Condensed interim consolidated financial statements

as at March 31, 2013 and for the three months ended March 31, 2013 and 2012

valeura energy inc.

Consolidated Statements of Financial Position

(thousands of Canadian Dollars, unaudited)	**March 31, 2013**	December 31, 2012
Assets		
Current Assets		
Cash and cash equivalents	**$ 22,758**	$ 29,031
Accounts receivable	**7,424**	6,863
Prepaid expenses and deposits	**493**	439
	30,675	36,333
Exploration and evaluation assets *(note 3)*	**49,623**	48,595
Property, plant and equipment *(note 4)*	**45,202**	40,783
	$ 125,500	$ 125,711
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 11,218**	$ 12,076
Decommissioning obligations	**9,687**	9,441
Deferred taxes	**7,116**	6,857
Shareholders' Equity		
Share capital	**135,778**	135,778
Warrants	**5,971**	5,971
Contributed surplus	**10,118**	9,678
Accumulated other comprehensive loss	**(5,215)**	(5,735)
Deficit	**(49,173)**	(48,355)
	97,479	97,337
	$ 125,500	$ 125,711

See accompanying notes to the condensed interim consolidated financial statements

See Commitments *(note 7)*

valeura energy inc.

Consolidated Statements of Loss and Comprehensive Loss
For the three months ended March 31, 2013 and 2012

(thousands of Canadian Dollars, unaudited)	**March 31, 2013**	March 31, 2012
Revenue		
Petroleum and natural gas sales	**$ 4,848**	$ 6,810
Royalties	**(634)**	(968)
Other income	**274**	109
	4,488	5,951
Expenses and other items		
Production	**1,187**	1,099
General and administrative	**1,723**	1,829
Financing	**141**	155
Foreign exchange gain	**(126)**	(145)
Share-based compensation	**357**	372
Exploration and evaluation *(note 3)*	**10**	569
Depletion and depreciation *(note 4)*	**1,811**	3,241
Impairment	**-**	888
	5,103	8,008
Loss for the period before income taxes	**(615)**	(2,057)
Income taxes		
Deferred tax expense	**203**	283
Net loss	**(818)**	(2,340)
Other comprehensive income (loss)		
Currency translation adjustments	**520**	2,179
Comprehensive loss	**(298)**	(161)
Net loss per share		
Basic and diluted	**$ (0.01)**	$ (0.05)
Weighted-average number of shares outstanding	**57,906,135**	46,406,135

See accompanying notes to the condensed interim consolidated financial statements

valeura energy inc.

Consolidated Statements of Cash Flows
For the three months ended March 31, 2013 and 2012

(thousands of Canadian Dollars, unaudited)	**March 31, 2013**	March 31, 2012
Cash was provided by (used in):		
Operating activities:		
Net loss for the period	**$ (818)**	$ (2,340)
Depletion and depreciation	**1,811**	3,241
Impairment	**-**	888
Exploration and evaluation expense *(note 3)*	**10**	569
Share-based compensation	**357**	372
Financing expenses	**141**	155
Unrealized foreign exchange loss (gain)	**(117)**	(229)
Deferred tax expense (recovery)	**203**	283
Decommissioning costs incurred	**(25)**	(2)
Change in non-cash working capital	**1,389**	1,017
	2,951	3,954
Investing activities:		
Property and equipment expenditures	**(297)**	(1,838)
Exploration and evaluation expenditures	**(6,148)**	(6,850)
Change in non-cash working capital	**(2,912)**	2,866
	(9,357)	(5,822)
Foreign exchange gain (loss) on cash held in foreign currencies	**133**	61
Net change in cash and cash equivalents	**(6,273)**	(1,807)
Cash and cash equivalents, beginning of period	**29,031**	24,107
Cash and cash equivalents, end of period	**$ 22,758**	$ 22,300

valeura energy inc.

