The following Management's Discussion and Analysis ("MD&A") as provided by the management of Valeura Energy Inc. ("Valeura" or the "Company") is dated as of August 25, 2010. Valeura evolved from two predecessor companies: PanWestern Energy Inc. ("PanWestern"), a public company that was listed on the TSX Venture Exchange, and Northern Hunter Energy Inc. ("Northern Hunter"), a private oil and gas company, both of which operated in Canada. On April 9, 2010, PanWestern and Northern Hunter completed a Plan of Arrangement (the "Arrangement") under the Business Corporations Act (Alberta) whereby PanWestern acquired all of the assets and liabilities of Northern Hunter. Because the shareholders of Northern Hunter acquired more than 50% of the shares in the merged entity, the transaction was accounted for as a reverse take-over whereby Northern Hunter was considered the acquirer for accounting purposes. As part of the Arrangement the Board of Directors of PanWestern was reconstituted with members from Northern Hunter and the management team became that of Northern Hunter. Subsequent to completion of the Arrangement, PanWestern changed its name to Valeura as approved at PanWestern's annual and general meeting of shareholders on June 29, 2010.

Valeura is currently engaged in the exploitation, development and production of petroleum and natural gas in Western Canada. The Company is pursuing a new strategy to expand internationally to selected countries in Latin America, the Middle East and North Africa region and the Mediterranean Basin. Valeura's shares are traded on the TSX Venture Exchange under the trading symbol VLE.

Basis of Presentation

These unaudited interim consolidated financial statements for the three and six month periods ended June 30, 2010 reflect the financial position, operating results and cash flows of Valeura (formerly Northern Hunter for accounting purposes) and have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). These statements reflect the same accounting policies as the most recently audited annual financial statements of Northern Hunter, except as described in Note 2 below. The disclosures provided below are incremental to those included in the audited annual financial statements of Northern Hunter and, certain disclosures which are normally required to be included in the notes to the consolidated financial statements, have been condensed or omitted. These unaudited interim consolidated financial statements should therefore be read in conjunction with the audited financial statements and notes thereto of Northern Hunter for the three months ended December 31, 2009 and for the fiscal year ended September 30, 2009. These dates reflect the change in Northern Hunter's year-end from September 30 to December 31, which was adopted on March 1, 2010.

The discussion and analysis of oil and natural gas production is presented on a working-interest, before royalties basis. For the purpose of calculating unit information, natural gas is converted to a barrel of oil equivalent ("boe") using six thousand cubic feet of natural gas equal to one barrel of oil. This conversion ratio of 6:1 is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Readers are cautioned that boe's may be misleading, particularly if used in isolation.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the revenues and expenses during the reporting period. Management reviews these estimates, including those related to accruals, the determination of proved reserves, environmental and asset retirement obligations and income taxes at each financial reporting period. Changes in facts and circumstances may result in revised estimates and actual results may differ from these estimates. Readers should be aware that historical results are not necessarily indicative of future performance.

Special Note Regarding Non-GAAP Measures *– This MD&A includes references to financial measures commonly used in the oil and gas industry. The terms "**net petroleum and natural gas revenue"** (petroleum and natural gas sales less royalties, production expenses and transportation costs) and "**funds flow from operations**" (net loss for the period adjusted for non-cash items in the* *statement of cash flows) are not GAAP measures and do not have standardized meanings prescribed by GAAP.*

Forward-looking Statements – *Certain information included in this MD&A constitutes forward-looking information under applicable securities legislation. Such forward-looking information is provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes, such as making investment decisions. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "project" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking information in this MD&A may include, but is not limited to, information with respect to: the Company's growth strategy, operational decisions and the timing thereof, development and exploration plans and the timing thereof; and future production levels. Forward-looking information is based on a number of factors and assumptions which have been used to develop such information but which may prove to be incorrect. Although the Company believes that the expectations reflected in such forward-looking information is reasonable, undue reliance should not be placed on forward-looking information because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this MD&A, assumptions have been made regarding and are implicit in, among other things: field production rates and decline rates; the ability of the Company to secure adequate product transportation; the impact of increasing competition in or near the Company's plays; the timely receipt of any required regulatory approvals, both domestically and internationally; the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner to develop its business; the Company's ability to operate the properties in a safe, efficient and effective manner; the ability of the Company to obtain financing on acceptable terms; the ability to replace and expand oil and natural gas reserves through acquisition, development of exploration; the timing and costs of pipeline, storage and facility construction and expansion; future oil and natural gas prices; currency, exchange and interest rates; the state of the capital markets; the regulatory framework regarding royalties, taxes and environmental matters; the ability of the Company to successfully manage the political and economic risks inherent in pursuing oil and gas opportunities in foreign countries; and the ability of the Company to successfully market its oil and natural gas products. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which have been used.*

Forward-looking information is based on current expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by the Company and described in the forward-looking information. The material risk factors affecting the Company and its business are similar to those of other companies engaged in the business of exploring for and producing oil and gas, both domestically and in foreign countries.

The forward-looking information contained in this MD&A is made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless required by applicable securities laws. The forward looking information contained in this MD&A is expressly qualified by this cautionary statement.

