# CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2023 AND 2022

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**In accordance with subsection 4.3(3) of National Instrument 51-102 – *Continuous Disclosure Obligations*, Forza Petroleum Limited discloses that its auditors have not reviewed the unaudited condensed consolidated interim financial statements as at and for the three and nine months ended September 30, 2023 and 2022.**

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

| | | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|---|
| **$000s** | **Note** | **2023** | **2022** | **2023** | **2022** |
| Revenue | | 14,416 | 85,073 | 63,498 | 266,199 |
| Royalties | | (5,903) | (34,832) | (25,945) | (108,970) |
| **Net revenue** | | **8,513** | **50,241** | **37,553** | **157,229** |
| Operating expense | | (4,865) | (9,058) | (20,061) | (26,998) |
| Depreciation, depletion and amortization | **5, 6** | (5,007) | (12,481) | (16,227) | (37,256) |
| Impairment loss | **5, 6** | - | - | (121,421) | - |
| General and administration expense | | (1,525) | (1,975) | (4,516) | (5,090) |
| Other income / (expense) | **18** | 188 | 501 | (3,245) | 89 |
| Decrease / (increase) in expected credit loss against trade and other receivables | **8** | 1,040 | - | (4,782) | - |
| Change in fair value of purchase consideration | **11a** | - | (1,711) | (1,795) | (5,012) |
| **(Loss) / Profit from operations** | | **(1,656)** | **25,517** | **(134,493)** | **82,962** |
| Finance income | **19** | 586 | | 1,841 | - |
| Finance expense | **20** | (182) | (159) | (545) | (279) |
| Foreign exchange (losses) / gains | | (91) | (33) | (150) | (8) |
| **(Loss) / Profit before income tax** | | **(1,343)** | **25,325** | **(133,347)** | **82,675** |
| Income tax expense | **17** | (213) | (1,654) | (1,308) | (5,229) |
| **(Loss) / Profit for the period** | | **(1,556)** | **23,671** | **(134,655)** | **77,446** |
| **Comprehensive income for the period** | | **(1,556)** | **23,671** | **(134,655)** | **77,446** |
| **(Loss) / Earnings per share (basic and diluted)** | **14** | **(0.00)** | **0.04** | **(0.22)** | **0.13** |

# Consolidated Statement of Financial Position

| $000s | Note | September 30 2023 | December 31 2022 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | **5** | - | 51,351 |
| Property, plant and equipment | **6** | 176,337 | 247,335 |
| Deferred tax assets | | 255 | 247 |
| | | **176,592** | **298,933** |
| **Current assets** | | | |
| Inventories | **7** | 10,294 | 12,969 |
| Trade and other receivables | **8** | 55,953 | 62,500 |
| Other current assets | **9** | 2,011 | 2,675 |
| Cash and cash equivalents | **10** | 68,981 | 71,103 |
| | | **137,869** | **149,247** |
| **Total assets** | | **314,461** | **448,180** |
| **Current liabilities** | | | |
| Trade and other payables | **11** | 98,738 | 97,102 |
| | | **98,738** | **97,102** |
| **Non-current liabilities** | | | |
| Retirement benefit obligation | | 1,517 | 1,394 |
| Decommissioning obligation | **12** | 17,655 | 18,947 |
| | | **19,172** | **20,341** |
| **Total liabilities** | | **117,910** | **117,443** |
| **Equity** | | | |
| Share capital | **13** | 420 | 1,365,467 |
| Contributed surplus | **13** | 1,365,467 | - |
| Reserves | **15** | 22,121 | 22,072 |
| Accumulated deficit | | (1,191,457) | (1,056,802) |
| **Total equity** | | **196,551** | **330,737** |
| **Total equity and liabilities** | | **314,461** | **448,180** |

The consolidated financial statements were approved by the Board of Directors and authorized for issue on November 7, 2023.

On behalf of the Board of Directors:

| | |
|---|---|
| *signed* | *signed* |
| Vance Querio | Peter Newman |
| Director | Director |

## Consolidated Statement of Changes in Equity

| $000s | Note | Share capital | Contributed surplus | Reserves | Accumulated deficit | Total equity |
|---|---|---|---|---|---|---|
| **Balance at December 31, 2021** | | **1,363,221** | **-** | **23,301** | **(919,695)** | **466,827** |
| Profit for the period | | - | - | - | 77,446 | 77,446 |
| Shares issued for Long Term Incentive Plan ("LTIP") | **13, 15** | 2,246 | - | (2,246) | - | - |
| Share based payment compensation | **15** | - | - | 1,473 | - | 1,473 |
| Cash issued for LTIP | **15** | - | - | (798) | - | (798) |
| **Balance at September 30, 2022** | | **1,365,467** | **-** | **21,730** | **(842,249)** | **544,948** |
| Loss for the period | | - | - | - | (215,430) | (215,430) |
| Share based payment compensation | **15** | - | - | 342 | - | 342 |
| Gain on defined benefit obligation, net of tax | | - | - | - | 877 | 877 |
| **Balance at December 31, 2022** | | **1,365,467** | **-** | **22,072** | **(1,056,802)** | **330,737** |
| Loss for the period | | - | | - | (134,655) | (134,655) |
| Shares issued for LTIP | | 420 | - | (420) | - | - |
| Reduction of stated capital | **15** | (1,365,467) | 1,365,467 | - | - | - |
| Share based payment compensation | **15** | - | - | 469 | - | 469 |
| **Balance at September 30, 2023** | | **420** | **1,365,467** | **22,121** | **(1,191,457)** | **196,551** |

