FORZA PETROLEUM

Forza Petroleum Q2 2021 Financial and Operational Results

Forza Petroleum books its highest revenue to date; drilling success provides foundation for higher rates of oil production

Calgary, Alberta, August 10, 2021

Forza Petroleum Limited ("Forza Petroleum" or the "Corporation") today announces its financial and operational results for the three and six months ended June 30, 2021. All dollar amounts set forth in this news release are in United States dollars.

Financial Highlights:

- Revenue of $45.7 million for Q2 2021, consisting of an average realized sales price of $52.32/barrel of oil ("bbl") on working interest oil sales of 731,200 bbl and $7.4 million in recovery of carried costs
  - Except for a $7.5 million outstanding balance for historical oil sales, the Corporation has now received full payment in accordance with production sharing contract entitlements for all oil sales into the Kurdistan Oil Export Pipeline through May 2021
  - Based on the current repayment mechanism implemented by the Ministry of Natural Resources of the Kurdistan Region of Iraq, the $7.5 million historical balance is forecast to be settled in full by December 31, 2021
- Field production costs, representing the Corporation's working interest share of operating expenses, of $4.8 million ($6.56/bbl) for Q2 2021 versus $2.7 million ($11.19/bbl) for Q2 2020
  - Field production costs per bbl are down 41% versus the comparable period as a result of a 206% increase in production volumes, partially offset by a $2.1 million increase in absolute costs
- Profit of $4.4 million ($0.01 per common share) in Q2 2021 versus loss of $3.9 million in Q2 2020 ($0.01 per common share) primarily the result of an increase in net revenue
- Net cash generated from operating activities was $14.6 million in Q2 2021 versus $3.1 million in Q2 2020
- Net cash used in investing activities during Q2 2021 was $6.5 million, including payments related to drilling and facilities work in the Hawler license area, versus $0.6 million in Q2 2020
- $18.2 million of cash and cash equivalents as of June 30, 2021

Operations Update:

- Average gross (100%) oil production of 12,400 bbl/d (working interest 8,000 bbl/d) in Q2 2021
- Average gross (100%) oil production of 11,000 bbl/d (working interest 7,100 bbl/d) for July 2021, down from Q2 2021 primarily as a result of shut-ins at the Zey Gawra field to replace leased processing facilities with lower cost facilities
- Interventions underway to optimize production from the Banan-8 well completed in the Cretaceous reservoir of the Banan field east of the Great Zab river in May 2021

- The Zey Gawra-6 horizontal well targeting the Cretaceous reservoir of the Zey Gawra field was spudded June 1, 2021. The well reached total depth in recent weeks and facilities are being mobilized to undertake clean-up and evaluation of the well
- Equipment had been mobilized to the location of the previously drilled Demir Dagh-2 well and drilling is underway of a horizontal sidetrack that will target the Cretaceous reservoir, the Corporation's fourth well of the year
- The worldwide outbreak of the COVID-19 virus, including within Iraq, has not significantly impacted operations. The Corporation has taken precautions to protect its employees and contractors but does not at this time expect that the virus outbreak will restrict operations

2021 Forecasted Work Program:

- 2021 capital expenditures are forecasted to be $62 million versus $51 million budgeted
- For the balance of 2021, the Corporation plans to complete the Ain al Safra-2 well and drill four additional wells, including at least one well in the Zey Gawra field targeting the Tertiary reservoir and a well in the Demir Dagh field targeting the Cretaceous reservoir
- The Corporation 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 to undertake other facilities and maintenance projects

Liquidity Outlook:

- The Corporation expects cash on hand as of June 30, 2021 and cash receipts from net revenues from export sales exclusively through the Kurdistan Oil Export Pipeline to fund its forecasted capital expenditures and operating and administrative costs through the end of September 2022. The contingent consideration obligation is anticipated not to become payable before March 2023.