Highlights and Selected Financial Information

	Three months ended		Six months ended	
	June 30, 2010 $	June 30, 2009 $	**June 30, 2010** $	June 30, 2009 $
Financial				
P+NG Sales	**892,878**	966,232	**1,754,225**	1,499,559
Net Income (loss)	**(3,145,674)**	(763,731)	**(4,890,500)**	(1,000,839)
Per share, basic and diluted	**(0.02)**	(0.01)	**(0.04)**	(0.01)
Funds flow from operations[1]	**(856,437)**	(14,761)	**(1,184,443)**	42,503
Per share, basic and diluted	**(0.01)**	0.00	**(0.01)**	0.00
Production volumes				
Natural gas (mcf/d)	**994**	1609	**980**	1169
Crude oil and NGL's (bbls/d)	**97**	106	**88**	82
Total (boe /d)	**263**	374	**251**	276
Sales prices				
Natural gas ($/mcf)	**3.83**	3.40	**4.32**	3.96
Crude Oil ($/bbl)	**66.44**	60.47	**68.46**	54.25
Natural gas liquids ($/bbl)	**45.84**	28.14	**45.52**	26.76
Total ($/boe)	**37.31**	28.42	**38.61**	29.98
Capital Expenditures	**478,906**	1,186,564	**892,594**	2,792,379
Net working capital (deficiency)[2]			**27,436,979**	(4,562,621)
Cash and cash equivalents			**28,547,522**	-
Credit Facility			**-**	3,039,549
Weighted average shares outstanding (basic and diluted)	**166,592,029**	67,285,829	**117,213,281**	67,285,829

1. Funds flow from operations is calculated as cash flow from operating activities before adjustments for asset retirement expenditures and net changes in non-cash working capital
2. Net working capital is calculated as cash, working capital and demand credit facility borrowings

Outstanding Share Data

As at June 30, 2010	
Common shares	198,327,621
Stock options	12,880,000
Performance warrants	27,967,500

The Company

Valeura Energy Inc. ("Valeura" or the "Company") is currently engaged in the exploitation, development and production of petroleum and natural gas in Western Canada. The Company is pursuing a new strategy to expand internationally to selected countries in Latin America, the Middle East and North Africa region and the Mediterranean Basin. Valeura's shares are traded on the TSX Venture Exchange under the trading symbol VLE.

Valeura evolved from two predecessor companies: PanWestern Energy Inc. ("PanWestern"), a public company that was listed on the TSX Venture Exchange, and Northern Hunter Energy Inc. ("Northern Hunter"), a private oil and gas company. PanWestern and Northern Hunter entered a reorganization and arrangement agreement on February 18, 2010 to effect a merger of the companies. The associated Plan of Arrangement (the "Arrangement") closed on April 9, 2010.

Plan of Arrangement

Under the terms of the Arrangement, each outstanding Northern Hunter common share was exchanged for 4.5 shares of PanWestern (based on a deemed price of $0.20 per PanWestern common share and $0.90 per Northern Hunter common share). Given the nature of the transaction, it was accounted for as a reverse take-over of PanWestern by Northern Hunter, whereby Northern Hunter is considered the acquirer for accounting purposes.

The Arrangement was approved by the shareholders of Northern Hunter at a special meeting of shareholders and by the Court of Queen's Bench of Alberta. The transactions were approved by PanWestern shareholders who hold or exercise control over more than 50% of the PanWestern shares by way of a written consent. The TSX Venture Exchange (the "**TSXV**") also approved the transaction.

At the annual general meeting of PanWestern shareholders on June 29, 2010, approval was received to change the company name to Valeura.

Financings

Upon closing of the Arrangement on April 9, 2010, PanWestern was recapitalized through a non-brokered equity private placement of $6,000,000.

On April 16, 2010, PanWestern also closed a private placement of 51,100,000 special warrants at a price of $0.47 per special warrant for aggregate gross proceeds of $24,017,000 (net $22,513,423 after share issue issuance costs). This financing represented an important step in building financial capacity to implement the new business plan of the Company.

At June 30, 2010, the Company had a working capital position (net cash) of $27,436,979.

Comparative Amounts

Upon completion of the Arrangement, Northern Hunter shareholders held approximately 57.4% of the issued and outstanding shares of PanWestern, prior to considering the effect of the equity financings described above. As a result, the Arrangement is accounted for as a purchase of PanWestern by Northern Hunter using the purchase method based on the fair values of assets and liabilities of PanWestern. Therefore, the comparative amounts for 2009 in the consolidated financial statements are the stand alone accounts for Northern Hunter, which was a private company in 2009.

Outlook

Completion of the Arrangement and subsequent financings have positioned the Company to aggressively pursue a new international growth strategy led by the new management team and board of directors which have significant domestic and international experience.

The Company is pursuing a strategy to build a global exploration and production company with a portfolio of assets in at least one or two regions of the world. Selected countries in Latin America, the Middle East and North Africa ("MENA") Region and the Mediterranean Basin are of prime interest but the Company may pursue acquisitions in other regions on an opportunistic basis that otherwise meet its criteria of acceptable political and contract risk, attractive fiscal and royalty regimes, established infrastructure and significant deal flow.

