Condensed Interim Consolidated Financial Statements (unaudited)

as at September 30, 2016 and for the three and nine months ended September 30, 2016 and 2015

Condensed Interim Consolidated Statements of Financial Position

(thousands of Canadian Dollars, unaudited)	**September 30, 2016**	December 31, 2015
Assets		
Current Assets		
Cash	**$ 2,336**	$ 6,973
Accounts receivable	**4,608**	5,300
Prepaid expenses and deposits	**1,048**	986
	7,992	13,259
Licence deposits	**1,036**	1,151
Exploration and evaluation assets *(note 3)*	**39,113**	38,132
Property, plant and equipment *(note 4)*	**44,607**	48,670
	$ 92,748	$ 101,212
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 4,295**	$ 6,006
Decommissioning obligations	**13,754**	13,457
Deferred taxes	**6,367**	6,488
Shareholders' Equity		
Share capital	**136,586**	135,778
Warrants *(note 5c)*	**-**	5,971
Contributed surplus	**19,237**	13,238
Accumulated other comprehensive loss	**(19,521)**	(14,653)
Deficit	**(67,970)**	(65,073)
	68,332	75,261
	$ 92,748	$ 101,212

See accompanying notes to the condensed interim consolidated financial statements

See Commitments *(note 8)*
See Subsequent Events *(note 9)*

valeura energy inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and nine months ended September 30, 2016 and 2015

	Three Months Ended		Nine Months Ended	
(thousands of Canadian Dollars, except share and per share amounts, unaudited)	**September 30, 2016**	September 30, 2015	**September 30, 2016**	September 30, 2015
Revenue				
Petroleum and natural gas sales	**$ 3,510**	$ 4,309	**$ 12,647**	$ 17,118
Royalties	**(453)**	(583)	**(1,658)**	(2,315)
Other Income	**206**	245	**662**	578
	3,263	3,971	**11,651**	15,381
Expenses and other items				
Production	**636**	475	**1,612**	1,733
General and administrative	**969**	1,357	**4,068**	4,535
Transaction costs	**503**	-	**503**	-
Accretion on decommissioning liabilities	**231**	196	**680**	597
Foreign exchange loss	**469**	162	**1,397**	1,586
Share-based compensation	**110**	149	**279**	475
Depletion and depreciation *(note 4)*	**1,632**	1,889	**5,576**	7,036
	4,550	4,228	**14,115**	15,962
Loss for the period before income taxes	**(1,287)**	(257)	**(2,464)**	(581)
Income taxes				
Deferred tax expense (recovery)	**(24)**	(88)	**433**	268
Net loss	**(1,263)**	(169)	**(2,897)**	(849)
Other comprehensive loss				
Currency translation adjustments	**(1,467)**	(2,237)	**(4,868)**	(7,087)
Comprehensive loss	**(2,730)**	(2,406)	**(7,765)**	(7,936)
Net loss per share				
Basic and diluted	**$ (0.02)**	$ -	**$ (0.05)**	$ (0.01)
Weighted average number of shares outstanding (thousands)	**58,506**	57,906	**58,164**	57,906

See accompanying notes to the condensed interim consolidated financial statements

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Condensed Interim Consolidated Statements of Cash Flows
For the three and nine months ended September 30, 2016 and 2015

(thousands of Canadian Dollars, unaudited)	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	**September 30, 2016**	September 30, 2015
Cash was provided by (used in):				
Operating activities:				
Net loss for the period	**$ (1,263)**	$ (169)	**$ (2,897)**	$ (849)
Depletion and depreciation	**1,632**	1,889	**5,576**	7,036
Share-based compensation	**110**	149	**279**	475
Accretion on decommissioning liabilities	**231**	196	**680**	597
Unrealized foreign exchange loss (gain)	**315**	(28)	**997**	1,058
Transactions costs	**65**	-	**65**	-
Deferred tax expense (recovery)	**(24)**	(88)	**433**	268
Decommissioning costs incurred	**-**	-	**-**	(19)
Change in non-cash working capital	**450**	(1,030)	**504**	1,172
Cash provided by operating activities	**1,516**	919	**5,637**	9,738
Financing activities:				
Proceeds from stock option exercises	**-**	-	**437**	-
Cash provided by financing activities	**-**	-	**437**	-
Investing activities:				
Property and equipment expenditures *(note 4)*	**(19)**	(143)	**(58)**	(414)
Exploration and evaluation expenditures *(note 3)*	**(3,061)**	(598)	**(8,941)**	(6,678)
Change in non-cash working capital	**(544)**	(194)	**(1,328)**	(665)
Cash used in investing activities	**(3,624)**	(935)	**(10,327)**	(7,757)
Foreign exchange loss on cash held in foreign currencies	**(167)**	238	**(384)**	63
Net change in cash	**(2,275)**	222	**(4,637)**	2,044
Cash, beginning of period	**4,611**	7,750	**6,973**	5,928
Cash, end of period	**$ 2,336**	$ 7,972	**$ 2,336**	$ 7,972