CEO's Comment

Commenting today, Forza Petroleum's Chief Executive Officer, Vance Querio, stated:

"With the support of oil prices and stable production, Forza Petroleum achieved an important milestone in the second quarter of 2021 with record revenue of just under $46 million for the period. The related cash flow allows our team to continue an ambitious work program, with our fourth well of the year recently spudded. Wells drilled this year are already contributing to production with higher rates anticipated as facilities are installed and optimized to support these new wells.

A contract for a second drilling rig has just been awarded, allowing us to add two new wells to the work program originally announced in December 2020. With a sidetrack of the previously drilled Demir Dagh-2 well, we are returning to the field where we had our first oil discovery and where we have our largest volume of proved plus probable (2P) oil reserves. At least one more well targeting the Demir Dagh Cretaceous reservoir will be drilled later this year.

Notwithstanding higher oil prices, the team remains focused on reducing costs wherever possible. We have recently awarded a new Contract for provision of temporary production facilities and well testing facilities. Replacement of the production facilities at the Zey Gawra field has recently been completed and replacement of the facilities at the Banan field will begin in the coming days. Although these projects require us to shut-in all or some of the production from the affected fields for a few days, we will realize significant savings from the operating expense for these facilities over the next couple of years.

And while advancing development of the reservoirs from which the Corporation is already producing, our team continues to evaluate opportunities to develop as yet untapped reservoirs in the Hawler production area. We are optimistic regarding the various opportunities available to the Corporation to expand production from Hawler and maximize return to shareholders."

Selected Financial Results

Financial results are prepared in accordance with International Financial Reporting Standards ("IFRS") and the reporting currency is US dollars. References in this news release to the "Group" refer to Forza Petroleum and its subsidiaries. The following table summarizes selected financial highlights for Forza Petroleum for the three and six month periods ended June 30, 2021 and June 30, 2020, as well as the year ended December 31, 2020.

	Three Months Ended June 30		Six Months Ended June 30		Year Ended December 31
($ in millions unless otherwise indicated)	2021	2020	2021	2020	2020
Revenue	45.7	4.2	81.4	36.1	82.0
Working Interest Production (bbl)	730,700	238,900	1,406,200	1,081,000	2,511,500
Average WI Production per day (bbl/d)	8,000	2,600	7,800	5,900	6,900
Working Interest Oil Sales (bbl)	731,200	241,400	1,404,500	1,084,300	2,512,100
Average Realised Sales Price ($/bbl)	52.32	15.78	48.55	29.97	28.23
Operating Expense	7.4	3.5	13.5	11.2	24.8
Field Production Costs ($/bbl)(1)	6.56	11.19	6.24	7.91	6.93
Field Netback ($/bbl)(2)	18.95	(3.48)	17.38	6.73	6.79
Operating expenses ($/bbl)	10.09	14.63	9.60	10.34	9.87
Forza Petroleum Netback ($/bbl)(3)	25.56	(5.17)	23.43	7.62	8.25
Profit (Loss)	4.4	(3.9)	25.5	(253.4)	(108.7)
Basic and Diluted Earnings (Loss) per Share ($/sh)	0.01	(0.01)	0.04	(0.46)	(0.19)
Net Cash generated from Operating Activities	14.6	3.1	15.9	9.9	22.1
Net Cash used in Investing Activities	(6.5)	(0.6)	(10.8)	(9.1)	(18.8)
Capital Expenditure(4)	9.3	0.4	15.3	5.1	18.1
Cash and Cash Equivalents	18.2	5.6	18.2	5.6	13.2
Total Assets	594.8	523.8	594.8	523.8	605.4
Total Liabilities	112.6	214.0	112.6	214.0	149.0
Total Equity	482.2	309.8	482.2	309.8	456.4

(1) Field production costs represent Forza Petroleum's working interest share of gross production costs and exclude the partner share of production costs carried by Forza Petroleum.

(2) 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 expenses 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 production sharing contract 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.

(3) 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.

