valeura energy inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2015 and 2014

(tabular amounts in thousands of Canadian Dollars, except share, per share or per unit amounts)

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 13, 2015 and should be read in conjunction with Valeura's unaudited condensed interim consolidated financial statements and related notes for the three and six month periods ended June 30, 2015 and 2014. Additional information relating to Valeura is available under Valeura's profile on www.sedar.com, including Valeura's Annual Information Form for the year ended December 31, 2014 ("2014 AIF"). The reporting currency is the Canadian dollar (see the sections titled "Foreign Exchange" and "Currency Translation Adjustment" for discussion on Valeura's functional currencies).

Basis of Presentation

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 2014 audited consolidated financial statements, with the exception 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 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, 2014.

The discussion and analysis of oil and natural gas production is presented on a working-interest, before royalty basis. For the purpose of calculating unit of production 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 as a unit of measure 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, reserves, environmental and decommissioning 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.

During the third quarter of 2014, Valeura sold all of its remaining Canadian petroleum and natural gas properties. As the Company no longer has oil and gas properties in Canada, the previous Canadian segment has been treated as discontinued operations and removed from current and comparative period results throughout this MD&A. All tables, except those expressly described as discontinued operations, contain information from the Company's continuing operations only.

Special Note Regarding Non-GAAP Measures

This MD&A includes references to financial measures commonly used in the oil and gas industry. The terms "operating netback" (petroleum and natural gas sales less royalties, production expenses and transportation costs) and "funds flow from operations" are non-GAAP measures and do not have standardized meanings prescribed by GAAP and are therefore unlikely to be comparable to similar measures used by other issuers. The Company uses these supplemental non-GAAP measures to assist readers in evaluating operating performance. The following table reconciles Valeura's cash provided by operating activities to funds flow from operations:

(tabular amounts in thousands of Canadian Dollars, except share, per share or per unit amounts)

	Three months ended		Six months ended	
	June 30, 2015	June 30, 2014	**June 30, 2015**	June 30, 2014
Cash provided by operating activities	**$ 4,761**	$ 3,615	**$ 8,819**	$ 3,698
Decommissioning costs incurred	**-**	-	**19**	15
Change in non-cash working capital	**(1,798)**	(332)	**(2,202)**	3,208
Funds flow from operations	**$ 2,963**	$ 3,283	**$ 6,636**	$ 6,921

Forward-looking Statements

Certain information included in this MD&A constitutes forward-looking information under applicable securities legislation. Such forward-looking information is for the purpose of explaining 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", "target" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking information in this MD&A includes, but is not limited to: the Company's 2015 work program and budget outlook, operational plans (seismic, drilling, fracture stimulating ("fracking" or "frac") and workovers) and capital expenditures on the TBNG JV lands and Banarli licences; timing for resumption of drilling in 2015 and target annual production volumes of 900 to 950 boe/d on the TBNG JV lands; the extent of exploration leads on the Banarli licences; the planned drilling program on the Banarli licences in 2015 and the associated timelines; the ability to negotiate a transportation and marketing arrangement with the TBNG JV to tie-in any successful well at Banarli; the availability of operating cash flow and the ability to finance development from existing cash and operating cash flow; the planned drilling of horizontal and vertical wells, well re-entry fracs and well recompletion workovers and the expected impact thereof; the timing, estimated costs and ability to fund each of the foregoing; and, the plans to attract a joint venture partner to drill the deep, potential basin-centered gas play on the Banarli licences and certain joint venture lands in the Thrace Basin.

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 are 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: the ability of the Company to execute its strategy; the ability of the Company to obtain financing on acceptable terms; future drilling, fracking and re-completion activity on the expected timelines; the availability of operating cash flow and the ability to finance development from existing cash and operating cash flow; the ability to meet drilling deadlines and other requirements under licences and leases (including spudding deadlines under the Company's 100 percent owned Banarli licences); the ability to attract partners and negotiate farm-out arrangements; 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, including stock exchange approvals, both domestically and internationally; continued operations of and approvals forthcoming from the General Directorate of Petroleum Affairs of the Republic of Turkey ("GDPA") in a manner consistent with past conduct; the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner to develop its business; the ability of the Company to manage water production; results of future seismic programs; the Company's ability to operate the properties in a safe, efficient and effective manner; the ability to replace and expand oil and natural gas reserves through acquisition, development or 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. In addition, budgets are based upon the Company's current work programs proposed by partners and associated exploration and development plans and anticipated costs, which are subject to change based on, among other things, the actual results of drilling and related activity, availability of fracking and other specialized oilfield equipment and service providers, changes in the operator's or partners' plans and unexpected delays and changes in market conditions. 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 known and unknown 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 in foreign countries. Exploration, appraisal and development of oil and natural gas reserves are speculative activities and involve a significant degree of risk. A number of factors could cause actual results to differ materially from those anticipated by the Company including, but not limited to: risks associated with the oil and gas industry (e.g. operational risks in exploration, inherent uncertainties in interpreting geological data, and changes in plans with respect to exploration or capital expenditures, the uncertainty of estimates and projections in relation to costs and expenses, and health, safety, and environmental risks); uncertainty regarding the sustainability of initial production rates and decline rates thereafter; uncertainty regarding the availability of drilling rigs and equipment and the ability to address technical drilling challenges and manage water production; uncertainty regarding the state of capital markets and the availability of future financings; the risk of being unable to secure farm-in partners; the risk of being unable to meet drilling deadlines and the requirements under licences and leases (including the Banarli licences); uncertainty regarding the amount of operating cash flow; the risks of disruption to operations and access to worksites, threats to security and safety of personnel and potential property damage related to political issues, terrorist attacks, insurgencies or civil unrest; the risks of increased costs and delays in timing related to protecting the safety and security of Valeura's personnel and property; the risk of commodity and Boru Hatlari ile Petrol Tasima Anonim Sirketi ("BOTAS") pricing and foreign exchange rate fluctuations; the uncertainty associated with negotiating with third parties in countries other than Canada; the risk of partners having different views on work programs and potential disputes among partners; the uncertainty regarding government and other approvals; potential changes in laws and regulations; risks associated with weather delays and natural disasters; and the risk associated with international activity. See Valeura's 2014 AIF filed on SEDAR at www.sedar.com for a detailed discussion of the risk factors.

