased net revenue; vi) a $3.5 million decrease to the trade and other receivables provision during the twelve months ended December 31, 2021 with no comparable change during the current period; and vii) a $1.8 million decrease to the materials inventory provision during the twelve months ended December 31, 2021 compared to a $0.1 million decrease during the twelve months ended December 31, 2022. These negative factors have been partially offset by i) an $80.4 million increase in net revenue resulting from increased average realized sales price and recovery of carried costs, and higher sales volumes; and ii) a $4.5 million decrease in the non-cash charge resulting from the change in the fair value of the purchase consideration obligation.

Capital additions

During the fourth quarter of 2022, the Group recorded capital additions of $18.7 million, consisting of i) $12.7 million invested in drilling activities in the Demir Dagh, Ain al Safra and Zey Gawra fields; ii) $3.3 million recorded on facilities; and iii) $2.6 million recorded on directly attributable support costs.

During the twelve months ended December 31, 2022, the Group recorded capital additions of $58.9 million, consisting of i) $49.8 million invested in drilling activities in the Demir Dagh, Ain al Safra and Zey Gawra fields; ii) $5.1 million recorded on facilities; and iii) $4.1 million recorded on directly attributable support costs.

Financial position

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

($ thousands)	December 31, 2022	December 31, 2021
Total cash and cash equivalents	71,103	24,672
Working Capital	52,145	45,416
Total assets	448,180	587,725
Total long-term liabilities	20,341	96,095

The cash and cash equivalents balance of $71.1 million as at December 31, 2022 increased from $24.7 million at December 31, 2021. This increase is due to $112.0 million in cash generated from operating activities offset by $65.5 million in cash used in investing activities.

Working capital increased from $45.4 million at December 31, 2021 to $52.1 million at December 31, 2022 due to i) a $46.4 million increase in the cash and cash equivalents balance; ii) a $28.0 million increase in the trade and other receivables balance; iii) a $2.1 million decrease in the trade and other payable balance, excluding the purchase consideration obligation; iv) a $3.8 million increase in the inventory balance; and v) a $0.8 million increase in the other current assets balance. These positive factors have been largely offset by the inclusion of the purchase consideration of $74.4 million as a current portion of trade and other payables, previously classified as non-current (December 31, 2021 - $67.6 million).

The total assets balance decreased to $448.2 million at December 31, 2022 from $587.7 million at December 31, 2021. This change is primarily due i) a non-cash impairment charge of $220.6 million, ii) a non-cash depletion expense of $49.2 million; and iii) a $7.7 million non-cash reduction in the decommissioning asset balance. These negative factors were partially offset by i) $58.9 million of capital additions; ii) a $46.4 million increase in the cash and cash equivalents balance; and iii) a $28.0 million increase in trade and other receivables.

The $75.8 million decrease in total long-term liabilities from December 31, 2021 is due to i) the reclassification of the purchase consideration of $74.4 million (December 31, 2021 - $67.6 million) from non-current trade and other payables to current trade and other payables; ii) a $7.3 million decrease in the decommissioning obligation; and iii) a $0.8 million decrease in the retirement benefit obligation.

The undiscounted balance of principal and accrued interest owed under the purchase consideration obligation to the seller of the Hawler License Area as at December 31, 2022 was $76.2 million (December 31, 2021 - $76.2 million).

Business Environment

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

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

On February 15, 2022, the Iraqi Federal Supreme Court (the "**Court**") ruled as unconstitutional the KRG Law No. 28 of 2007, which regulates the oil and gas sector in the KRI. The Court's judgment also provides that the Iraqi Ministry of Oil may pursue the annulment of PSCs that have been entered into by the KRG. In a statement released on February 16, 2022, the KRG challenges the Court's judgment and stresses that "it will take all constitutional, legal, and judicial measures to protect and preserve all contracts made in the oil and gas sector". Normal operations are being maintained at the Hawler License Area. The Group has received full payment for all Hawler oil sales made to the KRG to the end of September 2022.

Uncertainties related to global, social, political, and economic conditions and the resulting changes in global oil supply chains and infrastructure investment contribute to volatility in the price of crude oil. During 2020 the global response to the spread of COVID-19 decreased global economic activity and, correspondingly, the demand for and price of crude oil. There was a sharp recovery in both global economic activity and oil price in 2021 and into 2022, however, restrictions periodically imposed in response to ongoing local outbreaks can undermine any developing positive sentiment. As demonstrated by the global response to the invasion of Ukraine by Russia, increased price volatility may again have become a more significant and sustained feature of the oil and gas markets. Recent concerns regarding inflation and a heightened risk of economic recessions affecting many countries may undermine near term demand for oil and gas. Ongoing elevated levels of uncertainty regarding returns on long term investments in upstream oil and gas exploration and development continue to impact the availability and cost of capital resources.

