Forza Petroleum Q3 2023 Financial and Operational Results and 2024 Capital Budget

Through local oil sales and targeted cost cutting, Forza Petroleum is preserving liquidity while it awaits a re-opening of the Kurdistan Oil Export Pipeline

Calgary, Alberta, November 7, 2023

Forza Petroleum Limited ("Forza Petroleum" or the "Corporation") today announces its financial and operational results for the three and nine months ended September 30, 2023. All dollar amounts set forth in this news release are in United States dollars.

Financial Highlights:

- Revenue of $14.4 million for Q3 2023, consisting of an average realized sales price of $30.83/barrel of oil ("bbl") on working interest oil sales of 391,700 bbl and $2.3 million in recovery of carried costs.
  - The Corporation has received full payment in accordance with production sharing contract entitlements for all oil sales into the Kurdistan Oil Export Pipeline through September 2022, with a $63 million balance outstanding for oil sales from October 2022 through March 2023.
  - Payment for local oil sales completed during the quarter were settled by buyers in advance.
- Field operating costs, representing the Corporation's working interest share of operating expenses, of $3.2 million ($8.07/bbl) for Q3 2023 versus $5.9 million ($6.54/bbl) for Q3 2022.
  - Field operating costs per bbl increased versus the comparable period because of a 57% decrease in sales volumes related to the shutdown of the Kurdistan Oil Export Pipeline, partially offset by decreases in facilities, diesel, security, and equipment costs.
- Loss of $1.6 million ($0.00 per common share) in Q3 2023 versus profit of $23.7 million ($0.04 per common share) in Q3 2022 primarily attributable to a decrease in net revenue resulting from decreased realized sales prices and lower sales volumes.
- Net cash generated from operating activities was $1.1 million in Q3 2023 versus $25.4 million in Q3 2022.
- Net cash used in investing activities during Q3 2023 was $3.3 million, primarily related to drilling activities completed during the first half of 2023, versus $15.3 million in Q3 2022.
- $69.0 million of cash and cash equivalents as of September 30, 2023.

Operations Update:

- Average gross (100%) oil production of 6,500 bbl/d (working interest 4,200 bbl/d) in Q3 2023.
- Given the previously announced suspension of the Corporation's work program, activity continued to be limited during the third quarter of 2023.
- Notwithstanding activity being restricted, the Corporation continues to advance installation of a pipeline connecting the Banan field to the Hawler production facilities at the Demir Dagh field. Subject to final government permitting, commissioning of the pipeline is expected during the fourth quarter of 2023.

2023 Forecasted Capital Expenditures:

- Forza Petroleum forecasts $23.9 million of capital expenditure for 2023, consistent with the prior forecast announced on May 9, 2023.
- The Corporation's work program for the balance of 2023 remains largely suspended pending reopening of the Kurdistan Oil Export Pipeline and clarity regarding collection of overdue payments for oil sales and the terms applicable for future oil sales.

2024 Budgeted Capital Expenditures:

- Forza Petroleum budgeted capital expenditures for 2024 are $5.7 million and dedicated exclusively to the Hawler license area. Planned investments include an acid stimulation of the Demir Dagh-9 well and well pad renovations. Expenditures also include allocated general and administration and compliance costs.
- The Corporation's work program for 2024 remains largely suspended pending reopening of the Kurdistan Oil Export Pipeline and clarity regarding collection of overdue payments for oil sales and the terms applicable for future oil sales.

Liquidity Outlook:

- The Corporation expects cash on hand as of September 30, 2023, cash receipts from oil sales, and, if required, up to $20 million in funding from the Corporation's principal shareholder, will fund its forecasted capital expenditures and operating and administrative costs through the end of December 2024, as well as the $76.2 million in deferred purchase consideration due and payable in connection with the original acquisition of the Hawler license area.

CEO's Comment

Commenting today, Forza Petroleum's Chief Executive Officer, Shane Cloninger, stated:

"A partial restart of operations in July 2023 allowed the Corporation to pursue local oil sales and generate revenue for the period. Although the price for oil sold to the local market is at a significant discount to international prices, full payment from local buyers is received in advance and the revenue from such sales helped the Corporation cover operating costs incurred during the quarter.