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.

(tabular amounts in thousands of Canadian Dollars, except share, per share or per unit amounts)

Highlights and Selected Financial Information

	Three months ended		Six months ended	
	June 30, 2015	June 30, 2014	**June 30, 2015**	June 30, 2014
Financial				
Petroleum and natural gas sales	**$ 5,642**	$ 6,097	**$ 12,809**	$ 12,747
Net income (loss)	**(787)**	288	**(680)**	564
Per share, basic and diluted	**(0.01)**	0.01	**(0.01)**	0.01
Funds flow from operations[1]	**2,963**	3,283	**6,636**	6,921
Per share, basic and diluted	**$ 0.05**	$ 0.06	**$ 0.11**	$ 0.12
Production volumes				
Natural gas (Mcf/d)	**6,219**	6,693	**6,743**	7,147
Crude oil (bbl/d)	**8**	8	**9**	7
Total (boe/d)	**1,045**	1,123	**1,133**	1,198
Sales prices				
Crude oil (per bbl)	**$ 57.84**	$ 88.25	**$ 53.56**	$ 88.17
Natural gas (per Mcf)	**9.89**	9.91	**10.42**	9.77
Total (per boe)	**59.35**	59.65	**62.45**	58.77
Capital expenditures (net)	**$ 4,916**	$ 1,568	**$ 6,351**	$ 5,510
Working capital surplus			**10,007**	8,866
Cash			**7,750**	5,608
Weighted average shares outstanding				
Basic and diluted (thousands)	**57,906**	57,906	**57,906**	57,906

Outstanding Share Data

	June 30, 2015
Common shares	57,906,135
Warrants	13,269,217
Stock options	5,312,000
Fully Diluted	76,487,352

[1] Non-GAAP measure – see note regarding non-GAAP measures on page 1.

The Company

Valeura and its subsidiaries are currently engaged in the exploration, development and production of petroleum and natural gas in Turkey. Valeura's shares are traded on the Toronto Stock Exchange ("TSX") under the trading symbol "VLE".

Valeura was established in 2010 to grow internationally through opportunistic acquisitions of producing assets with exploitation and exploration upside in selected countries in regions of interest which originally included the Middle East and North Africa region, the Mediterranean Basin and South America. The Company completed its first international transaction in Turkey during 2010 and since that time has executed a number of other transactions and won several new exploration licence awards in Turkey. As at June 30, 2015, the Company held an interest in 21 exploration licences and production leases comprising approximately 0.88 million gross acres (0.38 million net acres) primarily in the Thrace Basin (89.5% of net lands) of northwest Turkey and the Anatolian Basin (10.5% of net lands) of southeast Turkey. The assets in the Thrace Basin include a 40 percent working interest in a joint venture with an established natural gas production and marketing business and a large acreage position of approximately 0.73 million gross acres (0.34 million net acres) with both conventional shallow gas exploration potential and exposure to a potentially significant unconventional tight gas resource play below the existing shallow gas formations. The tight gas play is under delineation and early-stage development after more than four years of activity aimed at de-risking the play. As at June 30, 2015, the assets in the Anatolian Basin included two exploration licences with oil potential.

In June 2013, the Turkish government passed a new petroleum law, which amongst other provisions, included a new licencing regime for the award of future exploration licences and production leases. Voluntary conversion of existing exploration licences to the new regime has been encouraged, where possible, but would require re-alignment of the existing licence boundaries and negotiation with offset licence holders to fit a new international grid system that was also adopted as part of the new law. In 2014, Valeura and its joint venture partners made applications to the GDPA to convert a number of its existing exploration licences to new exploration licences or new production leases over part of certain existing exploration licences that were nearing expiry in 2014 or 2015. The reader is referred to the Company's 2014 AIF for a detailed description of the old and new licencing terms in Turkey.