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

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

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

An extension of international sanctions related to the Russian invasion of Ukraine could impact the ability of producers to export through the Kurdistan Oil Export Pipeline or to realize payment for such sales though there has been no such impact to date.

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

Except for the items discussed above, together with risks disclosed in FPL's Annual Information Form dated March 23, 2022, management has not identified trends or events that are expected to have a material adverse effect on the financial performance of Forza Petroleum.

Operations Review

The following table summarizes production and sales data for the three months ended December 31, 2022, September 30, 2022, and December 31, 2021 and for the years ended December 31, 2022 and December 31, 2021:

	Three months ended			Year ended	
	December 31, 2022	September 30, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Gross (100%) Production (bbl)	1,253,300	1,387,000	1,174,100	5,295,500	4,440,800
Gross (100%) Production per day (bbl/d)	13,600	15,100	12,800	14,500	12,200
Working Interest Production (bbl)	814,700	901,600	763,200	3,442,000	2,886,600
Working Interest Production per day (bbl/d)	8,900	9,800	8,300	9,400	7,900
Working Interest sales (bbl)	816,100	900,800	762,300	3,445,400	2,885,300
Working Interest sales per day (bbl/d)	8,900	9,800	8,300	9,400	7,900

Production and sales

Gross (100%) oil production for the three months ended December 31, 2022 was 1,253,300 bbl representing an average rate of 13,600 bbl/d. The Group's Working Interest share of oil production during this period was 814,700 bbl representing an average rate of 8,900 bbl/d.

Gross (100%) oil production for the twelve months ended December 31, 2022 was 5,295,500 bbl representing an average rate of 14,500 bbl/d. The Group's Working Interest share of oil production during this period was 3,442,000 bbl representing an average rate of 9,400 bbl/d.

The Group recognized revenue on the sale of 816,100 bbl (Working Interest) and 3,445,400 bbl (Working Interest) of oil during the three and twelve months ended December 31, 2022, respectively.

Hawler license operation

Production from the Demir Dagh, Banan and Zey Gawra fields continued throughout the fourth quarter of 2022.

Capital Additions

The following table summarizes the capital additions incurred by activity during the three and twelve months ended December 31, 2022 and December 31, 2021:

($ thousands)	Three months ended		Year ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Middle East				
Drilling	12,694	16,992	49,754	39,918
Facilities	3,335	1,106	5,058	2,943
Studies, license, and support	2,624	2,356	4,093	2,928
Sub-Total	**18,653**	**20,454**	**58,905**	**45,789**
Corporate	16	-	16	-
Sub-Total	**18,669**	**20,454**	**58,921**	**45,789**
Decommissioning(1)	(2,774)	291	(7,731)	(13,646)
Total capital additions	**15,895**	**20,745**	**51,190**	**32,143**

Note:

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

During the three months ended December 31, 2022, capital additions relating to the Hawler License Area totalled $18.6 million. Drilling costs of $12.7 million were incurred on the Ain Al Safra-1 and -2 well workovers, Zey Gawra-10 Tertiary well, and Zey Gawra-6H and -9H workovers during the quarter. Expenditure of $3.3 million on facilities and $2.6 million on studies and support were also incurred in the period. These additions have been partially offset by a non-cash decrease in the decommissioning obligation.

During the twelve months ended December 31, 2022, total capital additions relating to the Hawler License Area totalled $58.9 million. Drilling costs of $49.8 million were incurred during the period and, in addition to the activity described above, included the Zey Gawra-9H Cretaceous well, Zey Gawra-2 water disposal well, Demir Dagh-14 Cretaceous well, the Demir Dagh-3H, -9 and -10 sidetracks, and the Demir Dagh-13 progressive cavity pump installation. Expenditure of $5.1 million on facilities and $4.1 million on studies and support were also incurred in the period. These additions have been partially offset by a non-cash decrease in the decommissioning obligation.

The applicable inflation rate used in the calculation to determine the carrying value of the decommissioning obligation was updated at December 31, 2022 to 2.1% (December 31, 2021 - 0.9%). The applicable discount rate was also reviewed at December 31, 2022 and increased to 6.0% (December 31, 2021 - 2.0%). As a result of the changes in inflation and discount rates, a non-cash credit of $7.7 million was recorded to the decommissioning obligation, during the twelve months ended December 31, 2022.

Cost Pool

The Cost Pool for the Hawler License Area, which is available for recovery through future oil sales from the License Area, as at December 31, 2022, is detailed in the table below:

License Area	Location	Gross Cost Pool	Group Working Interest Cost Pool	Partner costs carried by Forza Petroleum	Costs recovered to December 31, 2022 through cost oil	Group share of recoverable costs available(1)(2)
		($ million)	($ million)	($ million)	($ million)	($ million)
Hawler	Iraq – Kurdistan Region	1,147.8	586.7	247.9	(423.1)	411.5

Notes:
(1) Cost Pool balances are subject to audit by relevant government entities.
(2) Forza Petroleum share of costs available for future recovery through the sale of cost oil.
(3) The difference between the Gross Cost Pool and the Group Working Interest Cost Pool is that the former includes the partners' share of total expenditure (both carried and not carried by Forza Petroleum) as well as $137 million of costs which were deducted from the Group's Working Interest Cost Pool as agreed with the Ministry of Natural Resources in connection with the change in control of the Company in July 2020.