The Company is currently pursuing farm-ins, asset acquisitions and corporate acquisitions to achieve a toe-hold in the regions of interest. Targets include onshore oil and gas assets (conventional and non-conventional) and undercapitalized companies that can provide material exploitation, development and step-out exploration upside. The Company aims to leverage its knowledge of certain countries and hydrocarbon basins and its proven technical and operational skills in applying best available technologies to capture value.

Confidentiality agreements have been executed with several companies and non-binding letters of intent/expressions of interest have been presented to a select few, two of which are being actively progressed. The flow of potential opportunities continues to be robust to complement these more advanced initiatives.

Results of Operations

	Three months ended		**Six months ended**	
	June 30, 2010 $	June 30, 2009 $	**June 30, 2010** $	June 30, 2009 $
P&NG sales	**892,878**	966,232	**1,754,225**	1,499,559
Royalties	**(119,195)**	(107,960)	**(192,700)**	(132,578)
Operating costs	**(462,700)**	(606,140)	**(852,665)**	(851,323)
Transportation	**(23,985)**	(28,616)	**(45,921)**	(35,442)
Operating Netback	**286,998**	223,516	**662,939**	480,216
Other Income	**27,690**	-	**27,690**	-
General and Administrative	**(794,146)**	(215,751)	**(1,067,231)**	(401,943)
Interest	**(7,332)**	(22,526)	**(51,243)**	(35,770)
Transaction Costs (cash)	**(369,647)**	-	**(756,598)**	-
Funds flow from Operations	**(856,437)**	(14,761)	**(1,184,443)**	42,503
Non-cash expenses				
Transaction Costs (non-cash)	**(64,410)**	-	**(64,410)**	-
Stock based compensation	**(1,370,182)**	(409)	**(1,852,502)**	(2,285)
Depletion, depreciation and accretion	**(854,645)**	(842,742)	**(1,589,145)**	(1,226,838)
Future income taxes recovery	**-**	94,181	**-**	185,781
Net loss	**(3,145,674)**	(763,731)	**(4,890,500)**	(1,000,839)

Operating Netbacks

	Three months ended		Six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
	$/boe	$/boe	$/boe	$/boe
P&NG sales	37.31	28.42	38.61	29.98
Royalties	(4.98)	(3.17)	(4.24)	(2.65)
Operating costs	(19.35)	(17.83)	(18.77)	(17.02)
Transportation	(1.00)	(0.84)	(1.01)	(0.71)
Operating Netback	12.00	6.58	14.60	9.60

Petroleum and Natural Gas Production

	Three Months Ended		Six Months Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2010
Daily Production				
Crude Oil & NGL's(bbls/d)	97	106	88	82
Natural Gas (mcf/d)	994	1609	980	1169
Total (boe/d)	263	374	251	276

Average production volumes for Q2 2010 of 263 boe/d represent a 30% decrease from Q2 2009 of 374 boe/d. The decrease is due primarily to production declines and increased water production at Northern Hunter's Grand Forks/Hays properties only partially offset by the inclusion of production from PanWestern. Average production volumes of 251 boe/d for the six months ended June 30, 2010 are 9% lower than the same period in 2009 for the same reasons.

Pricing Information

	Three Months Ended		Six Months Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Average Benchmark Prices				
Crude Oil - WTI (US$/bbl)	77.99	59.62	78.39	51.46
Natural Gas – AECO ($/mcf)	3.90	3.81	4.64	4.65
Exchange Rate - (US$/CAD$)	0.97	0.86	0.97	0.83
Valeura's average realized prices				
Crude Oil ($/bbl)	66.44	60.47	68.46	54.25
Natural Gas ($/mcf)	3.83	3.40	4.32	3.96
Natural Gas Liquids ($/bbl)	45.84	28.14	45.52	26.76

Realized prices increased in Q2 2010 to $66.44/bbl for crude oil, $45.84/bbl for NGLs and $3.83/mcf for natural gas from $60.47/bbl, $28.14/bbl and $3.40/mcf, respectively, in Q2 2009. Average prices for the six month period ended June 30, 2010 showed similar increases compared to the same period for 2009.

Petroleum and Natural Gas Sales

	Three Months Ended		Six Months Ended	
	June 30, 2010 $	June 30, 2009 $	June 30, 2010 $	June 30, 2009 $
Revenues by product				
Crude Oil	457,884	369,911	800,419	526,858
Natural Gas	346,059	498,719	765,814	837,764
Natural Gas Liquids	88,935	97,602	187,992	134,937
Total Revenues	892,878	966,232	1,754,225	1,499,559

Petroleum and natural gas sales for Q2 2010 were comprised of 61% oil and natural gas liquids and 39% natural gas. Lower revenues for Q2 2010 as compared to Q2 2009 are primarily the result of lower natural gas production, which was only partially offset by increased prices. Higher petroleum and natural gas sales for the six months ended June 30, 2010 as compared to the same period in 2009 were due to higher realized prices during 2010 partially offset by slightly lower production volumes.