As at June 30, 2015 the GDPA had approved several new production leases in Q4 2014 and the conversion of all exploration licences in Q2 2015 that were eligible for conversion under new terms on the Company's joint venture lands.

During Q2 2015, the GDPA also approved the Company's application to convert it's 100 percent owned Banarli Exploration Licence 5104 in Thrace Basin to the new licencing terms. As a result, the Banarli licence acquired in April 2013 has been converted to two new contiguous exploration licences.

Turkish Operations

Thrace Basin

Edirne Asset Acquisition

The Company closed its first acquisition in the Thrace Basin with the purchase of natural gas assets from Edirne Enerji Petrol Arama Üretim Ve Ticaret Limited Şirketi ("Edirne") on March 24, 2011 for a total cash payment of approximately $1.9 million. An affiliate of TransAtlantic Petroleum Ltd. ("TransAtlantic") is the operator of the Edirne Licence 3839. Valeura acquired a 35 percent working interest in the lands and producing assets associated with the Edirne Licence.

In the fourth quarter of 2014, the original Edirne exploration licence was converted to three new production leases under the new petroleum law encompassing 49,883 gross acres (17,459 net acres).

Natural gas production from the Edirne production leases is sold domestically to a large wholesale gas marketer through a nine kilometre tie-in to a large diameter pipeline operated by BOTAS, which enters Turkey through Bulgaria and carries Russian gas into the Istanbul area.

TBNG-PTI Asset Acquisition

On June 8, 2011, the Company closed its second acquisition of producing natural gas assets and lands in the Thrace Basin and interests in exploration lands in the Anatolian Basin (Gaziantep area) of southeast Turkey owned by Thrace Basin Natural Gas (Turkiye) Corporation ("TBNG") and Pinnacle Turkey Inc. ("PTI") (the "TBNG JV") (Valeura 40 percent working interest) for $53.7 million (after adjustments for the period from the effective date of October 1, 2010 to June 8, 2011). This acquisition closed contemporaneously with acquisitions made by affiliates of TransAtlantic from the same vendor. All of the TBNG JV lands are operated by TransAtlantic.

This acquisition provided cash flow to the Company from sales of shallow gas production in the Thrace Basin, interests in 624,361 gross acres of onshore and offshore land (220,617 net) as at June 30, 2015, and exposure to a potentially significant unconventional tight gas opportunity in the Thrace Basin.

The TBNG JV lands currently include nine production leases and five exploration licences, of which two licences are entirely on land and three licences have a portion in the shallow waters (up to 200 metres water depth) of the Sea of Marmara. This includes four new production leases that were granted on part of two existing exploration licences in the fourth quarter of 2014 under the new petroleum law. The residual portions of the existing exploration licences have been retained at this time but are due to expire in November 2015, subject to any additional production lease carve-outs approved by the GDPA. In Q2 2015, one exploration licence was converted to the new exploration licences under the new petroleum law and one other exploration licence was relinquished at the end of its term. The joint venture partners expect to apply for a new exploration licence in September 2015 over part of this latter expired licence.

Natural gas is currently produced from approximately 65 wells (gross) on the TBNG JV lands, all located onshore. Approximately 65 percent of the natural gas produced in Q2 2015 was shallow gas from sandstone reservoirs in the Danismen and Osmancik formations at a depth of 500 to 2,000 metres. The gas is processed and compressed in owned facilities and is distributed in an owned pipeline network directly to more than 50 commercial and end-user customers. TransAtlantic is responsible for the marketing arrangements on behalf of the joint venture.

Selective opportunities exist to continue to pursue shallow gas exploration and development drilling, well workovers and wellhead compression to mitigate natural declines in existing production. Approximately 3,500 kilometres of legacy 2D seismic is available on the onshore lands in the Thrace Basin and an additional 413 square kilometres of 3D seismic was acquired in the second half of 2011 to support the Company's exploration and development drilling program for both shallow gas and deeper tight gas targets. An additional 232 square kilometres of 3D seismic was acquired in the fourth quarter of 2013 in the Osmanli area immediately south of Valeura's Banarli licences.

Valeura believes there is considerable upside potential associated with applying modern technology to exploit deeper tight gas sands, particularly in the Mezardere, Teslimkoy and Kesan formations down to depths of approximately 1,800 to 3,700 metres, depending on the area. Accordingly, the Company has been focusing the majority of its capital program in the Thrace Basin on tight gas exploitation in the past few years. The Company has had an active program of re-entering selected existing medium-depth wells to frac selected sandstone units, as well as drilling and fracking new medium-depth and deep wells as part of a proof-of-concept tight gas exploitation program. The Company completed 55 well re-entry fracs (including 11 multi-stage fracs) and 18 new drill fracs (including 11 multi-stage fracs) during the period from July 1, 2011 to June 30, 2015. Natural gas production from tight gas sands in these fracked wells contributed approximately 35 percent of the natural production from the TBNG JV lands in Q2 2015.