While it is understood that it is technically feasible for the Kurdistan Oil Export Pipeline to reopen, and that Turkey has agreed for exports to restart, no timeline for resumption has been announced. The Corporation continues to have dialogue with the Ministry of Natural Resources regarding collection of overdue payments for oil sales and the terms applicable for future oil sales; nevertheless, there continues to be a lack of clarity on these points.

Due to these unfortunate circumstances, the Corporation has implemented further cost-cutting measures, including staff layoffs. In addition, the Corporation's work program remains largely suspended. These measures, together with oil sales to the local market, will support the preservation of liquidity while the export pipeline remains closed.

In addition to our commitment to resolving overdue payments from the Ministry of Natural Resources, management remains engaged with industry and government to stay informed and adapt to the evolving situation in the region."

Selected Financial Results

Financial results are prepared in accordance with International Financial Reporting Standards ("IFRS") and the reporting currency is US dollars. The following table summarizes selected financial highlights for Forza Petroleum for the three- and nine- month periods ended September 30, 2023 and September 30, 2022, as well as the year ended December 31, 2022.

	Three Months Ended September 30		Nine Months Ended September 30		Year Ended December 31
($ in millions unless otherwise indicated)	**2023**	**2022**	**2023**	**2022**	**2022**
Revenue	14.4	85.1	63.5	266.2	323.8
Working Interest Production (bbl)	386,400	901,600	1,169,800	2,627,400	3,442,000
Average WI Production per day (bbl/d)	4,200	9,800	4,300	9,600	9,400
Working Interest Oil Sales (bbl)	391,700	900,800	1,169,100	2,629,300	3,445,400
Average Realised Sales Price ($/bbl)	30.83	79.11	45.49	84.80	78.71
Operating Expense	4.9	9.1	20.1	27.0	37.2
Field Operating Costs ($/bbl)(1)	8.07	6.54	11.15	6.67	7.02
Operating Expenses ($/bbl)	12.42	10.06	17.16	10.27	10.80
Profit (Loss)	(1.6)	23.7	(134.7)	77.4	(138.0)
Basic and Diluted Earnings per Share ($/sh)	(0.00)	0.04	(0.22)	0.13	(0.23)
Net Cash generated from Operating Activities	1.1	25.4	13.9	83.6	112.0
Net Cash used in Investing Activities	(3.3)	(15.3)	(16.0)	(54.6)	(65.5)
Capital Additions(2)	0.7	11.3	17.1	40.7	58.9
Cash and Cash Equivalents	69.0	53.6	69.0	53.6	71.1
Total Assets	314.5	658.0	314.5	658.0	448.2
Total Liabilities	117.9	113.1	117.9	113.1	117.4
Total Equity	196.6	544.9	196.6	544.9	330.7

(1) Field operating costs represent Forza Petroleum's working interest share of gross operating costs and exclude the partner share of operating costs carried by Forza Petroleum.
(2) Excludes non-cash changes to the decommissioning obligation.

- Revenue decreased to $14.4 million in Q3 2023 versus $85.1 million in Q3 2022 due primarily to the continuing shutdown of the Kurdistan Oil Export Pipeline, with the result that realized average oil sales prices decreased 61% and oil sales volumes decreased 57%. The average oil sales price realized in Q3 2023 was $30.83/bbl versus $79.11 for Q3 2022. Because of local market constraints, the price for oil sold to the local market is at a significant discount to international oil prices. Gross (working interest) production and sales of oil in Q3 2023 were 386,400 bbl and 391,700 bbl, respectively, versus 901,600 bbl and 900,800 bbl, respectively, for Q3 2022. In addition to oil sales, revenue for Q3 2023 includes the recovery of $2.3 million of carried costs, versus the recovery of $13.8 million of carried costs in Q3 2022.
- Operating expense, which includes the Corporation's carry of partner costs, decreased to $4.9 million in Q3 2023 versus $9.1 million in Q3 2022 and is primarily attributable to a decrease in facilities, diesel, security and equipment costs, which were substantially impacted by the shutdown of the Kurdistan Oil Export Pipeline in late March 2023, resulting in the shut-in of substantially all production from the Hawler license area. Operations partially re-started in July 2023. Operating expenses on a per barrel basis increased to $12.42/bbl versus $10.06/bbl in Q3 2022 with the decrease in operating expense versus the earlier period more than offset by a 57% decrease in sales volumes.