Property, plant and equipment and intangible assets

The capital additions and decommissioning charges (credits) described in the sections above, net of depletion, depreciation and amortisation ("**DD&A**"), have resulted in the following movements in intangible asset and PP&E balances during the three months ended March 31, 2022, June 30, 2022, September 30, 2022, and December 31, 2022:

($ thousands)	Exploration and Evaluation Assets	Total Intangible Assets
As at January 1, 2022	**47,748**	**47,748**
Capital additions	-	-
As at March 31, 2022	**47,748**	**47,748**
Capital additions	3	3
Decommissioning	(222)	(222)
As at June 30, 2022	**47,529**	**47,529**
Capital additions	137	137
As at September 30, 2022	**47,666**	**47,666**
Capital additions	3,741	3,741
Decommissioning	(56)	(56)
As at December 31, 2022	**51,351**	**51,351**

($ thousands)	Oil & Gas assets	Fixtures and equipment	Total PP&E
As at January 1, 2022	**469,517**	**-**	**469,517**
Capital additions	19,065	-	19,065
Decommissioning	1,216	-	1,216
DD&A	(12,412)	-	(12,412)
As at March 31, 2022	**477,386**	**-**	**477,386**
Capital additions	10,273	-	10,273
Decommissioning	(5,953)	-	(5,953)
DD&A	(12,308)	-	(12,308)
As at June 30, 2022	**469,398**	**-**	**469,398**
Capital additions	12,194	5	12,199
DD&A	(12,489)	-	(12,489)
As at September 30, 2022	**469,103**	**5**	**469,108**
Capital additions	13,532	11	13,543
Decommissioning	(2,716)	-	(2,716)
DD&A	(12,014)	(2)	(12,016)
Impairment	(220,584)	-	(220,584)
As at December 31, 2022	**247,321**	**14**	**247,335**

Financial Results

Revenue

The following table summarizes Forza Petroleum's revenue for the three months and twelve months ended December 31, 2022 and 2021. 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)	2022	2021	2022	2021
Oil Sales	48,222	48,303	271,198	157,303
Recovery of Carried Costs	9,348	9,363	52,571	30,493
Revenue	**57,570**	**57,666**	**323,769**	**187,796**

Revenue of $57.6 million was recorded for the three months ended December 31, 2022. Included in revenue is $48.2 million realized on the sale of 816,100 bbl (WI) of crude oil ($59.09/bbl) and $9.3 million related to the recovery of costs carried on behalf of partners. Revenue from sales decreased by $0.1 million versus the three months ended December 31, 2021 due to a 7% decrease in average realized sales price partly offset by a 7% increase in sales volumes.

Revenue of $323.8 million was recorded for the twelve months ended December 31, 2022. Included in revenue is $271.2 million realized on the sale of 3,445,400 bbl (WI) of crude oil ($78.71/bbl) and $52.6 million related to the recovery of costs carried on behalf of partners. Revenue for the twelve months ended December 31, 2022 increased by $136.0 million compared to the year ended December 31, 2021. The increase is attributable to a 44% increase in average realized sales price and a 19% increase in sales volumes.

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, 2022, the Group's Working Interest share of oil inventory amounted to 8,700 bbl.

Crude oil sale prices

Commencing in March 2016, the Group began selling crude oil to the KRG's Ministry of Natural Resources at Forza Petroleum's tie-in into the Kurdistan Oil Export Pipeline.

During the first quarter of 2022, the KRG applied updated pipeline tariff charges, which were partially linked to Dated Brent crude prices. Net revenue for the twelve months ended December 31, 2022 was impacted by a $1.2 million one-time charge related to the retroactive application of this tariff change for the year ended December 31, 2021.

Effective September 1, 2022, the KRG implemented a new pricing mechanism for crude oil purchases. Under the new pricing mechanism, the realized sales price for a month is equal to the average sales price realized by the KRG for the Kurdistan blend ("**KBT**") sold by it at Ceyhan, Turkey during the month, discounted by approximately $10/bbl for pipeline system tariffs and fees, and adjusted for differences in oil gravity and sulphur between Hawler production and KBT. For sales in the 4 months from September to December 2022, the new pricing mechanism resulted in an approximately $10 reduction in the realized sales price versus the previous pricing mechanism.