In the third quarter of 2014, Valeura and its partners in the TBNG JV commenced a five-well (gross) conventional natural gas exploration and development program in the Osmanli area on the new 3D seismic acquired in late 2013. The program resulted in three new pool discoveries at the Gurgen-1, Tavanli-1 and Biyikali-2 sidetrack wells and a successful development well at Guney Osmanli-1. The Company also drilled an exploration well at Dogu Osmanli-1 in which the log analysis indicated gas bearing pay in the Mezardere formation only. Valeura elected to case and complete the well as an independent operation (Valeura 100 percent working interest) and continues to evaluate the Mezardere formation as a potential future frac candidate. In December 2014, the Company followed up the Gurgen-1 discovery well with an appraisal well, Gurgen-2, which was successful. In Q1 2015, a second appraisal well, Gurgen-3 was drilled and is on production. As at June 30, 2015, six of the seven wells drilled were on production and contributing to sales from the TBNG JV.

Other Acquisitions and New Licence Awards

On January 16, 2012, Valeura closed the acquisition of a 24 percent non-operated working interest held by Guney Yildizi Petrol Uretim Sondaj, Muteahhitlik ve Ticaret A.S. ("GYP") in three exploration licences (3998, 3999 and 4187) in the Thrace Basin operated by Merty Energy for consideration of US$1.5 million. The Company participated in the acquisition of 186 kilometres of new 2D seismic on Licence 3999 in the third quarter of 2012 and spudded the Kavacik-1 well on this licence which was dry and abandoned. Valeura and its partners agreed to let all three licences expire under the existing arrangements over the October 2012 to January 2013 period. The Company re-applied for Licence 3999 and 4187 with a 100 percent working interest. In July 2013, Valeura was awarded the small Copkoy Licence 5147 on a 100 percent basis (20,668 gross acres), which encompasses the lands in the expired Licence 4187. In Q2 2015, the Company applied to the GDPA to relinquish the Copkoy licence, given an upcoming drilling commitment, to focus on higher priority licences in the core area of the Thrace Basin.

On April 8, 2013, the Company announced that it had been awarded the Banarli Licence 5104 on a 100 percent basis. The exploration licence originally covered an area of 118,598 gross acres near the centre and deepest part of the Thrace Basin and had a four-year initial term. The Company shot 93 kilometres of new 2D seismic in June 2013 to complement more than 300 kilometres of vintage 2D seismic on this licence. During Q2 2015, the GDPA approved the Company's application to convert the Banarli licence to two new contiguous exploration licences with a 13 percent larger area of 133,840 acres. The clock on the initial term of the licences has been re-started and under the new law has also been extended to five years ending on June 27, 2020. During the initial five-year term, the Company will be required to complete, in aggregate on the two licences, 152 square kilometres of 3D seismic (already completed) and drill three wells, including a 2,000 metre well in each of year one and year two and a 3,800 metre well in year four. The total assigned value to this program is US$9.15 million and an associated two percent bond has been submitted to the GDPA.

In aggregate, the Company held interests in 19 production leases and exploration licences in the Thrace Basin covering an area of 725,386 gross acres (338,837 net) as at June 30, 2015.

Anatolian Basin

Gaziantep

The TBNG JV acquisition described above also included a 26 percent non-operated working interest in lands in the Gaziantep area in the Anatolian Basin. The lands acquired originally included four exploration licences covering an area of 488,070 gross acres (126,898 net). In July 2012, the Company participated in re-entering a small Mardin Group heavy oil discovery at the Alibey-1 well on Licence 4607 and drilling a new horizontal sidetrack of approximately 414 metres in length within the Mardin. In December 2012, part of the horizontal section was completed near the toe of the well, which tested oil. In May 2013, a more extensive completion along the full length of the horizontal lateral was carried out but early production testing yielded only formation water with traces of oil. Further evaluation is underway to assess the merits of a recompletion program to potentially reduce water production from the well.

In October 2013, the Company and its partners relinquished three of the four Gaziantep licences, which were assessed to have limited prospectivity. The remaining Licence 4607 was retained and was subsequently converted to two new exploration licences in the fourth quarter of 2014 under the new petroleum law comprising 152,111 gross acres (39,549 net).

Outlook

The Company now expects to execute a capital expenditure program in the range of $15 to 16 million (net) in Turkey in 2015, approximately 18 percent less than the original 2015 budget, focused on natural gas development in the Thrace Basin, contingent on the level of operating cash flow from the TBNG JV lands. The revised work program and budget aims to achieve the following key objectives in 2015, which are modified from earlier guidance to reflect delays in the re-start of drilling on the TBNG JV lands:

- Pursue the shallow conventional gas play on Valeura's 100 percent owned and operated Banarli licences with new 3D seismic and drill an initial exploration commitment well as early as Q4 2015, contingent on the 3D seismic interpretation results;
- Seek a farm-in partner(s) to pursue the deep basin-centered gas play on the TBNG JV lands and Banarli; and
- Mitigate natural declines and achieve annual production volumes of 900 to 950 boe/d on the TBNG JV lands by re-investing approximately 40 to 45 percent of operating cash flow;

The Banarli 3D seismic interpretation is targeted for completion by early September. It is expected that an initial exploration well would target the Osmancik formation and top of the Mezardere formation to a depth of approximately 2,500 metres. The Company has mapped more than 15 exploration structural leads at Banarli based on 92 kilometres of 2D seismic acquired by the Company in 2013 and more than 300 kilometres of vintage 2D seismic over the licences. The current 3D seismic program targets these leads and is designed to potentially mature and prioritize these into drill-ready prospects.