## Consolidated Statement of Cash Flows

| | | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|---|
| **$000s** | **Note** | **2023** | **2022** | **2023** | **2022** |
| **Operating activities** | | | | | |
| (Loss) / Profit for the period | | (1,556) | 23,671 | (134,655) | 77,446 |
| Adjustments for non-cash transactions | **16** | 4,318 | 14,839 | 151,343 | 43,880 |
| Cash paid for LTIP | | - | (798) | - | (798) |
| Change in retirement benefit obligation | | (105) | (97) | (209) | (194) |
| Changes in non-cash working capital | **16** | (1,544) | (12,176) | (2,575) | (36,723) |
| **Net cash generated from / (used in) operating activities** | | **1,113** | **25,439** | **13,904** | **83,611** |
| **Investing activities** | | | | | |
| Acquisition of intangible assets | | (592) | (131) | (4,054) | (131) |
| Acquisition of property, plant and equipment | | (2,757) | (15,126) | (11,972) | (54,506) |
| **Net cash used in investing activities** | | **(3,349)** | **(15,257)** | **(16,026)** | **(54,637)** |
| **Financing activities** | | - | - | - | **-** |
| **Net (decrease) / increase in cash and cash equivalents** | | **(2,236)** | **10,182** | **(2,122)** | **28,974** |
| Cash and cash equivalents at beginning of the period | | 71,217 | 43,464 | 71,103 | 24,672 |
| **Cash and cash equivalents at end of the period** | **10** | **68,981** | **53,646** | **68,981** | **53,646** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. General information

Forza Petroleum Limited (the "Company" or "FPL") is a public company incorporated in Canada under the Canada Business Corporations Act and is the holding company for the Forza Petroleum group of companies (together the "Group" or "Forza Petroleum"). The address of the registered office of FPL is 3400 First Canadian Centre 350, 7th Avenue Southwest, Calgary, Alberta, Canada T2P 3N9. The Group's controlling shareholder is Zeg Oil and Gas Limited ("ZOG") (incorporated in the British Virgin Islands) and its ultimate controlling parent is SBK Investment Holdings Limited (incorporated in the British Virgin Islands). The Group's ultimate controlling party is Baz Karim.

The Group's principal activities are to acquire and develop exploration and production assets in order to produce hydrocarbons and to increase oil and gas reserves.

The Group has considered climate risk when preparing the unaudited condensed consolidated interim financial statements (the "Financial Statements"). In particular, it has been confirmed that there is no current or proposed legislation that would limit production or increase decommissioning costs in response to climate considerations. During the three and nine months ended September 30, 2023 there were no climate risk related matters that impacted the Financial Statements.

The Financial Statements were authorized for issue by the Board of Directors on November 7, 2023.

## 2. Summary of significant accounting policies

### a. Basis of preparation

The Company's Financial Statements for the three and nine months ended September 30, 2023 have been prepared in accordance with International Accounting Standard ("IAS") 34 - *Interim financial reporting* as issued by the International Accounting Standards Board ("IASB"). The Financial Statements should be read in conjunction with Forza Petroleum's annual consolidated financial statements for the year ended December 31, 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The accounting policies included in the annual consolidated financial statements for the year ended December 31, 2022 are applicable to these Financial Statements.

The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities at fair value through profit and loss.

The preparation of financial statements in conformity with IFRS requires the use of critical accounting judgments and key sources of estimation uncertainty. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in the annual consolidated financial statements for the year ended December 31, 2022 and have been updated in these Financial Statements as required.

The Financial Statements are presented in US Dollars ("USD"), which is also the functional currency of the Company.

### b. Going concern

These Financial Statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business for the foreseeable future. During the three and nine months ended September 30, 2023, the Group met its day to day working capital requirements and funded its capital and operating expenditures through cash reserves and receipt of its share of oil sales revenues from the Hawler license area. As at November 7, 2023, the Group has received payment for all Hawler oil sales made to the Kurdistan Regional Government ("KRG") through September 2022, and for all local oil sales during the nine months ended September 30, 2023.

In recent years, sales of the Group's oil production had been exclusively through the Kurdistan Oil Export Pipeline ("KOEP"). On March 25, 2023, the operator of the KOEP notified OP Hawler Kurdistan Limited, the Group's operating subsidiary in the Kurdistan Region of Iraq ("KRI"), of a shutdown of the pipeline. As a result, production from the Hawler license area was substantially shut-in.

## 2. Summary of significant accounting policies (continued)

### b. Going concern (continued)

The shutdown was related to a March 2023 arbitration decision of the International Chamber of Commerce impacting exports by the KRG through the port of Ceyhan in Turkey. An initial statement from the Federal Government of Iraq ("FGI") indicated that exports of Iraqi crude oil through the port may resume only with the consent of the FGI.

Recent public reports indicate that, following completion of maintenance work on the KOEP located in Turkey, it is technically feasible to restart oil exports from the Kurdistan Region. However, it is understood that the FGI and the Republic of Turkey are seeking to settle certain open disputes between the governments before agreeing to re-open the KOEP.

During the second quarter of 2023, the Group sold oil inventory on hand to the local market. Starting in July 2023, the Group entered into three consecutive short-term contracts to sell 8,000 bbl/d to the local market (working interest: 5,200 bbl/d), which supported a partial restart of production operations. The price under these local sales agreements averaged $31/bbl and payment in advance of deliveries was received from the buyers. A further local sales contract was signed in October 2023. The average sales price under this agreement is $32/bbl, again, with payment to be received from buyers in advance of deliveries.

Management continues to view the shutdown of the KOEP as a temporary restriction on access to international markets, and consequently on some operations. However, the timing of a full restart of the Group's production and oil sales via the KOEP remains uncertain, as do the price and payment terms applicable to such sales. These uncertainties cast significant doubt on the Group's ability to continue as a going concern.

Depending on the duration of the KOEP shutdown, and the resumption of payments for past oil sales, the Group may need to raise capital to fund its operations. Any need to raise additional capital may be adversely impacted by a lack of available financing, the duration of the pipeline shutdown, the timing of settlement of outstanding receivables and sales pricing mechanism changes, if any.

In view of the ongoing suspension of the KOEP, the Group's principal shareholder has firmly indicated that it will provide up to $20 million until May 31, 2024, if needed, to fund net cash outflows.