(4) Excludes non-cash additions / (credits) relating to the change in estimates used to calculate the decommissioning obligation.

- Revenue increased to $45.7 million in Q2 2021 versus $4.2 million in Q2 2020 due primarily to a 232% increase in realized average oil sales prices and a 203% increase in oil sales volumes. Gross (working interest) production and sales of oil in Q2 2021 were 730,700 barrels and 731,200 barrels, respectively, versus 238,900 barrels and 241,400 barrels, respectively, for Q2 2020. The increase in sales volumes versus the earlier period reflects the temporary shut-in of Banan field production during the second quarter of 2020. The average oil sales price realized in Q2 2021 was $52.32 per barrel versus $15.78 for Q2 2020. In addition to oil sales, revenue for Q2 2021 includes the recovery of $7.4 million of carried costs.

- Operating expense, which includes the Corporation's carry of partner costs, increased to $7.4 million in Q2 2021 versus $3.5 million in Q2 2020 due primarily to expanded operations. Operations were restricted in Q2 2020 by the temporary shut-in of Banan field operations due to poor economics. Operating expenses on a per barrel basis decreased in Q2 2021 versus Q2 2020 due to a 203% increase in sales volumes partially offset by a 109% increase in operating expense. The Forza Petroleum Netback achieved in Q2 2021 was $25.56 per barrel. The Forza Petroleum Netback reflects the Field Netback plus adjustments for carried costs and is up significantly compared to Q2 2020 primarily because of an increase in realized sales prices combined with a decrease in per barrel field production costs.
- General and administration expense decreased to $0.9 million in Q2 2021 versus $2.2 million in Q2 2020 due primarily to lower personnel costs resulting from corporate restructuring activity during 2020. Of this general and administration expense, 35% is forecast to be cost recoverable from the Corporation's oil and gas operations.
- Profit for the three months ended June 30, 2021 was $4.4 million compared to a $3.9 million loss for Q2 2020. The improved result is primarily attributable to a $24.6 million increase in net revenue and a $2.6 million reduction in financing costs following the settlement of a loan facility in July 2020. These positive factors have been partially offset by an increase in depletion and operating expenses on higher production volumes.
- Sales volumes were 203% higher in Q2 2021 versus Q2 2020 due primarily to the temporary shut-in of Banan field production during the second quarter of 2020, and 9% versus Q1 2021 as wells completed and brought on production during the second quarter have more than offset natural declines.
- Cash generated from operating activities was $14.6 million in Q2 2021 compared to $3.1 million in Q2 2020. The increase mainly relates to higher crude oil sales revenue received during the period, partially offset by an increase in cash payments to settle operating trade and other payables.
- Cash used in investing activities was $6.5 million in Q2 2021 compared to $0.6 million in Q2 2020 when activity was restricted because of global and industry uncertainty.
- Capital expenditures in Q2 2021, which excludes non-cash adjustments to decommissioning obligations, totalled $9.3 million compared to $0.4 million in Q2 2020. In Q2 2021, $8.5 million was invested in drilling activities in the Hawler license area at the Banan and Zey Gawra fields. Q2 2021 capital expenditures also included $0.7 million of facilities expenditures and $0.1 million of directly attributable support costs.
- Cash and cash equivalents increased to $18.2 million at June 30, 2021 from $10.2 million at March 31, 2021 reflecting $14.6 million generated from operating activities partially offset by $6.5 million used in investing activities.
- The Corporation is obligated to make further payments to the vendor of the Hawler license area contingent upon declaration of a second commercial discovery in the Hawler license area.
    - In the event the contingent obligation is triggered, a lump-sum payment of $66.0 million plus accrued interest would be payable. The estimated fair value of the contingent consideration as at June 30, 2021 was $65.3 million. As at June 30, 2021, the total balance of principal and accrued interest potentially owed under the contingent consideration obligation was $76.6 million.
    - On July 9, 2021, Forza Petroleum entered into an agreement with the vendor of the Hawler license area which established that no contingent consideration would become due as a result of a second commercial discovery prior to March 31, 2023. The forbearance agreement contemplates that the parties will undertake reasonable best efforts to negotiate a settlement of the outstanding contingent consideration obligation.