The cost to drill, complete and test an initial exploration well at Banarli is estimated at $2.2 million and is included in the 2015 budget. Contingent funds of $1.3 million are also included for a flow line to tie-in the well, contingent on drilling success and the ability to negotiate a transportation and marketing arrangement to tie-in production. Total capital expenditures at Banarli for the shallow gas play are budgeted at approximately $8.5 to 9.0 million, including $5.0 million for the 3D seismic.

The current targeted work program on the non-operated TBNG JV lands in 2015 includes four to six drill wells (gross). One of these wells (Gurgen-3) was drilled in January and drilling is expected to resume in September, subject to reaching agreement with partners on target locations, pace and participation levels. The planned program also includes a selective program of tight gas well re-entry fracs and workovers on conventional gas wells. Total capital expenditures in 2015 on the TBNG JV lands are budgeted in the range of $6.5 to 7.0 million (net).

(tabular amounts in thousands of Canadian Dollars, except share, per share or per unit amounts)

Results of Operations

	Three months ended		Six months ended	
	June 30, 2015	June 30, 2014	**June 30, 2015**	June 30, 2014
Petroleum and natural gas sales	**$ 5,642**	$ 6,097	**$ 12,809**	$ 12,747
Royalties	**(763)**	(824)	**(1,732)**	(1,723)
Production costs	**(516)**	(678)	**(1,258)**	(1,289)
Operating netback[1]	**4,363**	4,595	**9,819**	9,735
Other income	**211**	122	**333**	247
General and administrative	**(1,510)**	(1,251)	**(3,157)**	(2,756)
Interest expense	**(2)**	-	**(21)**	-
Realized foreign exchange gain (loss)	**(99)**	(183)	**(338)**	(305)
Funds flow from operations[1]	**2,963**	3,283	**6,636**	6,921
Non-cash expenses				
Stock based compensation	**(156)**	(157)	**(326)**	(300)
Financing costs	**(199)**	(157)	**(401)**	(308)
Exploration and evaluation expense	**-**	(12)	**-**	(52)
Unrealized foreign exchange gain (loss)	**(828)**	221	**(1,086)**	416
Depletion and depreciation	**(2,340)**	(2,439)	**(5,147)**	(5,293)
Deferred tax recovery	**(227)**	(451)	**(356)**	(820)
Net Income (loss)	**$ (787)**	$ 288	**$ (680)**	$ 564

Sales Volumes

	Three months ended		Six months ended	
	June 30, 2015	June 30, 2014	**June 30, 2015**	June 30, 2014
Natural gas (Mcf/d)	**6,219**	6,693	**6,743**	7,147
Crude oil (bbl/d)	**8**	8	**9**	7
Total (boe/d)	**1,045**	1,123	**1,133**	1,198

Sales volumes for the three and six months ended June 30, 2015 decreased to 1,045 boe/d and 1,133 boe/d, respectively, compared to 1,123 boe/d and 1,198 boe/day for the same periods in 2014 due to natural declines and lower drilling activity in 2015 pending partner agreement on the re-start of drilling following the drilling of the Gurgen-3 well in January 2015, the only well drilled to date in 2015.

Operating Netbacks (per boe)

	Three months ended		Six months ended	
	June 30, 2015	June 30, 2014	**June 30, 2015**	June 30, 2014
Petroleum and natural gas sales	**$ 59.35**	$ 59.65	**$ 62.45**	$ 58.77
Royalties	**(8.03)**	(8.07)	**(8.45)**	(7.94)
Production costs	**(5.42)**	(6.63)	**(6.13)**	(5.94)
Operating netback	**$ 45.90**	$ 44.95	**$ 47.87**	$ 44.89

[1] Non-GAAP measure – see note regarding non-GAAP measures on page 1.