The Directors have carefully considered the forecast cash flows for the 15 months following September 30, 2023. They expect that the Group will have adequate resources to fund the Group's capital and operating expenditures and to meet forecast obligations as they fall due within that period. The Hawler drilling and facilities work program for the next 15 months will be tailored to the funding available for capital expenditure, with commitments and activity contingent upon resumption of production operations, settlement of invoices for forecast oil sales and collection of outstanding receivables relating to oil sales during the period from October 2022 through March 2023.

In preparing the above forecast, management has assumed the following:

i. Continuation of local sales until December 31, 2023 with terms similar to the sales contract entered into in October 2023;

ii. Resumption of sales through the KOEP from January 1, 2024 with receipt of payment for future pipeline sales to be received 30 days after invoicing;

iii. Collection of receivables from the October 2022 to March 2023 oil sales to be received in instalments between March 2024 and September 2025;

iv. Pipeline sales, when they resume, will continue to be based on the pricing mechanism implemented by the Ministry of Natural Resources on September 1, 2022;

v. The settlement of the deferred purchase consideration due to the seller of OP Hawler Kurdistan Limited (Note 11) will not occur before December 2023; and

vi. The Group will be able to obtain $20 million in equity or debt capital from its principal shareholder, if and as needed.

## 2. Summary of significant accounting policies (continued)

**b. Going concern (continued)**

The assumptions above, which are largely outside of the control of the Directors, represent material uncertainties that may cast significant doubt about the Group's ability to continue as a going concern and thus to realize its assets and discharge its liabilities in the normal course of business. Should the Group be unable to meet its obligations as they fall due and to fund its planned operating expenditures and capital investments, the preparation of these Financial Statements on a going concern basis may not be appropriate.

The Financial Statements do not reflect adjustments, which may be material, that would be necessary if the going concern assumption were not appropriate.

**c. New and amended standards adopted by the Group**

Effective January 1, 2023, 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 |
|---|---|
| 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 IFRS 8: Definition of Accounting Estimates | January 1, 2023 |
| IFRS 17 Insurance Contracts, including Amendments to IFRS 17 | January 1, 2023 |

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

**d. New and amended standards issued but not yet effective**

At the date of authorization of these Financial Statements, the following standards applicable to the Group were issued but not yet effective:

| New and Amended Standards | Effective for annual periods beginning on or after |
|---|---|
| Amendments to IAS 1: Classification of Assets and Liabilities as Current and Non-current | January 1, 2024 |
| Amendments to IAS 1: 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.

## 3. Financial risk management

The financial risk management disclosure contained in Forza Petroleum's annual financial statements for the year ended December 31, 2022 is applicable to these Financial Statements.

## 4. Joint arrangements

The Group has entered into joint arrangements to facilitate the exploration, development and production of oil and gas. No new joint arrangements have been entered into during the three and nine months ended September 30, 2023. As at September 30, 2023, the Group was involved in the following joint arrangement:

| License Area | Classification | Location | Working interest |
|---|---|---|---|
| Hawler | Joint operation | Iraq – Kurdistan Region | 65% |

## 5. Intangible assets

| $000s | Exploration & Evaluation costs | Computer Software | Total |
|---|---|---|---|
| **Cost** | | | |
| **At January 1, 2022** | **47,748** | **2,225** | **49,973** |
| Additions | 138 | - | 138 |
| Decommissioning (Note 12) | (222) | - | (222) |
| **At September 30, 2022** | **47,664** | **2,225** | **49,889** |
| Additions | 3,743 | - | 3,743 |
| Decommissioning (Note 12) | (56) | - | (56) |
| **At December 31, 2022** | **51,351** | **2,225** | **53,576** |
| Additions | 4,521 | - | 4,521 |
| Decommissioning (Note 12) | 23 | - | 23 |
| **At September 30, 2023** | **55,895** | **2,225** | **58,120** |
| **Accumulated amortization and impairment** | | | |
| **At January 1, 2022 and September 30, 2022** | **-** | **2,225** | **2,225** |
| Amortization | - | - | - |
| **At December 31, 2022** | **-** | **2,225** | **2,225** |
| Impairment | 55,895 | - | 55,895 |
| **At September 30, 2023** | **55,895** | **2,225** | **58,120** |
| **Carrying amount** | | | |
| At September 30, 2023 | - | - | - |
| At December 31, 2022 | 51,351 | - | 51,351 |

The carrying amounts for E&E assets represented costs incurred on exploration projects. For the purpose of impairment assessments and testing, E&E assets are aggregated in cash generating units ("CGUs"). Determination of what constitutes a CGU is subject to management judgments and the circumstances.

The carrying amounts of intangible E&E assets related wholly to the Hawler license area (Ain al Safra sub-contract area) at both September 30, 2023 and December 31, 2022, and the Group continues to judge that the Hawler – Ain al Safra sub-contract area constitutes an individual CGU.

At June 30, 2023, because of the extended delay to receipt of payments for oil sales made from October 2022 through March 2023, and the continued shutdown of the KOEP, no substantive expenditures or further activities were being contemplated for the Ain al Safra sub-contract area. Therefore, an impairment expense of $55.9 million was recorded to reduce the carrying amount of the related CGU to nil. At September 30, 2023, the carrying amount of the asset continues to be nil.