Royalties

	Three Months Ended		Six Months Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Royalty expenses - $	119,195	107,960	192,700	132,578
Percentage of revenue - %	13.3%	11.2%	11.0%	8.9%

Royalties increased for Q2 2010 as compared with Q2 2009 due to higher overall royalty rates. Royalty rates vary across periods depending on the production mix, prices and individual well production rates. The Company has benefited from the New Well Royalty Reduction Program in Alberta on wells brought on stream after April 1, 2009 in the Grand Forks/Hays area. Certain wells at Grand Forks/Hays are no longer eligible for the reduced royalty rate program that was in effect to the end of Q1 2010.

Operating Costs

	Three Months Ended		Six Months Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Production expenses - $	462,700	606,140	852,665	851,323
Transportation expenses -$	23,985	28,616	45,921	35,442
Total operating costs -$	486,685	634,756	898,586	886,765
$ per boe	$ 20.33	$ 18.65	$ 19.80	$ 17.75

Operating costs decreased for Q2 2010 as compared to Q2 2009 primarily due to lower production. On a unit cost basis, costs increased to $20.33/boe in Q2 2010 versus $18.65/boe in Q2 2009. The unit cost increase is largely due to a relatively large contribution of fixed costs that exist for the small operations that the Company maintains. Operating costs at Grand Forks/Hays are relatively high due to the cost to truck and process emulsion and equipment rental costs. The Company has purchased certain rental equipment and installed downhole pump equipment in the Grand Forks/Hays area to contain operating costs and further improve production.

Unit operating costs were also higher in the first six months of 2010 compared to 2009 reflecting the same factors that drove unit costs higher in the quarter.

General and Administrative

	Three Months Ended		Six Months Ended	
	June 30, 2010 $	June 30, 2009 $	June 30, 2010 $	June 30, 2009 $
General and Administrative expenses (gross)	827,882	392,703	1,129,311	730,210
Recoveries	(4,500)	(26,889)	(13,333)	(60,142)
Capitalized general and administrative expenses	(29,236)	(150,063)	(48,747)	(268,125)
Total net general and administrative expenses	794,146	215,751	1,067,231	401,943

General and administrative costs (net) more than tripled in Q2 2010 as compared with Q2 2009 due mainly to higher salary, consulting, travel and other third party costs related to a higher head count and new international business development activities. The Company capitalized $29,236 of general and administrative expenses in Q2 2010, compared to $150,063 for Q2 2009. Capitalization and recovery of general and administrative costs will remain low until the Company has material international operations and active larger capital budget.

General and administrative costs (net) increased in six month period ended June 30, 2010 as compared to the same period in 2009 as a result of the higher costs described above and lower capitalized general and administrative expenses. The lower capitalized general and administrative costs and overhead recoveries for the six months ended June 30, 2010 reflect the reduced capital expenditure level as compared with the same period for 2009. For the six month period ended June 30, 2010, the Company capitalized $48,747 of general and administrative expenses as compared to $268,125 for the same period in 2009.

Transaction Costs

Effective January 1, 2010, the Company adopted CICA Handbook standard Section 1582, "Business Combinations" under which acquisition related and restructuring costs are recognized separately from the business combination and are included in the statement of operations. Costs incurred for the six month period ended June 30, 2010 with respect to the Arrangement totaled $1,021,008 including $64,410 of non cash expenses. These costs included $200,000 of costs that were recognized as deferred transaction costs at December 31, 2009.

Interest

Interest expense reflects the use of bank debt to fund capital expenditures and operating activities. The Company completed an equity financing of $6,000,000 (net) in conjunction with the closing of the Arrangement on April 9, 2010, followed by a further $22,513,423 (net) private placement of special warrants that closed on April 16, 2010. This enabled the Company to repay an outstanding Northern Hunter bank loan creating a net cash position as at June 30, 2010.

Lower interest expense in Q2 2010 as compared to Q2 2009 was due to lower average bank debt outstanding during Q2 2010. Interest rates for the current quarter were 4.0% on the Company's new $1,000,000 million acquisition/development demand loan and 3.75% on the $3,000,000 revolving demand facility. These new facilities were put in place by the Company in Q2 2010 following the repayment of the Northern Hunter loan.

Other Income
Other income of $27,690 (Q2 2009 – nil) represents interest income related to cash on hand for Q2 2010.

Funds Flow from Operations
The net outflow of funds from operations for the Q2 2010 was $856,437 compared to net outflow of $14,761 in Q2 2009. The net outflow of funds in the current quarter was due to transaction costs associated with the Arrangement and increased general and administrative costs associated with international business development activities. The net outflow of funds from operations of $1,184,443 for the six months ended June 30, 2010 resulted from the same factors stated above compared to net inflows of $42,503 for the same period in 2009.

Non-cash Expenses:

Non-cash Transaction Costs
The Company incurred $64,410 of non-cash transaction costs related to termination expenses for independent contractors that were paid through the issuance of 113,000 common shares and $200,000 of non-cash transaction costs that were deferred from 2009.

Stock-based Compensation
Stock-based compensation expenses are the non-cash expenses associated with the stock options and performance warrants issued to directors, officers, employees and consultants of the Company. During the first six months of 2010, the Company issued 2,130,000 stock options and 6,215,000 performance warrants, resulting in an increase to stock-based compensation as compared to the first six months of 2009. The fair value of the stock options and performance warrants issued were estimated at $0.78/option and $0.72/warrant using the Black-Scholes option-pricing model. Northern Hunter had not granted stock options since 2008 and accordingly, the stock-based compensation expenses associated with the issue of previous stock options had been substantially amortized in both Q2 2009 and the six months ended June 30, 2009.