Consolidated Statements of Changes in Shareholders' Equity
For the three months ended March 31, 2013 and 2012

(thousands of Canadian Dollars, except share and per share amounts, unaudited)	Number of Shares	Share Capital	Share Purchase Warrants	Contributed Surplus	Deficit	Accumulated Other Comp. Income (Loss)	Total Shareholders' Equity
Balance, January 1, 2013	57,906,135	$ 135,778	$ 5,971	$ 9,678	$ (48,355)	$ (5,735)	$ 97,337
Net loss for the period	-	-	-	-	(818)	-	(818)
Currency translation adjustments	-	-	-	-	-	520	520
Share-based compensation	-	-	-	440	-	-	440
March 31, 2013	**57,906,135**	**$ 135,778**	**$ 5,971**	**$ 10,118**	**$ (49,173)**	**$ (5,215)**	**$ 97,479**

(thousands of Canadian Dollars, except share and per share amounts, unaudited)	Number of Shares	Share Capital	Share Purchase Warrants	Contributed Surplus	Deficit	Accumulated Other Comp. Income (Loss)	Total Shareholders' Equity
Balance, January 1, 2012	46,406,135	$ 122,059	$ 5,971	$ 7,653	$ (32,450)	$ (7,551)	$ 95,682
Net loss for the period	-	-	-	-	(2,340)	-	(2,340)
Currency translation adjustments	-	-	-	-	-	2,179	2,179
Share-based compensation	-	-	-	461	-	-	461
March 31, 2012	**46,406,135**	**$ 122,059**	**$ 5,971**	**$ 8,114**	**$ (34,790)**	**$ (5,372)**	**$ 95,982**

See accompanying notes to the condensed interim consolidated financial statements

1. Reporting Entity

Valeura Energy Inc. ("Valeura" or the "Company") and its subsidiaries are currently engaged in the exploration, development and production of petroleum and natural gas in Turkey and Western Canada. Valeura is incorporated in Alberta, Canada and has subsidiaries in the Netherlands and Turkey. Valeura's shares are traded on the Toronto Stock Exchange ("TSX") under the trading symbol VLE. Valeura's head office address is 1200, 202 – 6 Avenue SW, Calgary, AB, T2P 2R9.

2. Basis of Preparation

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting of the International Financial Reporting Standards ("IFRS"). The unaudited condensed interim financial statements have been prepared in accordance with IFRS accounting policies and methods of computation as set forth in Valeura's audited consolidated financial statements for the year ended December 31, 2012, with the exception as noted below of certain disclosures that are normally required to be included in annual consolidated financial statements which have been condensed or omitted in the interim statements. The attached unaudited condensed consolidated financial statements should be read in conjunction with Valeura's audited consolidated financial statements and MD&A for the year ended December 31, 2012.

On January 1, 2013, the Company adopted new standards with respect to consolidations (IFRS 10), joint arrangements (IFRS 11), disclosure of interests in other entities (IFRS 12), fair value measurements (IFRS 13) and amendments to financial instrument disclosures (IFRS 7). The adoption of these standards had no impact on the amounts recorded in the consolidated financial statements as at January 1, 2013 or on the comparative periods.

Operating, transportation and marketing expenses in profit or loss are presented as a combination of function and nature in conformity with industry practices. Depletion and depreciation and finance expenses are presented in a separate line by their nature, while net administrative expenses are presented on a functional basis.

The unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 14, 2013.

(b) Basis of measurement

These unaudited condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial and non-financial assets and liabilities, which have been measured at fair value. The methods used to measure fair value are consistent with the Company's December 31, 2012 audited consolidated financial statements.

The Company's unaudited condensed interim consolidated financial statements include the accounts of Valeura and its subsidiaries and are expressed in thousands of Canadian Dollars, unless otherwise stated.

(c) Functional and presentation currency

The unaudited condensed interim consolidated financial statements are presented in Canadian Dollars which is Valeura's reporting currency. Valeura's foreign subsidiaries transact in currencies other than the Canadian Dollar and have a Turkish Lira functional currency. The functional currency of a subsidiary is the currency of the primary economic environment in which the subsidiary operates. Transactions denominated in a currency other than the functional currency are translated at the prevailing rates on the date of the transaction. Any monetary items held in a currency which is not the functional currency of the subsidiary are translated to the functional currency at the prevailing rate as at the date of the balance sheet. All exchange differences arising as a result of the translation to the functional currency of the subsidiary are recorded in net earnings.