## 6. Property, plant and equipment

The Group's principal property, plant and equipment comprises its oil and gas assets in the Hawler license area in the KRI. No assets have been pledged as security.

| $000s | Oil and gas Assets | Fixtures and Equipment | Total |
|---|---|---|---|
| **Cost** | | | |
| **At January 1, 2022** | **1,007,844** | **3,550** | **1,011,394** |
| Additions | 40,532 | 5 | 40,537 |
| Decommissioning (1) | (4,737) | - | (4,737) |
| **At September 30, 2022** | **1,043,639** | **3,555** | **1,047,194** |
| Additions | 14,492 | 11 | 14,503 |
| Decommissioning (1) | (2,716) | - | (2,716) |
| **At December 31, 2022** | **1,055,415** | **3,566** | **1,058,981** |
| Additions | 12,490 | 68 | 12,558 |
| Decommissioning (1) | (1,837) | - | (1,837) |
| **At September 30, 2023** | **1,066,068** | **3,634** | **1,069,702** |
| **Accumulated depreciation, depletion and impairment** | | | |
| **At January 1, 2022** | **538,327** | **3,550** | **541,877** |
| Depletion | 37,209 | - | 37,209 |
| **At September 30, 2022** | **575,536** | **3,550** | **579,086** |
| Impairment (2) | 220,584 | - | 220,584 |
| Depreciation | - | 2 | 2 |
| Depletion | 11,974 | - | 11,974 |
| **At December 31, 2022** | **808,094** | **3,552** | **811,646** |
| Impairment (3) | 65,526 | - | 65,526 |
| Depreciation | - | 21 | 21 |
| Depletion | 16,172 | - | 16,172 |
| **At September 30, 2023** | **889,792** | **3,573** | **893,365** |
| **Carrying amount** | | | |
| At September 30, 2023 | 176,276 | 61 | 176,337 |
| At December 31, 2022 | 247,321 | 14 | 247,335 |

(1) Non-cash changes to the decommissioning obligation (Note 12).

(2) As at December 31, 2022, the Group recorded a $220.6 million impairment expense relating to the Hawler license area. The impairment expense represents the difference between the estimated recoverable amount of the Hawler license area CGU and its carrying amount. The impairment expense was driven by lower reserve volumes and a higher discount rate used at December 31, 2022 compared to the previous impairment assessment done at December 31, 2021.

(3) As at June 30, 2023, the Group recorded a $65.5 million impairment expense relating to the Hawler license area. The impairment expense represents the difference between the estimated recoverable amount of the Hawler license area CGU and its carrying amount.

For the purpose of impairment assessments and testing in accordance with IAS 36, oil and gas assets are aggregated in CGUs. Determination of what constitutes a CGU is subject to management judgments and the circumstances. For the purposes of impairment assessments and testing of oil and gas assets, management has determined that the Hawler license area, excluding the Ain al Safra sub-contract area, which remains a separate E&E asset (Note 5), constitutes the Group's single CGU which contains property, plant and equipment.

In conducting impairment assessments and tests, management considers internal and external sources of information regarding the manner in which assets are expected to be used, and indications of economic performance of the assets. Estimates include but are not limited to the determination of expected future cash flows from the asset being tested and the discount rate used to determine the value of the cash flows at the measurement date. Reductions in oil price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable reserves and resources and/or adverse economic conditions can result in estimated carrying amounts exceeding the recoverable amounts of the Group's oil and gas assets. An impairment loss is recognized when the carrying amount exceeds the recoverable amount.

## 6. Property, plant and equipment (continued)

An impairment reversal is recognized when there has been a change in the estimates used to determine the asset's recoverable amount since the original impairment loss was recognized, which indicates that the previously recorded impairment should be reversed.

Impairment tests at September 30, 2023 and, previously, at June 30, 2023

The extended shutdown of the KOEP and resulting substantial shut-in of export sales from the Hawler license area (Note 2b) represents an indicator that the Hawler license area CGU's recoverable amount may differ from its carrying amount. Accordingly, management conducted impairment tests as at September 30, 2023 and, previously, at June 30, 2023.

In performing these impairment tests management used significant assumptions and estimates derived from and consistent with those incorporated in the proved plus probable oil reserves development case contained in the independent evaluator's report dated March 9, 2023 ("2P Development Case"), adjusted to reflect management's assumptions related to i) future crude oil sale prices, ii) near-term production, iii) suspension of near-term capital investment, and iv) a revised 2023 operating expense forecast.

Expected cash inflows assume continuation of the local sales (at terms and volumes as discussed in Note 2b), until the forecast re-opening of the KOEP, now forecast to be on January 1, 2024 (previously forecast to be on October 1, 2023) and that all sales of crude oil from the Hawler license area continue to be completed through the KOEP from that date.

The following table shows the management forecast realized prices used in the impairment test at September 30, 2023:

| Period ending December 31, | Forward Contract Price ($/bbl) | Forward Contract Price less KBT differential ($/bbl) | External Forecast Brent Price ($/bbl) | External Forecast Brent Price less KBT differential ($/bbl) | Management Forecast Brent Price Used ($/bbl) | Management Forecast Realized Price Used ($/bbl) |
|---|---|---|---|---|---|---|
| 2023 (October - December) (1) | N/A | N/A | N/A | N/A | N/A | 32.00 |
| 2024 | 92.02 | 79.21 | N/A | N/A | 92.02 | 67.53 |
| 2025 | 90.36 | 77.55 | N/A | N/A | 90.36 | 65.26 |
| 2026 | 88.82 | 76.01 | 81.06 | 68.25 | 86.49 | 62.11 |
| 2027 | 87.67 | 74.86 | 82.31 | 69.50 | 83.92 | 59.84 |
| 2028 | N/A | N/A | 83.95 | 71.14 | 83.95 | 60.37 |
| 2029 | N/A | N/A | 85.63 | 72.82 | 85.63 | 62.78 |
| 2030 | N/A | N/A | 87.35 | 74.54 | 86.35 | 63.90 |
| Thereafter(2) | N/A | N/A | 2% escalation | 2% escalation | 2% escalation | 2% escalation |

(1) The contract price for 2023 assumes any sales prior to the reopening of the KOEP are made only on the local market. The estimated realized price is consistent with the most recent sales arrangement (Note 2b).

(2) The 2% escalation is consistent with the increases after 2030 included in the external forecast Brent price.

For 2023, prices for local oil sales are based on the most recent local sales contract signed in October 2023. For 2024 through 2025, prices for export oil sales were based on quoted Brent Crude forward contract prices less the average differential between Brent Crude forward contract prices and average Kurdistan blend (KBT) for March 2023 (the "KBT Discount"). For 2026 and the years thereafter, management's pricing assumptions were benchmarked against the Brent Crude forward contract prices and longer-term Brent Crude pricing forecasts prepared by external firms, less the KBT Discount. Realized prices for export oil sales were further discounted by approximately $10/bbl for pipeline system tariffs and fees, and adjusted for differences in forecast API gravity and sulphur from standard KBT specifications.