(tabular amounts in thousands of Canadian Dollars, except share, per share or per unit amounts)

Pricing Information

	Three months ended		Six months ended	
Average reference price	**June 30, 2015**	June 30, 2014	**June 30, 2015**	June 30, 2014
Natural gas – BOTAS (per Mcf)[1]	**TL 21.93**	TL 20.12	**TL 21.93**	TL 20.12
Natural gas – BOTAS (per Mcf)	**$ 10.14**	$ 10.40	**$ 10.57**	$ 10.21
Average exchange rate (TL/CAD)	**2.163**	1.935	**2.074**	1.971

	Three months ended		Six months ended	
Average realized prices	**June 30, 2015**	June 30, 2014	**June 30, 2015**	June 30, 2014
Natural gas (per Mcf)	**$ 9.89**	$ 9.91	**$ 10.42**	$ 9.77
Crude oil (per bbl)	**$ 57.84**	$ 88.25	**$ 53.56**	$ 88.17

The following table shows the percentage change in Valeura's realized prices for Q2 2015 and YTD 2015 compared to the same periods in 2014:

	Q2 2015	YTD 2015
Natural gas	(0.2%)	7%
Crude oil	(34%)	(39%)

Natural gas prices remain strong in Turkey. Natural gas prices under sales contracts for all production in the Thrace Basin are linked to the BOTAS benchmark price in Turkish Lira ("TL"). Effective October 1, 2014 the Turkish Lira natural gas benchmark price increased by nine percent. This has resulted in an effective Canadian dollar converted benchmark price of $10.14 per thousand cubic feet ("Mcf") for Q2 2015. Natural gas sales from the TBNG JV lands are under direct sales contracts to industrial buyers in the area. Natural gas sales in the Edirne field are delivered to the BOTAS pipeline and sold to a large wholesale buyer. All natural gas sales contracts for the TBNG JV lands and the Edirne field reflect a negotiated discount to the BOTAS benchmark price. The average realized natural gas price in Turkey for Q2 2015 of $9.89 per Mcf represents a three percent discount to the BOTAS benchmark price.

The Company's Q2 2015 average realized natural gas price in Turkey remained essentially unchanged from Q2 2014. The nine percent increase in the BOTAS benchmark price effective October 1, 2014 was offset by the devaluation of the Turkish Lira against the Canadian Dollar. The natural gas price realized by the Company for the remainder of 2015 may be negatively affected by a further devaluation of the Turkish Lira against the Canadian Dollar.

Petroleum and Natural Gas Sales Revenues

	Three months ended		Six months ended	
	June 30, 2015	June 30, 2014	**June 30, 2015**	June 30, 2014
Natural gas	**$ 5,599**	$ 6,035	**$ 12,719**	$ 12,631
Crude oil	**43**	62	**90**	116
Total revenues	**$ 5,642**	$ 6,097	**$ 12,809**	$ 12,747

The composition of petroleum and natural gas sales revenues for the three and six months ended June 30, 2015 was approximately 99 percent natural gas and one percent crude oil. Revenues in Q2 2015 decreased in comparison to the same period in 2014 due to lower volumes and lower realized natural gas prices. Revenues

[1] BOTAS owns and operates the national crude oil pipeline grid and the national gas pipeline grid in Turkey. BOTAS regularly posts prices and its Industrial Interruptible Tariff benchmark is shown herein as a reference price. See the 2013 AIF for further discussion.

(tabular amounts in thousands of Canadian Dollars, except share, per share or per unit amounts)

increased marginally for the six months ended June 30, 2015 in comparison to the same period in 2014 due to higher realized natural gas prices, partially offset by lower volumes.

Royalties

	Three months ended		Six months ended	
	June 30, 2015	June 30, 2014	**June 30, 2015**	June 30, 2014
Royalties	**$ 763**	$ 824	**$ 1,732**	$ 1,723
Percentage of revenue	**13.5%**	13.5%	**13.5%**	13.5%

Royalties in Q2 2015 decreased in comparison to the same period in 2014 as a result of lower petroleum and natural gas sales revenues. Royalties increased for the six months ended June 30, 2015 in comparison to the same period in 2014 due to higher petroleum and natural gas sales revenues. Revenues are subject to a 12.5 percent government royalty and certain overriding royalties.

Production Costs

	Three months ended		Six months ended	
	June 30, 2015	June 30, 2014	**June 30, 2015**	June 30, 2014
Production costs	**$ 516**	$ 678	**$ 1,258**	$ 1,289
$ per boe	**5.42**	6.63	**6.13**	5.94

Unit production costs in Q2 2015 decreased in comparison to the same period in 2014 due to increased operational efficiency and the weakening of the Turkish Lira against the Canadian Dollar. Unit production costs increased in the six months ended June 30, 2015 compared to the same period in 2014 due primarily to increased union labour costs partially offset by the weakening of the Turkish Lira against the Canadian Dollar.

General and Administrative Expenses

	Three months ended		Six months ended	
	June 30, 2015	June 30, 2014	**June 30, 2015**	June 30, 2014
General and administrative expenses	**$ 1,511**	$ 1,401	**$ 3,437**	$ 3,094
Business development	**177**	26	**192**	90
Total	**1,688**	1,427	**3,629**	3,184
Recoveries	**(178)**	(176)	**(472)**	(428)
Total general and administrative expenses	**$ 1,510**	$ 1,251	**$ 3,157**	$ 2,756

Total general and administrative expenses for the three and six months ended June 30, 2015 increased when compared the same periods in 2014 due primarily to payment of higher discretionary employee bonuses and increased business development costs.