Stock based compensation of $1,370,182 for Q2 2010 has been increased by $877,611 to account for 3,295,000 PanWestern Old Options and 21,239,280 Old Warrants that were outstanding during the period. The fair values attributed to the PanWestern Old Options and Old Warrants are $0.17 per share and $0.15 per share respectively. This increase in stock compensation expense is the result of a one time reevaluation of the PanWestern Old Options and Old Warrants. This expense will not be incurred in future quarterly results as certain options and warrants have expired. There are 500,000 PanWestern Old Options and no PanWestern Old Warrants outstanding as at the date of this MD&A.

Depletion, Depreciation and Accretion
Depletion, depreciation and accretion ("DD&A") for Q2 2010 of $854,645 was higher than $842,742 for Q2 2009 due to lower production volumes offset by a higher DD&A rate. DD&A for the six month period ended June 30, 2010 of $1,589,145 was higher than $1,226,838 for the same period in 2009 due to a higher DD&A rate partially offset by lower volumes. The DD&A rate for Q2 2010 was $35.71 per boe as compared to $24.76 per boe for Q2 2009. The DD&A rate for the six month period ended June 30, 2010 was $34.98 per boe compared to $24.56 for the same period in 2009. The higher DD&A rate in 2010 over 2009 reflects the effect of technical reserve revisions made by the independent reserve engineers in the estimation of the Company's crude oil and natural gas reserves at December 31, 2009.

Future Income Taxes
Although the Company has tax pools which exceed the net book value of its assets, a valuation allowance has been recorded to reflect the uncertainty regarding whether the excess is more likely than not to be realized in future periods.

As at June 30, 2010, the Company has approximately $22,400,000 of tax pools available to shelter future taxable income.

Capital Expenditures

The following summarizes the Company's capital spending during the periods indicated:

	Three months ended $		Six months ended $	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Land	-	807	3,448	13,186
Geological and geophysical	-	4,100	-	5,181
Drilling and completions	159,121	316,342	431,137	764,271
Equipment and facilities	239,699	734,634	352,349	1,743,276
Capitalized amounts and other	80,086	130,681	105,660	266,465
Total capital expenditures, cash	478,906	1,186,564	892,594	2,792,379

The capital program for Q2 2010 was comprised mainly of the installation of pumping equipment and the purchase of surface equipment (tanks) that were previously leased. All of the activity occurred in the Grand Forks/Hays area in efforts to increase production and reduce operating costs. Capital expenditures for the first six months of 2010 are significantly lower than the same period in 2009 due to reduced drilling activity.

Share Capital

Common Shares	Number of Shares	Amount ($)
Northern Hunter		
Balance, December 31, 2009	14,030,406	10,795,576
Tax effect of flow-through shares	-	(139,200)
Issued on exercise of Northern Hunter Old Options	809,000	759,550
Issued on contract termination	113,000	64,410
Contributed surplus on option exercise	-	135,841
Balance April 9, 2010	14,952,406	11,616,177
Conversion of Northern Hunter to Pan Western	67,285,829	11,617,307
Issued on acquisition of Pan Western	49,941,792	6,325,960
Issued pursuant to private placement	30,000,000	6,000,000
Issued pursuant to private placement	51,100,000	24,017,00
Share issue costs	-	(1,503,577)
Balance, June 30, 2010	198,327,621	46,455,560

Upon closing of the plan of arrangement on April 9, 2010, Northern Hunter common shares were converted to 67,285,829 common shares of PanWestern and acquired 49,941,792 common shares of PanWestern. In conjunction with the Arrangement, the Company completed a $6,000,000 non-brokered private placement for the issue of 30,000,000 common shares at a price of $0.20 per share.

Concurrently with the closing of the Arrangement, 809,000 stock options were exercised, resulting in the issue of 809,000 common shares for total cash proceeds of $759,550.

On closing of the Arrangement, certain independent contractor agreements were terminated. In connection with the termination, the Company made aggregate cash payments of $74,848 and issued 113,000 common shares for no additional consideration. The transaction costs include $129,225 paid to the agents of PanWestern through the issuance of 646,128 shares.

On April 16, 2010, the Company closed a private placement of 51,100,000 special warrants at a price of $0.47 per special warrant for aggregate proceeds of $24,017,000 ($22,513,423 net of share issue costs).

As at June 30, 2010, and the date of this MD&A, the Company had 198,327,621 common shares outstanding.

Performance Warrants

On January 8, 2010 Northern Hunter issued 6,215,000 Northern Hunter New Warrants to directors, officers and consultants, under which 6,215,000 common shares may be acquired at a price of $0.90 per common share, expiring on January 8, 2015. On closing of the Arrangement, these Northern Hunter New Warrants were cancelled and each holder received 4.5 PanWestern New Warrants at an exercise price of $0.20 per PanWestern share (total of 27,967,500 PanWestern New Warrants).

All of the Northern Hunter Old Warrants issued in 2006 were cancelled for no additional consideration on closing of the Arrangement.