## 6. Property, plant and equipment (continued)

The following table shows the management forecast realized prices used in the impairment test at June 30, 2023:

| Period ending December 31, | Forward Contract Price ($/bbl) | Forward Contract Price less KBT differential ($/bbl) | External Forecast Brent Price ($/bbl) | External Forecast Brent Price less KBT differential ($/bbl) | Management Forecast Brent Price Used ($/bbl) | Management Forecast Realized Price Used ($/bbl) |
|---|---|---|---|---|---|---|
| 2023 (July - September) (1) | N/A | N/A | N/A | N/A | N/A | 29.00 |
| 2023 (October - December) | 75.11 | 62.30 | N/A | N/A | 75.11 | 50.66 |
| 2024 | 73.41 | 60.60 | N/A | N/A | 73.41 | 49.41 |
| 2025 | 70.96 | 58.15 | N/A | N/A | 70.96 | 46.89 |
| 2026 | 69.02 | 56.21 | 80.71 | 67.90 | 72.53 | 49.90 |
| 2027 | 67.23 | 54.42 | 81.95 | 69.14 | 77.54 | 54.67 |
| 2028 | N/A | N/A | 83.58 | 70.77 | 83.58 | 60.54 |
| 2029 | N/A | N/A | 85.26 | 72.45 | 85.26 | 62.13 |
| 2030 | N/A | N/A | 86.97 | 74.16 | 86.97 | 63.71 |
| Thereafter(2) | N/A | N/A | 2% escalation | 2% escalation | 2% escalation | 2% escalation |

(1) In each table the contract price for 2023 assumes any sales prior to the reopening of the KOEP are made only on the local market. The estimated realized price is consistent with the local sales contract signed in July 2023 (Note 2b).

(2) The 2% escalation is consistent with the increases after 2030 included in the external forecast Brent price.

For the three months ended September 30, 2023, prices for local oil sales are based on the local sales contract signed in July 2023. For the three months ended December 31, 2023, and the years 2024 through 2025, prices for export oil sales were based on quoted Brent Crude forward contract prices less the average differential between Brent Crude forward contract prices and the KBT Discount. For 2026 and the years thereafter, management's pricing assumptions were benchmarked against the Brent Crude forward contract prices and longer-term Brent Crude pricing forecasts prepared by external firms, less the KBT Discount. Realized prices for export oil sales were further discounted by approximately $10/bbl for pipeline system tariffs and fees, and adjusted for differences in forecast API gravity and sulphur from standard KBT specifications.

Management applied the fair value less costs of disposal methodology to establish the recoverable value of the CGU. The fair value was estimated by calculating the net present value of expected after-tax cash flows associated with proved plus probable oil reserves using a 21% and 20% nominal after-tax discount rate at September 30, 2023 and June 30, 2023, respectively (December 31, 2022 – 20%). The discount rate is based on management's estimate of the cost of capital invested in upstream oil and gas assets in the KRI.

In measuring the fair value less costs of disposal of the Hawler license area CGU, management relied on i) observable inputs other than quoted prices for identical assets, and ii) inputs that are not publicly observable and are the result of management's estimates and judgments arising from analysis of internally generated data. Management's estimate of fair value less costs of disposal is classified as level 3 in the fair value hierarchy.

As at June 30, 2023 application of the fair value less costs of disposal methodology using the assumptions described above indicated an estimated recoverable amount for the Hawler license area CGU of $183 million, including the decommissioning asset, for which the associated liability of $20 million was separately recognized within non-current liabilities (Note 12). The estimated recoverable amount was lower than the carrying value of the asset, therefore the Group recorded a $65.5 million impairment loss as at June 30, 2023.

As at September 30, 2023, application of the same methodology using the assumptions described above indicated an estimated recoverable amount for the Hawler license area CGU of $180 million, including the decommissioning asset, for which the associated liability of $18 million is separately recognized within non-current liabilities (Note 12). The estimated recoverable amount is not materially different to the carrying value of the asset, therefore no impairment loss was recorded at September 30, 2023.

## 6. Property, plant and equipment (continued)

The following table indicates the estimated carrying amounts as at September 30, 2023 that resulted from applying various crude oil price forecasts and discount rates:

| | Discount rate | | |
|---|---|---|---|
| **Estimated carrying amount ($ millions) – based on** | **15%** | **21%** | **25%** |
| Management Forecast prices less $10/bbl | 144 | 121 | 103 |
| Management Forecast prices, shown above | 215 | **180** | 161 |
| Management Forecast prices plus $10/bbl | 284 | 237 | 212 |

## 7. Inventories

| **$000s** | **September 30 2023** | **December 31 2022** |
|---|---|---|
| Oil inventory | 171 | 256 |
| Materials, net of provision | 10,753 | 12,713 |
| | **10,924** | **12,969** |

The cost of oil inventory is expensed through production and depletion expenses in the period during which it is sold. As at September 30, 2023, the Group's working interest share of oil inventory was 9,300 bbl (December 31, 2022 – 8,700 bbl).

The Group has adjusted the carrying value of materials inventory to management's estimate of net realizable value. The provision at September 30, 2023 is $8.8 million (December 31, 2022: $5.6 million) and an expense of $3.2 million has been included in other expense during the nine months ended September 30, 2023 (September 30, 2022 – income of $0.1 million) (Note 18).

No inventories have been pledged as security during the period.

## 8. Trade and other receivables

| **$000s** | **September 30 2023** | **December 31 2022** |
|---|---|---|
| Revenue receivables | 60,657 | 62,433 |
| Expected credit loss provision | (4,782) | - |
| Other receivables | 78 | 67 |
| | **55,953** | **62,500** |

Trade and other receivables are denominated in USD and the carrying values are a reasonable approximation of the fair value.