Foreign Exchange

During the three and six months ended June 30, 2015, the Company recorded a foreign exchange loss of $0.9 million and $1.4 million, respectively, compared to a foreign exchange gain of $38,000 and $111,000 for the same periods in 2014 (realized plus unrealized gains and losses). The foreign exchange losses in 2015 are due to the weakening of the Turkish Lira against the Canadian and United States Dollar.

The functional currency for the Company's Turkish operations is the Turkish Lira. Foreign exchange gains and losses are the result of translation of accounts denominated in currencies other than the functional currencies of Valeura and its subsidiaries, and settling transactions denominated in currencies other than the functional currency of the entity.

(tabular amounts in thousands of Canadian Dollars, except share, per share or per unit amounts)

The recent volatility and weakness in the value of the Turkish Lira may impair the ability of the Company to manage foreign exchange exposure. Continued devaluation of the Turkish Lira, without a corresponding increase in the natural gas reference price, will have a negative impact on funds flow from operations and could affect the ability of the Company to fund it's capital program in the future.

To the extent that the Company engages in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which the Company may contract. Valeura continues to assess its exposure to all foreign currencies. The Company is in the process of specifically assessing its exposure to the Turkish Lira and any possibilities that may exist to mitigate such exposure.

Other Income

During the three and six months ended June 30, 2015, the Company recorded other income of $211,000 and $333,000, respectively, compared to $122,000 and $247,000 for the same periods in 2014. Other income is comprised of processing and marketing income and interest income related to cash on hand.

Funds Flow from Operations[1]

Funds flow from operations for three and six months ended June 30, 2015 was $3.0 million and $6.6 million, respectively, compared to $3.3 million and $6.9 million for the same periods in 2014. The decrease in funds flow from operations for Q2 2015 was due to lower sales revenue and increased general and administrative expenses partially offset by lower production costs and lower realized foreign exchange losses. The decrease in funds flow from operations for the six months ended June 30, 2015, was due to increased general and administrative expenses and higher realized foreign exchange losses partially offset by increased sales revenue and lower production costs.

Non-cash Expenses:

Share-based Compensation

Share-based compensation is a non-cash expense associated with the stock options and performance warrants issued to directors, officers, employees and certain other service providers of the Company.

Share-based compensation expense for the three and six months ended June 30, 2015 was $156,000 and $326,000, respectively, compared to $157,000 and $300,000 for the same periods in 2014. The increase for the six months ended June 30, 2015 can be attributed to a greater amount of stock options outstanding in 2015 when compared to 2014.

Financing costs

	Three months ended		**Six months ended**	
	June 30, 2015	June 30, 2014	**June 30, 2015**	June 30, 2014
Accretion of decommissioning obligations	**$ 199**	$ 157	**$ 401**	$ 308
Interest expense	**2**	-	**21**	-
Total financing costs	**$ 201**	$ 157	**$ 422**	$ 308

Financing costs for the three and six months ended June 30, 2015 increased in comparison to the same periods in 2014 due to an increase in well locations and the associated impact on decommissioning obligations.

[1] Non-GAAP measure – see note regarding non-GAAP measures on page 1.

(tabular amounts in thousands of Canadian Dollars, except share, per share or per unit amounts)

Exploration and Evaluation Expense

Exploration and evaluation ("E&E") expense consists of exploration projects that are deemed to have a lower fair value when compared to book value. No E&E expense was recorded in 2015. E&E expense in 2014 was nominal.

Depletion and Depreciation

Depletion and depreciation for the three and six months ended June 30, 2015 was $2.3 million and $5.1 million, respectively, compared to $2.4 million and $5.3 million for the same periods in 2014. Depletion is calculated on a unit-of-production basis utilizing proved plus probable reserves.

On a per unit basis, depletion and depreciation for the three and six months ended June 30, 2015 was $24.61/boe and $25.10/boe, respectively, compared to $23.87/boe and $24.41/boe for the same periods in 2014.

Deferred Tax

Deferred tax for the three and six months ended June 30, 2015 was an expense $0.2 million and $0.4 million, respectively, compared to an expense of $0.5 million and $0.8 million for the same periods in 2014. Deferred tax relates to changes in the temporary difference between the net book value and the tax basis of the assets and liabilities in the Company's Turkish operations that commenced in 2011. Although the Company is carrying a deferred tax liability, it does not expect to be cash taxable for the foreseeable future provided that capital expenditures in Turkey are not significantly reduced.

Currency Translation Adjustments

Translation of all assets and liabilities from their 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 accumulated other comprehensive income or loss ("AOCI") and are held within 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.

The currency translation adjustment for the three and six months ended June 30, 2015 were losses of $2.8 million and $4.9 million, respectively, compared to a loss of $0.1 million and a gain of $0.2 million for the same periods in 2014 reflecting the fluctuation in the value of the Turkish Lira compared to the Canadian dollar in the respective periods. In 2015, the currency translation adjustment losses were due to the weakening of the Turkish Lira against the Canadian Dollar.