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

	2022				2021			
	Dec 31	Sept 30	June 30	Mar 31	Dec 31	Sept 30	Jun 30	Mar 31
Brent average price ($/bbl)	88.87	100.84	113.93	102.23	79.76	73.51	69.19	61.12
KBT average price ($/bbl)	69.93	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Realized sales price ($/bbl)	59.09	79.11	94.28	81.07	63.37	56.81	52.32	44.44

For September 2022, the KBT average price was $72.27/bbl, representing a $17.60/bbl discount from the Brent average price for the month.

Royalties

The following table summarizes royalty expense during the three and twelve months ended December 31, 2022 and December 30, 2021:

($ thousands)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Royalties	**23,544**	**23,610**	**132,514**	**76,940**

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 deemed income taxes, are reported as royalties. Royalties decreased by $0.1 million during the three months ended December 31, 2022 compared to the same period in the previous year. Royalties increased by $55.6 million during the twelve months ended December 31, 2022 compared to the same period 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

($ thousands)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Field operating costs(1)	6,644	6,070	24,194	19,548
Partner's share of operating costs carried by Forza Petroleum	3,578	3,268	13,027	10,526
Operating expense	**10,222**	**9,338**	**37,221**	**30,074**
Sales(2) (bbl)	816,100	762,300	3,445,400	2,885,300
Field operating costs(1) ($/bbl)	**8.14**	**7.96**	**7.02**	**6.78**
Operating expense ($/bbl)	**12.53**	**12.25**	**10.80**	**10.42**

Notes:

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

(2) Forza Petroleum's Working Interest share.

Operating expense of $10.2 million in the three months ended December 31, 2022 increased by $0.9 million compared to the same period in the previous year. Operating expense for the twelve months ended December 31, 2022 increased by $7.1 million compared to the twelve months ended December 31, 2021. The increase in operating expenses is primarily attributable to increased security, personnel, consumables, and diesel costs, partially offset by lower operational workover costs. The increased security costs were due to increased activity and the full year effect of the higher manpower rate that had been implemented during the second quarter of 2021. Diesel, personnel and consumable costs have increased due to both higher prices and rates and increased activity during the twelve months ended December 31, 2022 compared to 2021. Operating costs per barrel increased during the twelve months ended December 31, 2022 compared to 2021 due to a 24% increase in costs partially offset by a 19% increase in sales volumes.

The following table indicates the impact of the variances in operating expense between the third quarter of 2022 and the fourth quarter of 2022:

($ thousands)	($000)	($/bbl)
Operating expense – three months ended September 30, 2022	**9,058**	**10.06**
Contribution of the following to variance:		
Personnel and camp costs	245	0.30
Well maintenance	449	0.55
Facilities lease and maintenance, diesel and operation	310	0.38
Security	160	0.20
Lower production	-	1.04
Operating expense – three months ended December 31, 2022	**10,222**	**12.53**

General and administration

($ thousands)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Total General and Administration	**3,102**	**2,168**	**8,192**	**5,657**

General and administration expenses of $3.1 million and $8.2 million were recorded for the three and twelve months ended December 31, 2022, respectively, versus $2.2 million and $5.7 million in the comparable periods during 2021. The increase for the three month period ending December 31, 2022 compared to the same period in the previous year is due to higher costs associated with the long-term incentive plan and accrual of an end of service payment to the former Chief Executive Officer of the Group.

The increase in general and administration expenses for the year ended December 31, 2022 compared to the year ended December 31, 2021 is primarily due to higher 2021 performance related bonuses paid in the first quarter of 2022 than were previously accrued, an increase in costs associated with the long-term incentive plan and accrual of an end of service payment to the former Chief Executive Officer of the Group.

Impairment

($ thousands)	Three months ended December 31		Year ended December 31	
	2022	2021	2021	2020
Impairment of property, plant and equipment	220,584	32,440	220,584	32,440
Total impairment	**220,584**	**32,440**	**220,584**	**32,440**

During the three months and year ended December 31, 2022, the Group recorded an impairment of $220.6 million related to the Hawler License Area mainly due to a decrease in proved plus probable oil reserves, a lower near term oil production profile and a higher discount rate used in the calculation, partially offset by higher projected realized oil prices. The carrying value of this oil and gas asset at December 31, 2022 is $247.3 million.

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

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

Depletion, depreciation and amortization

The following table summarizes the component parts of depletion, depreciation and amortization for the three and twelve months ended December 31, 2022 and 2021:

($ thousands)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Intangible assets: Amortization	-	-	-	10
PP&E assets: Depreciation	2	2	2	59
Depletion	11,967	12,209	49,223	38,184
Total DD&A	**11,969**	**12,211**	**49,225**	**38,253**

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 and twelve months ended December 31, 2022 are due to increased sales volumes and to a higher per barrel depletion charge. A higher per barrel depletion charge resulted primarily from a reduction in proved plus probable oil reserve estimates as at December 31, 2022, partially offset by a lower depletable base.