The following table presents the movements in expected credit loss during the period indicated:

| **$000s** | **Nine months ended September 30, 2023** | **Year ended December 31, 2022** |
|---|---|---|
| Expected credit loss, beginning of period | - | - |
| Movement in expected credit loss | (4,782) | - |
| **Expected credit loss, end of period** | **(4,782)** | **-** |

The increase in the expected credit loss during the nine months ended September 30, 2023 reflects the shutdown of the KOEP and the delayed payments for sales made from October 2022 through March 2023.

## 9. Other current assets

| $000s | September 30 2023 | December 31 2022 |
|---|---|---|
| Prepaid charges and other current assets | 1,038 | 919 |
| Deposits | 973 | 1,756 |
| | **2,011** | **2,675** |

## 10. Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term deposits with an original maturity of three months or less. As at September 30, 2023, $58.0 million included in this balance was held in a one-month term account (December 31, 2022: $30 million and $20 million were held in one and three-month term accounts, respectively). The carrying amounts are reasonable approximations of the fair value.

## 11. Trade and other payables

| $000s | September 30 2023 | December 31 2022 |
|---|---|---|
| Trade accounts payable | 11,600 | 7,211 |
| Amounts payable to joint operations partners | 952 | - |
| Other payables and accrued liabilities | 9,949 | 15,450 |
| Purchase consideration | 76,237 | 74,441 |
| **Total trade and other payables** | **98,738** | **97,102** |

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

**Purchase consideration**

During 2011, the Group acquired OP Hawler Kurdistan Limited ("OPHKL") under the terms of a sale and purchase agreement (the "Purchase Agreement"). Pursuant to the terms of the Purchase Agreement, additional purchase consideration was due to the seller of OPHKL in the event of a second commercial discovery.

Pursuant to the latest agreements with the seller of OPHKL, the balance owing to the seller of OPHKL became due and payable on March 31, 2023, subject to receipt by the Group from the seller of OPHKL of a payment direction and appropriate documentation to comply with settlement regulations. As documentation remains outstanding, settlement is not expected to occur before December 1, 2023. The balance owed to the seller of OPHKL remains at $76.2 million.

## 12. Decommissioning obligation

The Group has an obligation to decommission its oil and gas assets upon cessation of operations. In calculating the value of the Group's future decommissioning obligation at September 30, 2023, management has made significant judgments and estimates based on an assessment of the current economic environment and factors specific to the assets to be decommissioned. These estimates are reviewed annually and when circumstances suggest that such revisions are required. Actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning may depend on when the fields cease to produce at economically viable rates. This in turn will depend, inter alia, upon future oil prices, which are inherently uncertain.

Decommissioning obligations, all of which relate to the Hawler license area in the KRI, are forecast to be incurred in 2038 at the end of the development period.

During the year ended December 31, 2022, the Group revised the cost estimates used to calculate the decommissioning obligation based on an updated engineering assessment of resources required for decommissioning activities, and the latest contractual prices for equipment and services. The assessment of the costs involved resulted in an increase of $1.5 million from the previous assessment. The cost estimates used were based on then-current contract values.

## 12. Decommissioning obligation (continued)

The estimated net present value of the decommissioning obligation at September 30, 2023 is $17.7 million (December 31, 2022 - $18.9 million) based on the Group's undiscounted liability of $54.7 million (December 31, 2022 - $48.2 million).

The assumed inflation rate used in the calculation to determine the carrying value of the decommissioning obligation was reviewed during the nine months ended September 30, 2023 and was updated to 2.9% (December 31, 2022: 2.1%). The inflation rate is referenced to the World Bank inflation development indicator for Iraq.

The assumed discount rate was also reviewed during the nine months ended September 30, 2023 and was updated to 7.7% (December 31, 2022: 6.0%). The discount rate is determined by adding the US dollar risk-free rate to the inflation rate.

| $000s | Nine months ended September 30, 2022 | Year ended December 31, 2022 |
|---|---|---|
| **Decommissioning obligation, beginning of the period** | **18,947** | **26,213** |
| Change in cost estimates | - | 1,520 |
| Change in inflation rate | 2,877 | 6,073 |
| Change in discount rate | (4,982) | (16,540) |
| Property development additions | 268 | 1,216 |
| | **17,110** | **18,482** |
| Accretion expense (Note 20) | 545 | 465 |
| **Decommissioning obligation, end of the period** | **17,655** | **18,947** |

If a 10% increase were applied to the gross costs used in the calculation, the net present value of the decommissioning obligation at September 30, 2023 would increase by $1.8 million. If a 1% increase to the discount rate were applied, the net present value of the decommissioning obligation at September 30, 2023 would decrease by $2.3 million.

## 13. Share capital

### a. Issued common shares

| | Number of shares | Share capital $000s |
|---|---|---|
| **At January 1, 2022** | **584,976,202** | **1,362,221** |
| Issue of shares for LTIP | 15,330,155 | 2,246 |
| **At September 30, 2022 and December 31, 2022** | **600,306,357** | **1,365,467** |
| Reduction of stated capital | - | (1,365,467) |
| Issue of shares for LTIP | 4,927,808 | 420 |
| **September 30, 2023** | **605,234,165** | **420** |

The Company has unlimited authorized share capital at September 30, 2023.

2023 share capital transactions

On September 1, 2023, the Company issued 4,927,808 common shares to employees under the Group's LTIP.

A reduction to the stated capital account maintained in respect of the common shares of the Company was approved at the Annual and Special Meeting of Shareholders held on June 27, 2023. The reduction to stated capital was approved by directors and implemented effective as of June 30, 2023. As a result, the share capital balance was reclassified to contributed surplus.

2022 share capital transactions

On September 1, 2022, the Company issued 15,330,155 common shares to employees under the LTIP.

## 13. Share capital (continued)

**b. Warrants**

In March 2020, in connection with a loan (since fully settled), the Group issued warrants to acquire 33,149,000 common shares of the Company. The warrants expired without exercise on March 10, 2023.