As at June 30, 2010 and the date of this MD&A, there are a total of 27,967,500 warrants outstanding in Valeura.

Stock Options

There were 809,000 outstanding exercisable Northern Hunter Old Options as at March 31, 2010, under which the holders could acquire 809,000 common shares at an average exercise price of $0.94 per common share. All of these options were exercised concurrently with the closing of the Arrangement.

On January 8, 2010, Northern Hunter granted 2,130,000 Northern Hunter New Options to directors, officers and consultants, under which 2,130,000 common shares may be acquired at a price of $0.90 per common share. The options were exercisable as to one-third on each anniversary date of the grant, and had a seven year term. On closing of the Arrangement, these options were cancelled and each holder received 4.5 PanWestern New Options at an exercise price of $0.20 per share (total of 9,585,000 PanWestern New Options).

Upon closing of the Arrangement, the Company carried forward 3,295,000 PanWestern Old Options that were fully vested and which were outstanding at June 30, 2010. On July 8, 2010, 2,795,000 of these PanWestern Old Options were terminated. The remaining 500,000 PanWestern Old Options are outstanding at the date of this MD&A, with an exercise price of $0.80 per share.

As at June 30, 2010, there were a total of 12,880,000 stock options outstanding. As at the date of this MD&A, there are a total of 10,085,000 stock options outstanding.

Liquidity, Financing and Capital Resources

Capital Resources

	Three Months Ended June 30, 2010 $	Six Months Ended June 30, 2010 $
Inflow of Funds		
Cash received on PanWestern acquisition	6,043,902	6,043,902
Issuance of shares (net of share issue costs)	29,272,973	29,272,973
	35,316,875	35,316,875
OutFlow of Funds		
Cash Flow from Operations (outflow)	856,437	1,184,443
Capital Expenditures	478,906	892,594
Repayment of Bank Facility	4,730,345	3,759,592
Change in Working Capital & Other	703,665	932,724
	6,769,353	6,769,353
Closing Cash Position	28,547,522	28,547,522

The completion of the Arrangement on April 9, 2010 between PanWestern and Northern Hunter resulted in a restructuring of Northern Hunter's financial position as follows:

- merged with PanWestern which had a cash position of $6,043,902
- completed a $6,000,000 (net) private placement of common shares at $0.20 per share
- subsequent to closing the Arrangement, closed a $22,513,423 (net) private placement for common shares at $0.47 per share

As at March 31, 2009, Northern Hunter's working capital deficiency was $5,992,407, including a bank loan outstanding of $4,730,345. As a result of the above events which occurred in April 2010, the Company repaid all amounts owing under the credit facility and had a positive working capital position of $27,436,979 as at June 30, 2010 (including a cash position of $28,547,522). In conjunction with the Arrangement, transaction costs of $434,057 were incurred in Q2 2010. Transaction costs of $1,021,008 were incurred for the six month period ended June 30, 2010.

As at June 30, 2010 the Company has $27,436,979 of working capital to fund a general and administrative expense budget of approximately $3,000,000, including approximately $1,000,000 for business development costs. In addition, capital expenditures for the Canadian operations in 2010 are estimated at $2,000,000, of which $892,594 was expended in the six months ended June 30, 2010.

Following completion of the Arrangement, the Company entered into new credit facilities with a Canadian chartered bank which are comprised of a $3,000,000 revolving operating demand loan at an interest rate of bank prime plus 1.5% and a $1,000,000 development demand loan at an interest rate of bank prime plus 1.75%. The credit facility is secured by a first floating charge demand debenture in the amount $10,000,000 and a general security agreement over all assets. As at June 30, 2010, there were no amounts owing under the facility. Pursuant to the terms of the credit facility, the Company is subject to a financial covenant with respect to working capital with which the Company was in compliance at June 30, 2010.

Selected Quarterly Information ($)

Three months ended:	June 30, 2010	March 31, 2010	December 31, 2009	September 30, 2009
Petroleum and natural gas sales	892,878	861,347	851,807	897,873
Net loss	(3,145,674)	(1,744,826)	(575,303)	(1,174,449)
Net loss per share, basic and diluted	(0.02)	(0.03)	(0.01)	(0.02)

Three months ended:	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008
Petroleum and natural gas sales	966,232	533,327	577,378	825,765
Net income (loss)	(763,731)	(237,108)	(264,827)	15,444
Net income (loss) per share, basic and diluted	(0.01)	(0.00)	(0.00)	(0.00)

Commitments

Asset retirement obligations
As at June 30, 2010, the undiscounted, unescalated asset retirement obligations associated with the Company's existing properties was estimated to be approximately $640,000, with approximately $257,500 estimated to be payable within the next five years. These obligations have been recorded using a discount rate of 8% and an inflation rate of 2%.

Related Party Transactions

(a) During the three and six months ended June 30, 2010, the Company incurred legal fees of $482,801 and $789,501, respectively (2009 - $16,258 and $31,032) from a legal firm in which a partner acts as the Company's Corporate Secretary.

(b) During the three and six months ended June 30, 2010, the Company incurred $44,371 and $67,971, respectively (2009 - $65,249 and $99,098) in consulting fees and expenses from a corporation whose principal shareholder is a director of the Company.

The amounts charged were the exchange amounts being the amounts agreed to by the parties.