(Stated in Canadian Dollars, unaudited)

Translation of all assets and liabilities from the respective functional currencies to the reporting currency are performed using the rates prevailing at the balance sheet date. The differences arising upon translation from the functional currency to the reporting currency are recorded as currency translation adjustments in other comprehensive income or loss ("OCI") and are held within accumulated other comprehensive income or loss ("AOCI") until a disposal or partial disposal of a subsidiary. A disposal or partial disposal will then give rise to a realized foreign exchange gain or loss which is recorded in net earnings.

3. Exploration and Evaluation Assets

Cost		Total
Balance, December 31, 2012	$	48,595
Additions		6,148
Transfers to property, plant and equipment ("PP&E") *(note 4)*		(5,560)
Capitalized share-based compensation		71
Exploration and evaluation expense		(10)
Effects of movements in exchange rates		379
Balance, March 31, 2013	**$**	**49,623**

Exploration and evaluation ("E&E") assets consist of the Company's exploration projects which are pending the determination of proved or probable reserves. Additions represent the Company's share of costs incurred on E&E assets during the period. Transfers to exploration and evaluation expense represent the Company's share of impairment on its E&E assets. An impairment test was completed on E&E transfers to PP&E with no impairment occurring.

4. Property, Plant and Equipment

Cost		Total
Balance, December 31, 2012	$	68,699
Additions		297
Transfers from exploration and evaluation assets *(note 3)*		5,560
Change in decommissioning obligations		53
Effects of movements in exchange rates		472
Balance, March 31, 2013	**$**	**75,081**

Accumulated depletion and depreciation		Total
Balance, December 31, 2012	$	27,916
Depletion and depreciation expense		1,811
Effects of movements in exchange rates		152
Balance, March 31, 2013	**$**	**29,879**

Net book value		Total
Balance, December 31, 2012	$	40,783
Balance, March 31, 2013	**$**	**45,202**

(Stated in Canadian Dollars, unaudited)

(a) Impairment testing

IFRS requires an impairment test to assess the recoverable value of PP&E within each Cash Generating Unit ("CGU" or CGUs") whenever there is an indication of impairment. The recoverable amount of each CGU is based on the higher of value-in-use or fair value less costs to sell. As at March 31, 2013, the Company conducted an assessment of impairment triggers for the Company's CGUs. After assessing all relevant impairment triggers the Company concluded that there were no indicators of impairment.

As at March 31, 2012 the carrying value of the producing Grand Forks and Minor Properties CGUs exceeded their respective fair values less costs to sell resulting in an impairment of $888,000 during the three months ended March 31, 2012, with a corresponding decrease to PP&E.

(b) Canada

For the purposes of calculating depletion, petroleum and natural gas properties in Canada include estimated future development costs of $2.8 million (December 31, 2012 - $2.8 million) associated with the development of the Company's proved plus probable reserves.

(c) Turkey

For the purposes of calculating depletion, petroleum and natural gas properties in Turkey include estimated future development costs of $61.7 million (December 31, 2012 – $57.8 million) associated with development of the Company's proved plus probable reserves.

The ultimate recovery of property, plant and equipment and exploration and evaluation costs in Turkey is dependent upon the Company fulfilling its minimum obligation to earn an interest in its various farm-in lands, obtaining government approvals, obtaining and maintaining licences in good standing, the existence and commercial exploitation of petroleum and natural gas reserves and undeveloped lands, and other uncertainties.

5. Share Capital

(a) Stock options

Valeura has an option program that entitles officers, directors, and employees to purchase shares in the Company. Options are granted at the market price of the shares at the date of grant, have a 7 year term and vest over 3 years.