Other (expense) and income

The following table summarizes the components of other expense and income for the three and twelve months ended December 31, 2022 compared to the same periods in 2021:

($ thousands)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Curtailment of retirement benefit obligation	-	10	-	10
(Increase) / decrease of provision against trade and other receivables	-	(1)	-	3,538
Decrease / (increase) in materials inventory provision	13	(191)	85	1,831
Other	(485)	(300)	(468)	(300)
Other (expense) and income	**(472)**	**(482)**	**(383)**	**5,079**

Other expense and income for the twelve months ended December 31, 2022 reflects a $0.1 million gain resulting from a decrease in the materials inventory provision and a $0.5 million write off of a receivable that is not expected to be collected. Other income for the twelve months ended December 31, 2021 consists of a $3.5 million decrease of the provision against trade and other receivables and a $1.8 million gain resulting from a decrease in the materials inventory provision.

Finance expense

($ thousands)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Accretion of decommissioning obligation	186	70	465	374
Interest on purchase consideration	-	-	-	(249)
Finance expense	**186**	**70**	**465**	**125**

Finance expense for the three and twelve months ended December 31, 2022 relates to accretion of the decommissioning liability.

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

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

Finance income

($ thousands)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Bank interest on term deposits	133	-	133	-
Finance income	**133**	**-**	**133**	**-**

Finance income for the three and twelve months ended December 31, 2022 relates to bank interest on term deposits.

Income tax expense

The following table summarizes the component parts of income tax expense for the three and twelve months ended December 31, 2022 and December 31, 2021.

($ thousands)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Current income tax expense	1,271	1,024	6,505	3,633
Deferred tax benefit	(1)	(7)	(6)	(11)
Total income tax expense	**1,270**	**1,017**	**6,499**	**3,622**

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

Liquidity and Capital Resources

During the three months to December 31, 2022, the Group met its day to day working capital requirements and funded its capital and operating expenditures from cash reserves and receipt of its share of oil sales revenues from the Hawler License Area.

Purchase consideration

During 2011, the Group acquired OPHKL under the terms of a sale and purchase agreement (the "**Purchase Agreement**"). Pursuant to the terms of the Purchase Agreement, additional purchase consideration in the amount of $71 million plus interest at LIBOR plus 0.25% per annum was due to the seller of OPHKL in the event of a second commercial discovery.

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

On July 9, 2021, the Group entered into the Forbearance Agreement with the seller of OPHKL which established that, in the event of a second commercial discovery, the Group has the unconditional right to defer settlement of the consideration until March 31, 2023.

In consideration for the forbearance the Group accepted that, to the extent that any distributions were to be made to the Company's shareholders during the forbearance period, a portion of the consideration in an equal amount, up to the maximum of the liability, would be accelerated and become payable to the seller of OPHKL.

As at December 31, 2021 the Group concluded that the amount was no longer a contingent liability.

The balance of unpaid principal and accrued interest owed to the seller of OPHKL was $76.2 million, as at both December 31, 2022 and December 31, 2021. Under the terms of the Forbearance Agreement no amounts are due prior to March 31, 2023. Therefore, as at December 31, 2022, the Group has recognized a current liability of $74.4 million (December 31, 2021 - $67.6 million, non-current) representing the estimated fair value of the obligation. Fair value is determined by discounting the projected future cash outflow at a rate of 10%.

Liquidity outlook

The Group expects cash on hand as of December 31, 2022 and cash receipts from net revenues from sales, exclusively made to the KRG at the tie-in to the Kurdistan Oil Export Pipeline, will fund its forecasted capital expenditures and operating and administrative costs through the end of March 2024 and the $76.2 million in deferred purchase consideration, falling due at the end of March 2023, owing in connection with the original acquisition of the Hawler License Area. Management is engaged with the principal shareholder to discuss funding support for the Group's near-term projected cash outflows. Management expects that a facility, up to $10 million, from the shareholder can be promptly arranged, if needed.

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

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

	Three months ended December 31		Year ended December 31	
($ thousands)	2022	2021	2022	2021
Net cash generated from operating activities	28,341	21,386	111,952	51,188
Net cash used in investing activities	(10,884)	(16,205)	(65,521)	(34,674)
Net cash used in financing activities	-	-	-	(5,000)
Total change in cash	**17,457**	**5,181**	**46,431**	**11,514**
Cash and cash equivalents at beginning of the period	53,646	19,491	24,672	13,158
Cash and cash equivalents at end of the period	**71,103**	**24,672**	**71,103**	**24,672**

The $17.5 million increase in cash during the three months ended December 31, 2022 resulted from $28.3 million in cash generated from operating activities, partially offset by the use of $10.9 million in cash to invest in drilling and facilities costs in the Hawler License Area.