Off Balance Sheet Arrangements

The Company had no off balance sheet arrangements outstanding as at June 30, 2010 and there are no arrangements outstanding at the date of this MD&A other than the credit facilities in favour of the bank which are secured through the existing $10.0 million floating charge debenture.

Financial Instruments

Financial instruments of the Company include accounts receivable, accounts payable and accrued liabilities and the credit facility. The carrying values of the financial instruments approximate their fair values due to their relatively short periods to maturity. Borrowings under the bank credit facilities are market rate based.

Business Risks and Uncertainties

There are a number of risk factors that the Company faces as participants in the Canadian oil and gas industry. Certain key risk factors are discussed below:

Volatility of commodity prices
Prices for oil and natural gas fluctuate in response to changes in the supply of and demand for petroleum and natural gas, market uncertainty and a variety of additional factors that are largely beyond the Company's control. Oil prices are determined by international supply and demand. Factors which affect oil prices include the actions of the Organization of Petroleum Exporting Countries ("OPEC"), world economic conditions, government regulation, political stability throughout the world, the availability of alternative fuel sources and weather conditions. Natural gas prices are affected primarily by North American supply and demand, weather conditions and by prices of alternative sources of energy.

World oil and gas prices are quoted in United States dollars and the price received by Canadian producers is, therefore, affected by the Canadian/U.S. dollar exchange rate, which will fluctuate over time. Material increases in the value of the Canadian dollar may negatively impact production revenues. Such increases may also negatively impact the future value of reserves as determined by independent evaluators. In recent years, the Canadian dollar has increased materially in value against the United States dollar.

The impact on the oil and gas industry, in general, from commodity price volatility is significant. During periods of high prices, producers generate sufficient cash flows to conduct active exploration programs without external capital. Increased commodity prices frequently translate into very busy periods for service suppliers triggering premium costs for their services. Purchasing land and properties similarly increases in cost during these periods. During low commodity price periods, acquisition costs drop, as do internally generated funds to spend on exploration and development activities. With decreased demand, the prices charged by the various service suppliers also decline. This volatility causes significant variation in net production revenue for the Company from period to period. In an environment of low prices, certain wells or other projects may become uneconomic and the Company may elect not to produce from certain wells, leading to a reduction in development opportunities and the volume and value of reserves. The Company continually monitors the movement of commodity prices and will apply appropriate financial risk management instruments if it is believed that these are warranted to maintain a given revenue profile. The Company has no such instruments in place at this time.

Volatile oil and gas prices make it difficult to estimate the acquisition value of producing properties and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

Capital Requirements
The impact on capital markets caused by investor uncertainty in the global economy has a significant impact on the Company's business model. The Company anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. There can be no assurance that debt or equity financing will be available or that cash generated by operations will be sufficient to make these expenditures. If debt or equity financing is available, it may not be on terms acceptable to the Company. Failure to obtain such financing on a timely basis could cause the Company to miss certain acquisition opportunities.

Third Party Credit Risk
The Company must successfully market its oil and natural gas to prospective buyers. The Company may be exposed to third party credit risk through its contractual arrangements with its current or future marketers of its oil and natural gas production. In the event such entities fail to meet their contractual obligations to the Company, such failures may have a material impact on the Company's business,

financial condition, results of operations and prospects. In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in the Company's ongoing capital program, potentially delaying the program and the results of such program until the Company finds a suitable alternative partner.

Exploration, Development and Production

The long-term commercial success of the Company will depend on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that the Company will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisition or participations are identified, the Company may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

In addition, operations are subject to the risks of exploration, development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, the invasion of water into producing formations, blow-outs, sour gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial condition.

The Company attempts to control operating risks by maintaining a disciplined approach to implementation of its exploration and development programs. Exploration risks are managed by hiring experienced technical professionals and by concentrating the exploration activity on specific core regions that have multi-zone potential where the Company has experience and expertise. The Company also generates internal prospects and participates in projects where ownership interest is considered sufficient to minimize risk. Operational control allows the Company to manage costs, timing and sales of production and to ensure new production is brought on-stream in a timely manner.

Uncertainty of Reserve Estimates

The process of estimating oil and gas reserves is complex and involves a significant number of assumptions in evaluating available geological, geophysical, engineering and economic data; therefore, reserves estimates are inherently uncertain. To estimate the economically recoverable oil and natural gas reserves and related future net cash flows, many factors and assumptions are incorporated such as expected reservoir characteristics based on geological, geophysical and engineering assessments, future production rates based on historical performance and expected future operating and investment activities, future oil and gas prices and quality differentials, future development and operating costs and assumed effects of regulation by government agencies.

Properties will, over a period of time, actual deliver oil and natural gas in quantities different than originally estimated due to changes in reservoir performance. The timing of future capital expenditures is subject to uncertainty. Projected future commodity prices and the operating and capital cost structure are subject to significant management judgement and currently, highly volatile. Actions by provincial governments with respect to the royalty regime have a significant and unpredictable impact.

Environment, Health and Safety
All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material.

Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. There are potential risks to the environment inherent in the business activities of the Company.