## 14. Basic and diluted (loss) /earnings per share

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

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| **$000s** | **2023** | **2022** | **2023** | **2022** |
| (Loss) / Profit for the period attributable to equity holders | (1,556) | 23,671 | (134,655) | 77,446 |
| Weighted average number of common shares for basic earnings per share (1) | 601,913,251 | 590,974,958 | 600,847,874 | 586,997,761 |
| Dilutive impact of unexercised warrants (2) | - | - | - | 33,149,000 |
| Weighted average number of common shares for diluted earnings per share (1) | 601,913,251 | 590,974,958 | 600,847,874 | 620,146,761 |
| **Basic (loss) / earnings per share - $** | **(0.00)** | **0.04** | **(0.22)** | **0.13** |
| **Diluted (loss) / earnings per share - $** | **(0.00)** | **0.04** | **(0.22)** | **0.13** |

(1) The unvested LTIP shares are excluded as the vesting conditions have not yet been met.
(2) The warrants expired without exercise on March 10, 2023 (Note 13b)

## 15. Reserves

| **$000s** | **Share based payments** | **Other Reserves** | **Total reserves** |
|---|---|---|---|
| **At January 1, 2022** | **20,658** | **2,643** | **23,301** |
| Share based payment transactions | 1,473 | - | 1,473 |
| Issue of shares for LTIP | (3,044) | - | (3,044) |
| **At September 30, 2022** | **19,087** | **2,643** | **21,730** |
| Share based payment transactions | 342 | - | 342 |
| **At December 31, 2022** | **19,429** | **2,643** | **22,072** |
| Share based payment transactions | 469 | - | 469 |
| Issue of shares for LTIP | (420) | - | (420) |
| **At September 30, 2023** | **19,478** | **2,643** | **22,121** |

## 16. Supplemental cash flow information

### a. Adjustments for non-cash transactions

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| **$000s** | **2023** | **2022** | **2023** | **2022** |
| Revenue | - | - | 4,410 | - |
| Royalties | - | - | (1,889) | - |
| Depreciation, depletion and amortization | 5,007 | 12,481 | 16,226 | 37,256 |
| Share based payment expense | 119 | 508 | 273 | 739 |
| Impairment loss | - | - | 121,421 | - |
| Unrealized foreign exchange (gains) / losses | 91 | 89 | 140 | 30 |
| Income tax benefit | (3) | (2) | (8) | (5) |
| Finance costs | 182 | 160 | 545 | 280 |
| General and administration | 106 | 103 | 323 | 310 |
| Increase in fair value of purchase consideration | - | 1,711 | 1,795 | 5,012 |
| (Decrease) / increase in expected credit loss against trade and other receivables | (1,040) | - | 4,782 | - |
| Other expense | (144) | (211) | 3,325 | 258 |
| **Items not involving cash** | **4,318** | **14,839** | **151,343** | **43,880** |

### b. Changes relating to non-cash working capital

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| **$000s** | **2023** | **2022** | **2023** | **2022** |
| Inventories | (31) | (726) | (1,208) | (3,573) |
| Trade and other receivables | (28) | (13,035) | (756) | (36,471) |
| Other current assets | (397) | (937) | 664 | (2,884) |
| Trade and other payables | (3,773) | (1,779) | (290) | (8,305) |
| **Change in non-cash working capital** | **(4,229)** | **(16,477)** | **(1,590)** | **(51,233)** |

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

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| **$000s** | **2023** | **2022** | **2023** | **2022** |
| Operations | (1,544) | (12,176) | (2,575) | (36,723) |
| Investing – PP&E | (2,093) | (4,301) | 524 | (14,510) |
| Investing – EE&E | (592) | - | 461 | - |
| **Cash flows relating to non-cash working capital** | **(4,229)** | **(16,477)** | **(1,590)** | **(51,233)** |

### c. Other cash flow information

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| **$000s** | **2023** | **2022** | **2023** | **2022** |
| Cash income taxes paid – net | 49 | 14 | 160 | 59 |

## 17. Income tax expense

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| **$000s** | **2023** | **2022** | **2023** | **2022** |
| Current income tax expense | 215 | 1,655 | 1,316 | 5,234 |
| Deferred tax on LTIP shares | (2) | (1) | (8) | (5) |
| **Income tax expense** | **213** | **1,654** | **1,308** | **5,229** |

The Group is subject to income taxes in certain jurisdictions where it holds interests in exploration and development licenses or has taxable operations. Current income tax expense relates to tax on profits from oil sales in the KRI and on taxable profits from operations of the Group's Swiss and Maltese subsidiaries. For the nine months ended September 30, 2023, income taxes related to oil sales in the KRI in the amount of $1.3 million (2023 - $5.2 million) were deemed to be collected by the government through its allocation of Profit Oil under the Hawler PSC. Cumulatively, since the inception of Hawler production in 2013, such income taxes deemed to have been collected by the KRG through its allocation of Profit Oil and related to oil sales in the KRI amount to $19.7 million.

## 18. Other income / (expense)

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

| | | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|---|
| **$000s** | **Note** | **2023** | **2022** | **2023** | **2022** |
| Reduction / (Increase) in materials inventory provision | **7** | 188 | 500 | (3,220) | 72 |
| Other | | - | 1 | (25) | 17 |
| **Other income / expense** | | **188** | **501** | **(3,245)** | **89** |

## 19. Finance income

Finance income is composed of interest earned on short-term deposits of three months or less (Note 10). The interest rate earned on these deposits during the nine months ended September 30, 2023 ranged between 4.3% and 5.23%.