The number and weighted average exercise prices of share options are as follows:

	Number of Options	Weighted average exercise price
Balance, December 31, 2012	3,379,000	$ 2.46
Granted	1,689,500	1.00
Balance, March 31, 2013	**5,068,500**	**$ 1.97**
Exercisable at March 31, 2013	**1,766,674**	**$ 2.34**

(Stated in Canadian Dollars, unaudited)

The following table summarizes information about the stock options outstanding at March 31, 2013:

Exercise prices	Outstanding at March 31, 2013	Weighted average remaining life (years)	Weighted average exercise price	Exercisable at March 31, 2013	Weighted average exercise price
$1.00 - $1.23	1,689,500	7.0	$ 1.00	-	$ -
$1.24 - $2.15	2,021,639	5.0	$ 2.01	1,272,883	$ 2.02
$2.16 - $3.65	1,357,361	5.2	$ 3.12	493,791	$ 3.15
	5,068,500	5.7	$ 1.97	1,766,674	$ 2.34

The fair value, at the grant date, of stock options issued was estimated using the Black-Scholes model with the following weighted average inputs:

Assumptions	**March 31, 2013**	December 31, 2012
Risk free interest rate (%)	**1.5**	1.6
Expected life (years)	**4.5**	4.5
Expected volatility (%)	**100.0**	100.0
Forfeiture rate (%)	**5.0**	5.0
Weighted average fair value of options	**$ 0.72**	$ 1.46

(b) Performance warrants

Valeura has issued the following performance warrants to directors, officers and certain employees of the Company:

	Number of Performance Warrants	Weighted average exercise price
Balance, December 31, 2012 and March 31, 2013	**2,796,750**	**$ 2.00**
Exercisable at March 31, 2013	**2,796,750**	**$ 2.00**

The following table summarizes information about the performance warrants outstanding at March 31, 2013:

Exercise prices	Outstanding at March 31, 2013	Weighted average remaining life (years)	Weighted average exercise price	Exercisable at March 31, 2013	Weighted average exercise price
$2.00	2,796,750	1.8	$ 2.00	2,796,750	$ 2.00

The fair value, at the grant date, of the post-consolidation performance warrants issued was estimated using the Black-Scholes model with the following assumptions:

Fair value of performance warrants granted ($/warrant)	1.50
Risk-free interest rate (%)	2.5
Expected life (years)	4.5
Expected volatility (%)	110
Expected forfeiture (%)	5
Expected dividend yield (%)	0

(Stated in Canadian Dollars, unaudited)

(c) Share purchase warrants

As at March 31, 2013, there are 13,269,217 post-consolidation share purchase warrants outstanding, entitling the holder to acquire one common share at a price of $5.50 per common share until February 28, 2016. The Company has the right to accelerate the expiry of the warrants to 30 days from the date of notice if the 20 day volume weighted average price of the Company's common shares on the TSX is equal to or greater than $11.00 per common share. The fair value of the warrants was estimated using the Black-Scholes model with the following assumptions:

Fair value of warrants granted ($/warrant)	0.45
Risk-free interest rate (%)	2.2
Expected life (years)	5.0
Expected volatility (%)	100

6. Segmented Information

	March 31, 2013	March 31, 2012
Petroleum and natural gas revenue		
Canada	**$ 240**	$ 378
Turkey	**4,608**	6,432
	4,848	6,810
Net income (loss)		
Canada	**(1,558)**	(3,006)
Turkey	**740**	666
	(818)	(2,340)
Capital expenditures		
Canada	**40**	192
Turkey	**6,405**	8,496
	6,445	8,688
Total assets		
Canada	**23,464**	31,440
Turkey	**102,036**	90,691
	$ 125,500	$ 122,131

7. Commitments

On June 13, 2011, the Company entered into a farm-in agreement to earn a 50 percent working interest in Licence 4094 and 4532 (TransAtlantic farm-in) in the Thrace Basin. The combined licences require the commitment to drill two wells and spend approximately US$3.0 million on seismic. The remaining commitment at March 31, 2013 is approximately US$4.5 million, which is comprised of one well and the seismic program.

On August 31, 2011, the Company entered into a two-year sublease agreement for office space in Calgary commencing on November 1, 2011 and expiring on October 31, 2013. The total amount committed under this sublease was approximately $0.4 million which includes an estimate for operating costs over the term of the lease. The remainder of this commitment is approximately $0.1 million as at March 31, 2013.

On October 26, 2012, Valeura entered into a further two-year sublease agreement for its current office space in Calgary commencing on November 1, 2013 and expiring on October 31, 2015. The total amount committed under this sublease is approximately $1 million, including an estimate for operating costs over the term of the lease.