The $46.4 million increase in cash during the twelve months ended December 31, 2022 resulted from $112.0 million in cash generated from operating activities, partially offset by the use of $65.5 million in cash to invest in drilling and facilities costs in the Hawler License Area.

Risks and uncertainties

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

The Group's ability to secure external financing, if required, is also subject to uncertainty and is dependent on the Group's performance and on market conditions. Furthermore, the execution of capital investment plans requires significant capital expenditures. Prevailing market conditions, together with Forza Petroleum's business performance, will impact the Group's ability to realize required cash flows from operating activities and to arrange further financing as needed. While the Group retains the flexibility to defer most of its budgeted capital expenditures on the development of the Hawler License Area, slowing the rate of development expenditures related to the Hawler License Area would be likely to impede the Group's ability to achieve targeted production and sales levels. Refer to the "Critical estimates" section of this MD&A for additional discussion regarding management's going concern assumption which contemplates that the Group will realize its assets, settle its liabilities and fulfil its commitments during the 15-month period ending March 31, 2024.

Economic Sensitivities

The following table shows the estimated effect that changes to crude oil prices, Gross (100%) oil sale volumes and operating costs would have had on the Group's profit for the twelve months ended December 31, 2022 had these changes occurred on January 1, 2022. These calculations are based on business conditions, production and sales volumes existing during the twelve months ended December 31, 2022. The 1,000 bbl/d increase assumes the increase is to Gross (100%) sale volumes and the Group's entitlement is calculated according to the provisions of the Hawler PSC.

	Change	Profit impact ($000s)	Profit impact ($ per basic share)
Change in average realized price	$10.00/bbl	23,508	0.04
Change in crude oil sales volumes	1,000 bbl/d	12,741	0.02
Change in operating expenses	$1.00/bbl	3,445	0.01

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

Outstanding Share Data

At the date of this MD&A, 600,306,357 Common Shares are issued and outstanding. On September 1, 2022, 15,330,155 Common Shares were issued under the Group's LTIP plan. On September 1, 2021, 6,778,984 shares were issued under the Group's LTIP plan.

Upon vesting, FPL LTIP share awards made in August 2021 and August 2022 will result in the issuance of up to an additional 13,629,978 Common Shares in 2023 and 2024.

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

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

The Company has not paid or declared any dividends during the twelve months ended December 31, 2022.

There were no repurchases of FPL's equity securities by the Company during the twelve months ended December 31, 2022.

Commitments and Contractual Obligations

The table below sets forth information relating to Forza Petroleum's commitments and contractual obligations as at December 31, 2022.

($ thousands)	Within One Year	From 1 to 5 Years	More than 5 Years	Total
Operating leases[(1)]	350	275	-	**625**
Other obligations[(2)]	2,479	9,915	22,309	**34,703**
Total	**2,829**	**10,190**	**22,309**	**35,328**

(1) Operating leases primarily relate to office rent.

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

Summary of Quarterly Results

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

($ thousands, unless otherwise stated)	2021				2022			
	Mar 31	Jun 30	Sept 30	Dec 31	Mar 31	Jun 30	Sept 30	Dec 31
Revenue, net of royalties	21,049	26,974	28,776	34,057	48,660	58,329	50,241	34,026
Operating expense	(6,100)	(7,380)	(7,256)	(9,340)	(8,690)	(9,251)	(9,058)	(10,222)
Depletion	(8,234)	(8,953)	(8,788)	(12,209)	(12,399)	(12,373)	(12,481)	(11,967)
G&A	(1,081)	(929)	(1,479)	(2,168)	(1,740)	(1,375)	(1,975)	(3,102)
Impairment	-	-	-	(32,440)	-	-	-	(220,584)
Gain on deconsolidation of a subsidiary	15,725	-	-	-	-	-	-	-
Profit / (Loss)	21,165	4,351	7,572	(22,818)	22,237	31,538	23,671	(215,429)
Earnings / (Loss) per basic and diluted share ($/share)	0.04	0.01	0.01	(0.04)	0.04	0.05	0.04	(0.36)
Cash generated from operating activities	4,207	14,557	13,911	21,386	12,581	45,591	25,439	28,341
Gross Production (bbl)	1,039,100	1,124,200	1,103,400	1,174,100	1,311,700	1,343,400	1,387,000	1,253,300
WI Production (bbl)	675,400	730,700	717,200	763,200	852,600	873,200	901,600	814,700
Gross Sales (bbl)	1,036,000	1,124,900	1,105,400	1,172,700	1,309,200	1,350,000	1,385,900	1,255,400
WI Sales (bbl)	673,400	731,200	718,500	762,300	851,000	877,500	900,800	816,100
Field operating costs(1)	(3,965)	(4,797)	(4,717)	(6,070)	(5,648)	(6,013)	(5,888)	(6,644)
Field operating costs(1) ($/bbl)	(5.89)	(6.56)	(6.57)	(7.96)	(6.64)	(6.85)	(6.54)	(8.14)
KBT price ($/bbl)(3)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	69.93
Brent price ($/bbl)	61.12	69.19	73.51	79.76	102.23	113.93	100.84	88.87
Sales price ($/bbl)	44.44	52.32	56.81	63.37	81.07	94.28	79.11	59.09
Capital additions(2)	6,017	9,311	10,007	20,457	19,065	10,273	12,199	18,669