See accompanying notes to the condensed interim consolidated financial statements

valeura energy inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the nine months ended September 30, 2016 and 2015

(thousands of Canadian Dollars and shares, unaudited)	Number of Shares	Share Capital	Share Purchase Warrants	Contributed Surplus	Deficit	Accumulated Other Comp. Loss	Total Shareholders' Equity
Balance, January 1, 2016	57,906	$ 135,778	$ 5,971	$ 13,238	$ (65,073)	$ (14,653)	$ 75,261
Net loss for the period	-	-	-	-	(2,897)	-	(2,897)
Warrants (expired)	-	-	(5,971)	5,971	-	-	-
Options exercised	547	743	-	(306)	-	-	437
Shares issued for services	66	65	-	-	-	-	65
Currency translation adjustments	-	-	-	-	-	(4,868)	(4,868)
Share-based compensation	-	-	-	334	-	-	334
September 30, 2016	**58,519**	**$ 136,586**	**$ -**	**$ 19,237**	**$ (67,970)**	**$ (19,521)**	**$ 68,332**

(thousands of Canadian Dollars and shares, unaudited)	Number of Shares	Share Capital	Share Purchase Warrants	Contributed Surplus	Deficit	Accumulated Other Comp. Loss	Total Shareholders' Equity
Balance, January 1, 2015	57,906	$ 135,778	$ 5,971	$ 12,452	$ (64,511)	$ (11,727)	$ 77,963
Net loss for the period	-	-	-	-	(849)	-	(849)
Currency translation adjustments	-	-	-	-	-	(7,087)	(7,087)
Share-based compensation	-	-	-	585	-	-	585
September 30, 2015	**57,906**	**$ 135,778**	**$ 5,971**	**$ 13,037**	**$ (65,360)**	**$ (18,814)**	**$ 70,612**

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. 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.

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 consolidated 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, 2015, 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 interim consolidated financial statements should be read in conjunction with Valeura's audited consolidated financial statements and MD&A for the year ended December 31, 2015.

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 November 10, 2016.

(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, 2015 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.

Translation of all assets and liabilities from the respective functional currencies to the reporting currency are performed using the rates prevailing at the statement of financial position 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.

(thousands of Canadian Dollars, except share and per share amounts, unaudited)

(d) Turkey operational update

On July 15, 2016, an attempted coup by elements of the Turkish military was put down by the government. This event and the aftermath have not affected the Company's ability to conduct drilling and production operations in the Thrace Basin and no delays or security issues have been experienced. The impact so far has been a further devaluation in the Turkish Lira, sovereign debt ratings downgrades and a state of emergency declaration until January 19, 2017. The situation appears to have stabilized somewhat with currency exchange rates regaining some of the losses sustained in the immediate aftermath of the coup attempt. The Company will continue to monitor conditions, including the safety of personnel and operations, the security situation generally, impact on the Turkish Lira and banking facilities, the functioning of the GDPA, impact on our joint venture partners and any changes in offtakes by our natural gas customers.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The ability to make reliable estimates is further complicated when the political, economic and security situation is uncertain. Management has based its estimates with respect to the Company's operations in Turkey based on information available up to the date these condensed interim consolidated financial statements were approved by the Board of Directors. The situation in Turkey remains uncertain and significant changes could occur which could materially impact the assumptions and estimates made in these condensed interim consolidated financial statements. Changes in assumptions are recognized in the financial statements prospectively.

3. Exploration and Evaluation Assets

Cost		Total
Balance, December 31, 2015	$	38,132
Additions		8,941
Transfers to property, plant and equipment ("PP&E") *(note 4)*		(4,648)
Capitalized share-based compensation		55
Effects of movements in exchange rates		(3,367)
Balance, September 30, 2016	**$**	**39,113**

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.

4. Property, Plant and Equipment

Cost		Total
Balance, December 31, 2015	$	90,995
Additions		58
Transfers from exploration and evaluation assets *(note 3)*		4,648
Change in decommissioning obligations		753
Effects of movements in exchange rates		(7,609)
Balance, September 30, 2016	**$**	**88,845**

Accumulated depletion and depreciation		Total
Balance, December 31, 2015	$	42,325
Depletion and depreciation expense		5,576
Effects of movements in exchange rates		(3,663)
Balance, September 30, 2016	**$**	**44,238**

(thousands of Canadian Dollars, except share and per share amounts, unaudited)

Net book value		Total
Balance, December 31, 2015	$	48,670
Balance, September 30, 2016	**$**	**44,607**

(a) Impairment testing

IFRS requires an impairment test to assess the recoverable value of PP&E within each Cash Generating Unit ("CGU" or CGUs") upon initial adoption and, subsequently 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 September 30, 2016, the Company conducted an assessment of impairment triggers for the Company's CGUs. The triggers assessed included market capitalization compared to net assets, any changes to year-end commodity price forecasts, and the Company's drilling results during the quarter. After assessing these impairment triggers the Company concluded that there were no indicators of impairment on its PP&E assets.