- As at August 10, 2021, there are outstanding: (i) 578,197,218 common shares, (ii) unvested Long Term Incentive Plan awards which are expected to result in the issuance of up to an additional 16,445,222 common shares upon vesting, and (iii) 39,281,804 warrants that were issued in prior years in connection with amendments to a previous loan agreement that was fully settled in 2020.

Regulatory Filings

This announcement coincides with the filing with the Canadian securities regulatory authorities of Forza Petroleum's audited condensed consolidated financial statements for the three and six months ended June 30, 2021 and the related management's discussion and analysis thereon. Copies of these documents filed by Forza Petroleum may be obtained via www.sedar.com and the Corporation's website, www.forzapetroleum.com.

ABOUT FORZA PETROLEUM LIMITED

Forza Petroleum Limited (formerly Oryx Petroleum Corporation Limited) is an international oil exploration, development and production company. The Corporation's shares are listed on the Toronto Stock Exchange and trade under the symbol "FORZ". Forza Petroleum has a 65% working interest in and operates the Hawler license area in the Kurdistan Region of Iraq, which has yielded oil discoveries in four areas, three of which are contributing to production while appraisal and development activity continues. Further information about Forza Petroleum is available at www.forzapetroleum.com or under Forza Petroleum's profile at www.sedar.com.

For additional information about Forza Petroleum, please contact:

Kevin McPhee
General Counsel and Corporate Secretary
Tel.: +41 (0) 58 702 93 00
info@forzapetroleum.com

Reader Advisory Regarding Forward-Looking Information

Certain statements in this news release constitute "forward-looking information", including statements related to forecast work program and capital expenditure, drilling and well workover plans, development plans and schedules and chance of success, future drilling of wells and the reservoirs to be targeted, future facilities work, ultimate recoverability of current and long-term assets, possible commerciality of our projects, future expenditures and sources of financing for such expenditures, expectations that cash on hand as of June 30, 2021 and cash receipts from net revenues from export sales exclusively through the Kurdistan Oil Export Pipeline will fund the Corporation's forecasted capital expenditures and operating and administrative costs through the end of September 2022, the issuance of shares as a result of the vesting of Long Term Incentive Plan awards and the exercise of warrants, future requirements for additional funding, expectations that the COVID-19 virus outbreak will not restrict operations, estimates for the fair value of the contingent consideration arising from the acquisition of OP Hawler Kurdistan Limited in 2011, the expected timing for settlement of liabilities including the contingent consideration arising from the acquisition of OP Hawler Kurdistan Limited in 2011, and statements that contain words such as "may", "will", "could", "should", "anticipate", "believe", "intend", "expect", "plan", "estimate", "potentially", "project", or the negative of such expressions and statements relating to matters that are not historical fact, constitute forward-looking information within the meaning of applicable Canadian securities legislation.

Although Forza Petroleum believes these statements to be reasonable, the assumptions upon which they are based may prove to be incorrect. For more information about these assumptions and risks facing the Corporation, refer to the Corporation's Annual Information Form dated March 23, 2021 available at www.sedar.com and the Corporation's website at www.forzapetroleum.com. Further, statements including forward-looking information in this news release 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 because of new information, future events or otherwise. If the Corporation 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 news release is expressly qualified by this cautionary statement.

Reader Advisory Regarding Certain Figures

Unless provided otherwise, all production and capacity figures and volumes cited in this news release are gross (100%) values, indicating that figures (i) have not been adjusted for deductions specified in the production sharing contract applicable to the Hawler license area, and (ii) are attributed to the license area as a whole and do not represent Forza Petroleum's working interest in such production, capacity or volumes.