Notes:
(1) Field operating costs represent Forza Petroleum's Working Interest share of gross operating costs and exclude partner share of operating costs which are being carried by Forza Petroleum. See the "Operating expense" section of this MD&A.
(2) Excludes non-cash changes to the decommissioning obligation.
(3) KBT Price is appliable starting in the month of September 2022. See the "Revenue" section of this MD&A for further information.

Variations in revenue and royalties are attributable to changes in realized sales prices which have been broadly referenced to Brent crude oil prices and sales volumes which have fluctuated due to the variations in production from the Hawler License Area.

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

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

Variations in general and administration costs primarily relate to discretionary personnel compensation and costs related to the long-term incentive plan.

Loss for the three months ended December 31, 2022 includes an impairment charge of $220.6 million, relating to the Hawler License Area. Profit for the first quarter of 2021 was impacted by a $15.7 million gain resulting from the liquidation and consequent deconsolidation of OP Congo SA. Loss for the three months ended December 31, 2021 included impairment charge of $32.4 million, relating to the Hawler License Area.

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

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)	2022	2021	2020
Revenue	323,769	187,796	81,956
(Loss) / Profit attributable to owners	(137,984)	10,270	(108,743)
(Loss) / Earnings per share (basic and diluted)	(0.23)	0.02	(0.19)
Total assets	448,180	587,725	605,412
Non-current financial liabilities	20,341	96,095	97,877
Total net assets	330,737	466,827	456,379

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

Financial and Other Instruments and Off-Balance Sheet Arrangements

Forza Petroleum was not party to any off-balance sheet financing arrangements during the twelve months ended December 31, 2022. Further, on the date of this MD&A, Forza Petroleum is not party to any off-balance sheet financing arrangements.

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

Transactions with Related Parties

During the twelve months ended December 31, 2022, the Group sourced technical services from an entity under common control for interpretation and processing of technical and seismic data for an amount of $274 thousand (2021 - $180 thousand). The above transactions did not contain unusual commercial terms and the fees charged under the agreements were reasonable and not materially inconsistent with fees which would normally be associated with broadly comparable agreements. All amounts due have been settled in full at December 31, 2022.

In each of April 2021, July 2021, October 2021, January 2022, April 2022, July 2022, October 2022 and January 2023 the directors of FPL were collectively awarded $155 thousand in cash as remuneration for services provided during the previous three months.

New Accounting Pronouncements, Policies, and Critical Estimates

New Pronouncements

New and amended standards adopted by the Group

Effective January 1, 2022, the Group adopted the following IFRS as issued and amended by the IASB:

New and Amended Standards	**Effective for annual periods beginning on or after**
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
Amendments to IFRS 3: Reference to the Conceptual Framework	January 1, 2022
Amendments to IAS 37: Onerous contracts – Cost of fulfilling a contract	January 1, 2022
Amendments to IAS 16: Property, Plant and Equipment Proceeds before Intended Use	January 2, 2022

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

New and amended standards issued but not yet effective

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

New and Amended Standards	Effective for annual periods beginning on or after
Amendments to IAS 8: Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 1: Disclosure of Accounting Policies	January 1, 2023
Amendments to IFRS 17: Initial Application of IFRS 17 and IFRS 9 – Comparative Information	January 1, 2023
Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
Amendments to IAS 1: Disclosure of Accounting Policies	January 1, 2023
Amendments to IFRS 8: Definition of Accounting Estimates	January 1, 2023
IFRS 17 Insurance Contracts, including Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1: Classifications of Assets and Liabilities as Current and Non-Current	January 1, 2024
Amendments to IAS1: Non-Current Liabilities with Covenants	January 1, 2024
Amendments to IFRS 16: Lease Liability in a Sale and Leaseback	January 1, 2024

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

Critical estimates

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

Going concern

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

Carrying value of intangible exploration and evaluation assets

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

Management has made significant judgments related to the determination of cash generating units ("**CGUs**") used as part of the impairment assessment. The Group has determined that the Demir Dagh, Banan and Zey Gawra fields within the Hawler License Area constitute a single CGU, while the Ain Al Safra discovery remains as a separate E&E asset. Management has concluded that there are no impairment indicators present in respect of the E&E asset. The E&E asset is discussed in Note 6 of the Financial Statements.