(b) Contingencies

Although the Company believes that it has title to its oil and natural gas properties, it cannot control or completely protect itself against the risk of title disputes or challenges.

(c) Depletion - future development costs

For the purposes of calculating depletion, petroleum and natural gas properties in Turkey include estimated future development costs of $87.7 million (December 31, 2015 – $95.3 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 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 (see note 2(d).

5. Share Capital

(a) Issued

Common shares	Number of Shares		Amount
Balance, December 31, 2015	57,906,135	$	135,778
Shares issued pursuant to option exercises	546,666		743
Shares issued for services rendered	66,520		65
Balance, September 30, 2016	**58,519,321**	**$**	**136,586**

(b) Per share amounts Issued

Per share amounts have been calculated using the weighted average number of common shares outstanding. The weighted average number of common shares outstanding for the three and nine months ended September 30, 2016 are 58,076,570 and 57,991,352, respectively (September 30, 2015 – 57,906,135 and 57,906,135, respectively). The average number of common shares outstanding was not increased for outstanding stock options and as the effect would be anti-dilutive.

(c) Share purchase warrants as part of equity

Share purchase warrants issued pursuant to a 2011 private placement expired unexercised on February 29, 2016.

(thousands of Canadian Dollars, except share and per share amounts, unaudited)

(d) 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, 2015	5,177,000	$ 0.72
Granted	613,000	0.75
Exercised	(546,666)	0.80
Forfeited/cancelled	(328,834)	0.60
Balance, September 30, 2016	**4,914,500**	**0.72**
Exercisable at September 30, 2016	**2,706,330**	**$ 0.80**

The following table summarizes information about the stock options outstanding at September 30, 2016:

Exercise prices	Outstanding at September 30, 2016	Weighted average remaining life (years)	Weighted average exercise price	Exercisable at September 30, 2016	Weighted average exercise price
$0.57 - $0.63	1,656,500	5.4	$ 0.57	552,165	$ 0.57
$0.64 - $0.74	1,372,500	4.6	0.64	881,665	0.64
$0.75 - $1.00	1,885,500	4.4	0.92	1,272,500	1.00
	4,914,500	4.8	$ 0.72	2,706,330	$ 0.80

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

Assumptions	**September 30, 2016**	December 31, 2015
Risk free interest rate (%)	**0.7**	0.7
Expected life (years)	**4.5**	4.5
Expected volatility (%)	**80.7**	81.4
Forfeiture rate (%)	**1.6**	1.3
Weighted average fair value per option	**$ 0.46**	$ 0.39

6. Credit Facilities

The Company has a general credit facility in the amount of US$0.3 million with a Turkish bank for the purpose of obtaining letters of credit required by the Turkish government. As at September 30, 2016, US$0.3 million (September 30, 2015 – US$0.3 million) in letters of credit are outstanding. The general credit facility is not secured by any of the Company's assets and interest rate terms have not been set as the purpose of this facility is for issuance of letters of credit only.

7. Financial Risk Management

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as credit risk, market risk and liquidity risk.

This note presents information about the Company's exposure to each of the these risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors oversees managements' establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from joint venture partners and oil and natural gas marketers. The maximum exposure to credit risk is as follows:

	September 30, 2016	December 31, 2015
Trade and other receivables	**$ 4,608**	$ 5,300

Trade and other receivables:

Substantially all of the Company's petroleum and natural gas production is marketed under standard industry terms that are specific to Turkey. Receivables from Turkish petroleum and natural gas marketers are normally collected on the 45th day of the month following production. The Company's policy to mitigate credit risk associated with the balances is to establish marketing relationships with large credit worthy purchasers. The Company historically has not experienced any collection issues with its petroleum and natural gas marketers. Joint venture receivables are typically collected within one to three months of the joint venture invoice being issued to the partner. The Company attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditures.

Receivables from participants in the petroleum and natural gas sector, and collection of the outstanding balances can be impacted by industry factors such as commodity price fluctuations, limited capital availability and unsuccessful drilling programs. The Company does not typically obtain collateral from petroleum and natural gas marketers or joint venture partners; however the Company can cash call for major projects and does have the ability, in most cases, to withhold production from joint venture partners in the event of non-payment, or withhold accounts payable remittances.

(b) Market risk

Market risk is the risk that changes in market conditions, such as commodity prices, foreign exchange rates and interest rates will affect the Company's income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the Company's return.