Insurance
The Company's involvement in the exploration for and development of oil and natural gas properties may result in the Company becoming subject to liability for pollution, blow outs, leaks of sour natural gas, property damage, personal injury or other hazards. Although the Company maintains insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability and may not be sufficient to cover the full extent of such liabilities. In addition, such risks are not, in all circumstances, insurable or, in certain circumstances, the Company may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of any uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Critical Accounting Estimates

In the application of accounting policies, management is often required to make judgments based on underlying estimates and assumptions about future events and their effects. Underlying estimates and assumptions are based on historical experience and other factors that management believes to be reasonable under the circumstances. These estimates and assumptions are subject to change as new events occur and additional information is obtained.

The critical accounting estimates that are inherent in the preparation of the Company's financial statements pertain to the accounting for property and equipment, impairment testing of property and equipment, estimates of reserves, asset retirement obligations, stock-based compensation and future income taxes. A comprehensive discussion of the Company's significant accounting policies and critical accounting estimates are contained in Northern Hunter's audited financial statements and MD&A for the three months ended December 31, 2009 and the year ended September 30, 2009.

Changes in Accounting Policies

Effective January 1, 2010, the Company adopted the following CICA Handbook standards:

- "Business Combinations", Section 1582, which replaces the previous business combinations standard. The standard requires assets and liabilities acquired in a business combination, contingent consideration and certain acquired contingencies to be measured at their fair values as of the date of the acquisition. In addition, acquisition related and restructuring costs are recognized separately from the business combination and are included in the statement of operations. The adoption of this standard impacts the accounting treatment of business combinations entered into after January 1, 2010. Accordingly, transaction costs relating to the

Arrangement that had been deferred at December 31, 2009 were included as an expense in the statement of operations for the six months ended June 30, 2010. As at June 30, 2010, transaction costs relating to the Arrangement totaled $1,021,008.

- "Consolidated Financial Statements", Section 1601, which together with Section 1602 below, replace the former consolidated financial statements standard. Section 1601 establishes the requirements for the preparation of consolidated financial statements. The adoption of this standard has had no material impact on the Company's financial statements.
- "Non-controlling Interests", Section 1602, which establishes the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The standard requires a non-controlling interest in a subsidiary to be classified as a separate component of equity. In addition, net earnings and components of other comprehensive income are attributed to both the parent and non-controlling interest. The adoption of this standard has had no material impact on the Company's financial Statements.

New Accounting Standards

International Financial Reporting Standards ("IFRS")
In February, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011, International Financial Reporting Standards will replace Canada's current GAAP for all publicly accountable profit oriented enterprises. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations. The adoption of IFRS will require the Company to restate amounts reported in 2010, including its opening balance sheet as at January 1, 2010, for comparative purposes.

As at June 30, 2010, the Company's business is not overly complex. It has a relatively concentrated asset base in Canada, does not own significant plants or gathering systems, exploration and evaluation assets are not significant, and has a fairly limited number of wells. Significant issues facing the Company with respect to the IFRS conversion include:

- Determination of appropriate accounting policies taking into consideration the strategic direction of the Company, including the potential for future international transactions;
- Valuation of stock options and performance warrants issued on closing of the Plan of Arrangement;
- Accounting for the business combination with PanWestern, including the determination of the fair value of PanWestern's net assets on an IFRS-compliant basis;
- Integration of accounting and information systems on a post-combination basis, and completion of any system modifications required to implement the Company's IFRS policies and procedures; and
- Determining staff requirements on a post-combination basis, and the associated hiring and training for accounting under IFRS.

Currently, the Company has hired third party consultants to assist with its IFRS conversion project.

The Company has identified various phases for conversion to IFRS. The following discussion represents the phases identified in order for a timeline to be developed to meet the deadline of January 1, 2011.

- Identification of differences between Canadian GAAP and IFRS followed by policy development
- Identification and development of cash generating units
- Preparation of draft opening balance sheet and transition of note disclosure
- Quantification of the effects of IFRS conversion
- Training and communication to key employees

- Assess effect on information systems
- Reassess the internal control environment

Valeura has initiated the process of identification of the Canadian GAAP and IFRS differences and several balance sheet and income statement items may be materially affected. Attention will be given to property, plant and equipment, depletion and depreciation, impairment testing, asset retirement obligations and share based payments. Significant changes to note disclosure is also anticipated. The timeline to produce a parallel set of consolidated financial statements for internal review will be over the course of the third and fourth quarters of 2010. The majority of adjustments will be made retrospectively against opening retained earnings at the date of transition. The impact on the consolidated financial statements of Valeura is not reasonably estimated at this point in time.

Disclosure Controls and Internal Controls Over Financial Reporting (ICFR)

The Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the Company's disclosure controls and procedures ("DCP") and internal controls over financial reporting ("ICFR") as at June 30, 2010. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer that the design and operation of these disclosure controls and procedures were effective as at June 30, 2010 to provide reasonable assurance that material information relating to the Company including its consolidated subsidiaries, would be made known to them. The Company's disclosure controls and procedures and internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

During the quarter ended June 30, 2010, there has been no change in the Company's ICFR that has materially affected, or is reasonably likely to materially affect, the Company's ICFR. The Company has continually had in place systems regarding DCP and ICFR and will continue to monitor such procedures as the Company's business evolves.