Carrying value of Oil and Gas assets

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

Carrying value of Decommissioning obligation

Estimating the decommissioning obligations requires management to make significant estimates regarding the timing, cost and level of activity required to decommission the Group's oil and gas assets at the end of their life. These estimates and assumptions are inherently uncertain as they relate to events that will occur in the future. Decommissioning obligations are discussed in detail in Note 14 of the Financial Statements.

Financial Controls

Disclosure Controls and Procedures

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

An evaluation of the design and operational effectiveness of Forza Petroleum’s DC&P in place during 2022 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, 2022.

Internal Controls over Financial Reporting

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

An evaluation of the design and operational effectiveness of Forza Petroleum’s ICFR in place during 2022 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, 2022. There were no changes in Forza Petroleum’s ICFR during the year ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, Forza Petroleum’s ICFR.

Forward-Looking Information

Certain statements in this MD&A constitute “forward-looking information” within the meaning of applicable Canadian securities legislation, including statements related to the nature, timing and effect of Forza Petroleum’s forecast and budgeted capital expenditure, financing and capital activities, expectations that cash on hand as of December 31, 2022 and cash receipts from net revenues from sales, exclusively made to the KRG at the tie-in to the Kurdistan Oil Export Pipeline, will allow the Group to fund its forecasted capital expenditures and operating and administrative costs through the end of March 2024 and fund the $76.2 million in deferred purchase consideration falling due at end of March 2023 in connection with the original acquisition of the Hawler License Area, expectations that a facility up to $10 million from the Company’s principal shareholder can be promptly arranged, business and acquisition strategy and goals, opportunities, drilling and well workover plans, development plans and schedules and chance of success, results of exploration activities, government approvals, the ability to consistently access the export pipeline or other exterior facilities to sell oil production, sales channels for future sales, future drilling of new wells and the reservoirs to be targeted, costs and drilling times for new wells, ultimate recoverability of current and long-term assets, estimates of oil reserves and resources, future royalties and tax levels, access to and sources of future financing and liquidity, future debt levels, availability of committed credit facilities, possible commerciality of our projects, expected operating capacity, expected operating costs, estimates on a per share basis, future foreign currency exchange rates, the issuance of shares as a result of the vesting of LTIP awards, estimates for the fair value of the purchase consideration arising from the acquisition of OP Hawler Kurdistan Limited in 2011, the expected timing for settlement of liabilities, changes in any of the foregoing, and statements that contain words such as “may”, “will”, “would”, “could”, “should”, “anticipate”, “believe”, “intend”, “expect”, “plan”, “estimate”, “budget”, “outlook”, “propose”, “potentially”, “project”, “forecast” or the negative of such expressions and statements relating to matters that are not historical fact. Although Forza Petroleum believes these statements to be reasonable, the assumptions upon which they are based may prove to be incorrect. In making certain statements in this MD&A, Forza Petroleum has made assumptions with respect to the following: the general continuance of the current or, where applicable, assumed industry conditions, the continuation of assumed tax, royalties and regulatory regimes, forecasts of capital expenditures and the sources of financing thereof, timing and results of exploration activities, access to local and international markets for future crude oil production and future crude oil prices, Forza Petroleum’s ability to obtain and retain qualified staff, contractors and personnel and equipment in a timely and cost-efficient manner, the political situation and stability in the jurisdiction in which Forza Petroleum has its license, the ability to renew its license on satisfactory terms, Forza Petroleum’s future production levels, the applicability of technologies for the recovery and production of Forza Petroleum’s oil reserves and resources, the amount, nature, timing and effects of capital expenditures, geological and engineering estimates in respect of Forza Petroleum’s reserves and resources, the geology of the areas in which Forza Petroleum is conducting exploration and development activities, operating and other costs, the extent of Forza Petroleum’s liabilities, business strategies and plans of management and Forza Petroleum’s business partners, global sanctions imposed in relation to the Russian invasion of Ukraine will not have an impact on the Company and its assets and business, and disputes between the Kurdistan Regional Government and the federal government of Iraq, including as recently embodied in the judgment of the Iraqi Federal Supreme Court dated February 15, 2022 regarding the validity of the oil and gas law of the Kurdistan Regional Government, will not materially impact the Company, its interests in the Hawler production sharing contract or Hawler License Area operations. For more information about these assumptions and risks facing the Group, refer to FPL's Annual Information Form dated March 23, 2022, available at www.sedar.com and the Group's website at www.forzapetroleum.com.

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

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

Glossary and Abbreviations

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

bbl
Barrel(s) of oil

bbl/d
Barrel(s) of oil per day

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

Common Shares
Common shares of the Company

Company or FPL
Forza Petroleum Limited

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

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

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

G&A
General and administration

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

IAS
International Accounting Standards

IFRS
International Financial Reporting Standards

KRG
Kurdistan Regional Government of Iraq

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

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

PP&E
Property, plant and equipment

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

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

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

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

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

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