- General and administration expense decreased to $1.5 million in Q3 2023 versus $2.0 million in Q3 2022 due primarily to lower accruals for discretionary compensation and decreased expense for share-based performance awards. Of general and administration expense, 54% is forecast to be cost recoverable from the Corporation's oil and gas operations.
- Loss for the three months ended September 30, 2023 was $1.6 million compared to profit of $23.7 million for Q3 2022. The worsened result is primarily attributable to a $41.7 million decrease in net revenue resulting from decreased realized sales price and lower sales volumes.
- Sales volumes were 57% lower in Q3 2023 versus Q3 2022, due primarily to the shutdown of the Kurdistan Oil Export Pipeline, but 10x higher versus Q2 2023 when substantially all production from the Hawler license area was shut-in.
- Cash generated from operating activities was $1.1 million in Q3 2023 compared to $25.4 million in Q3 2022. The decrease mainly relates to lower crude oil sales revenue received during the period. Settlement of the $63 million balance outstanding for oil sales from October 2022 through March 2023 continues to be deferred by the Kurdistan Region's Ministry of Natural Resources.
- Cash used in investing activities was $3.3 million in Q3 2023 compared to $15.3 million in Q3 2022.
- Capital additions in Q3 2023, which excludes non-cash changes to the decommissioning obligation, totalled $0.7 million compared to $11.3 million in Q3 2022. Spending was limited, consisting of drilling costs that were previously committed to and could not be deferred or avoided.
- Cash and cash equivalents decreased to $69.0 million at September 30, 2023 from $71.2 million at June 30, 2023 reflecting $3.3 million used in investing activities partially offset by $1.1 million generated from operating activities.
- The Corporation is obligated to make a further payment to the seller of the Hawler license area in the amount of $76.2 million. Any settlement of the amount, due and payable as of March 31, 2023, is subject to receipt of a payment direction and appropriate documentation to comply with settlement regulations. Once that is satisfactorily received, based on historical experience with the counterparty, it is expected that agreement could be reached for payments to be scheduled to align with the Corporation's cash resources, if necessary.
- As at November 7, 2023, there are outstanding: (i) 605,234,165 common shares, and (ii) unvested Long Term Incentive Plan awards which are expected to result in the issuance of up to an additional 17,948,049 common shares upon vesting.

Regulatory Filings

This announcement coincides with the filing with the Canadian securities regulatory authorities of Forza Petroleum's unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2023 and the related management's discussion and analysis thereon. Copies of these documents filed by Forza Petroleum may be obtained via www.sedarplus.ca and the Corporation's website, www.forzapetroleum.com.

ABOUT FORZA PETROLEUM LIMITED

Forza Petroleum 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. Further information about Forza Petroleum is available at www.forzapetroleum.com or under Forza Petroleum's profile at www.sedarplus.ca.

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 September 30, 2023 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 December 2024 as well as the $76.2 million in deferred purchase consideration owing in connection with the original acquisition of the Hawler license area, the issuance of shares as a result of the vesting of Long Term Incentive Plan awards, future requirements for additional funding, cost recoverability of general and administration expenses, estimates for the fair value of the deferred purchase consideration arising from the acquisition of OP Hawler Kurdistan Limited in 2011, the expected timing for settlement of liabilities including the deferred purchase consideration arising from the acquisition of OP Hawler Kurdistan Limited in 2011, cost recoverability of general and administration expense, 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, 2023 available at www.sedarplus.ca 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.