## 20. Finance costs

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

| | | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|---|
| **$000s** | **Note** | **2023** | **2022** | **2023** | **2022** |
| Accretion of decommissioning obligation | **12** | 182 | 159 | 545 | 279 |
| **Finance costs** | | **182** | **159** | **545** | **279** |

## 21. Segment information

The Group has a single class of business which is to acquire, explore, develop and produce oil from oil and gas assets. There is one geographic operating segment, for which information is distinguished from that for corporate activities as follows:

| **For the three months ended September 30, 2023**<br>**$000s** | **Middle East** | **Corporate** | **Total** |
|---|---|---|---|
| Revenue | 14,416 | - | 14,416 |
| Royalty | (5,903) | - | (5,903) |
| **Net revenue** | **8,513** | **-** | **8,513** |
| Operating expense | (4,865) | - | (4,865) |
| Depreciation, depletion and amortization | (5,000) | (7) | (5,007) |
| Impairment loss | - | - | - |
| General and administration expense | (1,083) | (442) | (1,525) |
| Other income | 188 | - | 188 |
| Decrease in expected credit loss against trade and other receivables | 1,040 | - | 1,040 |
| **Segment result** | **(1,207)** | **(449)** | **(1,656)** |
| Finance income | | | 586 |
| Finance costs | | | (182) |
| Foreign exchange loss | | | (91) |
| **Loss before income tax** | | | **(1,343)** |
| Income tax expense | | | (213) |
| **Loss for the period** | | | **(1,556)** |
| Capital additions[(1)] | 662 | - | 662 |
| Segment assets as at September 30, 2023 | 313,824 | 637 | 314,461 |
| Segment liabilities as at September 30, 2023 | 114,874 | 3,036 | 117,910 |

(1) Before non-cash additions to the decommissioning obligation due to drilling activity during the period.

| **For the three months ended September 30, 2022**<br>**$000s** | **Middle East** | **Corporate** | **Total** |
|---|---|---|---|
| Revenue | 85,073 | - | 85,073 |
| Royalty | (34,832) | - | (34,832) |
| **Net revenue** | **50,241** | **-** | **50,241** |
| Operating expense | (9,058) | - | (9,058) |
| Depreciation, depletion and amortization | (12,481) | - | (12,481) |
| General and administration expense | (582) | (1,393) | (1,975) |
| Other income | 500 | 1 | 501 |
| Change in fair value of contingent consideration | (1,711) | - | (1,711) |
| **Segment result** | **26,909** | **(1,392)** | **25,517** |
| Finance costs | | | (159) |
| Foreign exchange loss | | | (33) |
| **Profit before income tax** | | | **25,325** |
| Income tax expense | | | (1,654) |
| **Profit for the period** | | | **23,671** |
| Capital additions[(1)] | 11,331 | - | 11,331 |
| Segment assets as at September 30, 2022 | 656,658 | 1,364 | 658,022 |
| Segment liabilities as at September 30, 2022 | 109,232 | 3,842 | 113,074 |

(1) Before non-cash additions to the decommissioning obligation due to drilling activity during the period.

## 21. Segment information (continued)

| For the nine months ended September 30, 2023<br>$000s | Middle East | Corporate | Total |
|---|---|---|---|
| Revenue | 63,498 | - | 63,498 |
| Royalty | (25,495) | - | (25,495) |
| **Net revenue** | **37,553** | **-** | **37,553** |
| Operating expense | (20,061) | - | (20,061) |
| Depreciation, depletion and amortization | (16,206) | (21) | (16,227) |
| Impairment loss | (121,421) | - | (121,421) |
| General and administration expense | (3,206) | (1,310) | (4,516) |
| Other expense | (3,245) | - | (3,245) |
| Increase in expected credit loss against trade and other receivables | (4,782) | - | (4,782) |
| Change in fair value of contingent consideration | (1,795) | - | (1,795) |
| **Segment result** | **(133,163)** | **(1,331)** | **(134,494)** |
| Finance income | | | 1,841 |
| Finance costs | | | (545) |
| Foreign exchange loss | | | (150) |
| **Loss before income tax** | | | **(133,348)** |
| Income tax expense | | | (1,308) |
| **Loss for the period** | | | **134,656** |
| Capital additions[(1)] | 17,012 | 67 | 17,079 |

(1) Before non-cash additions to the decommissioning obligation due to drilling activity during the period.

| For the nine months ended September 30, 2022<br>$000s | Middle East | Corporate | Total |
|---|---|---|---|
| Revenue | 266,199 | - | 266,199 |
| Royalty | (108,970) | - | (108,970) |
| **Net revenue** | **157,229** | **-** | **157,229** |
| Operating expense | (26,998) | - | (26,998) |
| Depreciation, depletion and amortization | (37,256) | - | (37,256) |
| General and administration expense | (2,010) | (3,080) | (5,090) |
| Other income | 88 | 1 | 89 |
| Change in fair value of contingent consideration | (5,012) | - | (5,012) |
| **Segment result** | **86,041** | **(3,079)** | **82,962** |
| Finance costs | | | (279) |
| Foreign exchange loss | | | (8) |
| **Profit before income tax** | | | **82,675** |
| Income tax expense | | | (5,229) |
| **Profit for the period** | | | **77,446** |
| Capital additions[(1)] | 40,672 | - | 40,672 |

(1) Before non-cash additions to the decommissioning obligation due to drilling activity during the period.

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

| $000s | September 30 2023 | December 31 2022 |
|---|---|---|
| Iraq (Kurdistan Region) | 176,231 | 298,671 |
| Other | 361 | 262 |
| | **176,592** | **298,933** |

## 22. Commitments

### a. Contractual obligations

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

| $000s | September 30 2023 | December 31 2022 |
|---|---|---|
| No later than one year | 2,479 | 2,479 |
| One to five years | 9,915 | 9,915 |
| Greater than five years | 22,309 | 22,309 |
| | **34,703** | **34,703** |

The commitments noted above reflect the contractually committed amounts relating to the Group's planned execution of expected and contracted exploration and development activities as at September 30, 2023.

### b. Short-term commitments – Group company as lessee

The Group has no material lease commitments and consequently has not recognized any right-of-use assets or corresponding liabilities. Short-term lease obligations do not exceed $0.5 million and contain no purchase options.

## 23. Contingent liabilities

In the normal course of operations, the Group may be subject to litigation and claims. In management's estimation, other than as has been recognized or disclosed within these Financial Statements, no such litigation or claim, individually or in aggregate, is expected to result in a liability that would have a significant adverse effect on the financial position or results of operations of the Group.