Foreign currency exchange rate risk:

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company's petroleum and natural gas sales are conducted in Turkey and are denominated in Turkish Lira. As such, the Company is exposed to fluctuations in the Turkish Lira (TL) to Canadian Dollar (CAD) and United States Dollar (USD) exchange rates. A decrease in the value of the Turkish Lira against the Canadian or United States Dollars will result in a decrease in revenues, royalty expense and operating costs. Correspondingly, an increase in the value of the Turkish Lira against the Canadian and United States Dollars will result in an increase in revenues, royalty expense and operating costs.

The Company's drilling and seismic expenditures and related contracts in Turkey are predominantly based in US Dollars. Material changes in the value of the US Dollar against the Turkish Lira or Canadian Dollar will impact the Company's capital costs.

Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not currently exposed to interest rate risk as it has no debt.

Commodity price risk:

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by the relationship between the Canadian Dollar and Turkish Lira, the Canadian Dollar and United States Dollar, global economic events and Turkish government policies.

Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with the financial liabilities. The Company's financial liabilities consist of accounts payable. Accounts payable consists of invoices payable to trade suppliers for office, field operating activities and capital expenditures. The Company processes invoices within a normal payment period. Accounts payable have contractual maturities of less than one year. The Company maintains and monitors a certain level of cash which is used to finance all operating and capital expenditures.

Capital management:

The Company's objective when managing capital is to maintain a flexible capital structure which allows it to execute its growth strategy through expenditures on exploration and development activities while maintaining a strong financial position. The Company's capital structure includes working capital and shareholders' equity. Currently, total capital resources available include working capital and funds flow from operations.

The Company's capital expenditure includes expenditures in oil and gas activities which may or may not be successful. The Company makes adjustments to the capital structure in light of changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas assets. In order to maintain or adjust the capital structure, the Company may, from time to time, issue shares, adjust its capital spending or issue debt instruments. The Company is not subject to any externally imposed capital requirements.

The successful future operations of the Company are dependent on the ability of the Company to secure sufficient funds through operations, bank financing, equity offerings or other sources and there are no assurances that such funding will be available when needed. Failure to obtain such funding on a timely basis could cause the Company to reduce capital spending and could lead to the loss of exploration licences due to failure to meet drilling deadlines.

Valeura has not utilized bank loans or debt capital to finance capital expenditures to date. In the future, if the Company establishes and borrows on a bank loan facility for capital expansion, the Company will monitor capital based on the ratio of net debt to annualized funds from operations. This ratio represents the time period it would take to pay off the debt if no further capital expenditures were incurred and if funds from operations remained constant.

8. Commitments

On August 1, 2016 the Company renegotiated its existing sublease that was originally signed on June 15, 2015. The term of this sublease runs through January 30, 2019. The Company has the option to terminate the sublease agreement after 18 months. The remaining amount committed under this renegotiated sublease is approximately $0.7 million including an estimate for operating costs over. At September 30, 2016 the remaining commitment of $0.7 million will be discharged in the following years: 2016 – $0.1 million, 2017 – $0.3 million, 2018 – $0.3 million, 2019 – $nominal.

9. Subsequent Events

On October 13, 2016, the Company entered into a share purchase agreement to acquire 100 percent of the shares of Thrace Basin Natural Gas (Turkey) Corporation ("TBNG"), for cash consideration of US$22 million (approximately US$18.5 million at closing). Upon the closing of this acquisition, Valeura's participating interest in the shallow rights on the TBNG JV will increase to 81.5 percent and Valeura will become the operator. Approval for the change in control of TBNG requires Turkish government approval.

On October 13, 2016 the Company entered into a sale and purchase agreement to sell Valeura's 40 percent participating interest in the deep formations below approximately 2,500 metres depth on certain Thrace Basin JV lands for cash consideration of US$12 million. This agreement also provides that upon the closing of this asset sale and the TBNG acquisition above, the Company will cause TBNG to enter into a sale and purchase agreement with Statoil to sell an additional 10 percent participating interest in the same deep formations for US$3 million. Closing is subject to the Turkish government approvals for the associated transfer of the licence interests. Furthermore, closing of the TBNG acquisition above is conditional on the closing of this asset sale.

On October 13, 2016, and as amended on October 14, 2016, the Company entered into an agreement to sell, on an underwritten private placement basis, 14,629,000 subscription receipts of the Company at a price of $0.75 per subscription receipt for total gross proceeds of approximately $11 million. The subscription receipts and the underlying common shares of the Corporation issuable pursuant thereto will be subject to a four month hold period. The private placement closed on November 3, 2016, however, the ultimate completion of the private placement is subject to certain conditions, including, without limitation, the closing of the TBNG acquisition and the receipt of all necessary regulatory approvals, including the approval of the Toronto Stock Exchange.