Capital Expenditures

The following summarizes the Company's capital spending:

	Three months ended		**Six months ended**	
	June 30, 2015	June 30, 2014	**June 30, 2015**	June 30, 2014
Geological and geophysical	**$ 4,802**	$ 469	**$ 5,278**	$ 1,188
Dispositions	**-**	-	**-**	(454)
Drilling, completions & equipping	**64**	216	**823**	3,407
Recompletions and fracking	**36**	883	**235**	1,364
Other	**14**	-	**15**	5
Total	**$ 4,916**	$ 1,568	**$ 6,351**	$ 5,510

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During Q2 2015, the Company completed the acquisition phase of a new 3D seismic survey on the Banarli exploration licences. The seismic covers an area of 152 square kilometres, which satisfies the seismic requirement in the initial term of the new licences. Initial processing of the seismic has been completed and interpretation is underway and should be completed by early September to position potential drilling at Banarli as early as the fourth quarter of 2015, contingent on the 3D seismic results.

Capital spending for Q2 2015 was $4.9 million, of which $4.8 million related to geological and geophysical activities including $4.5 million for the Banarli 3D seismic acquisition. There was no drilling in the second quarter of 2015 pending agreement among the joint venture partners on the re-start to drilling on the TBNG JV lands.

During Q2 2015, the Company carried out a recompletion of the Gurgen-2 well and workovers on two gross shallow gas wells (0.8 net) on the TBNG JV lands.

Liquidity, Financing and Capital Resources

	Three months ended		Six months ended	
	June 30, 2015	June 30, 2014	**June 30, 2015**	June 30, 2014
Opening cash position	**$ 8,082**	$ 5,484	**$ 5,928**	$ 6,511
Inflow of funds				
Proceeds on asset disposition	**-**	-	**-**	454
Funds from operations	**2,963**	3,283	**6,636**	6,921
Proceeds on discontinued operations	**-**	214	**-**	316
	2,963	3,497	**6,636**	7,691
Outflow of funds				
Capital expenditures	**(4,916)**	(1,568)	**(6,351)**	(5,964)
Decommissioning costs incurred	**-**	-	**(19)**	(15)
Changes in working capital and foreign exchange on cash	**1,621**	(1,805)	**1,556**	(2,615)
	(3,295)	(3,373)	**(4,814)**	(8,594)
Closing cash position	**$ 7,750**	$ 5,608	**$ 7,750**	$ 5,608

Capital Funding and Resources

As at June 30, 2015, Valeura's working capital balance was $10.0 million including cash of $7.8 million. Valeura's 2015 opening cash position was $5.9 million. In the first six months of the year, the Company utilized this opening cash balance plus funds flow from operations of $6.6 million to fund an exploration and development capital program of $6.4 million. The resultant cash balance at June 30, 2015 was $7.8 million after also reflecting an additional $1.6 million outflow of funds related to changes in working capital and foreign exchange on cash, and decommissioning costs settled.

Financial Capacity

At the end of Q2 2015 the Company's working capital surplus was $10.0 million. The combination of this working capital surplus plus funds flow from operations for 2015 is expected to be sufficient to fund the Company's target capital program in 2015 of up to $15.0 to $16.0 million including up to $9.0 to $10.0 million in the second half of 2015. The Company has considerable flexibility in managing capital given the terms of licence agreements and joint venture operating agreements in Turkey. Any commitments related to the lease and licence terms are incorporated in the capital budget.

The Company maintains considerable flexibility in managing its capital budget for 2015. The budgeted capital spending is split between the TBNG JV lands and the Banarli exploration licence with approximately 56 percent dedicated to the Banarli exploration licence. The drilling and workover capital spending on the TBNG JV lands would be considered lower risk spending with the objective of mitigating natural production declines. Capital spending on the Banarli exploration licence would be considered higher risk capital. The Banarli seismic acquisition phase was completed in June 2015 and drilling could begin as early as the fourth quarter of 2015 when the seismic is expected to be fully interpreted. The Company has budgeted one initial exploration commitment well in the fourth quarter, contingent on the 3D seismic results. The Banarli exploration spending has been conservatively budgeted with minimal impact to funds flow from operations in 2015. There is between $3.0 and $3.5 million of purely discretionary spending at Banarli in the 2015 capital budget that can be removed without any negative impact on projected funds flow from operations in 2015. As a result of the above factors, management believes that the current working capital surplus and the outlook for production and funds flow levels are adequate to fund the remaining 2015 budgeted capital program. There is no current expectation of utilizing either equity capital or debt capital to fund the remaining 2015 budget. However, Valeura will continue to review sources of capital to increase financial capacity.

Capital Management

The Company's objective 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 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 and lower production volumes and associated revenues.

The Company's capital expenditures include 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.

Valeura has not utilized bank loans or debt capital to finance capital expenditures to date. However, the Company is currently exploring the potential for a lending facility for its operations in Turkey.

(tabular amounts in thousands of Canadian Dollars, except share, per share or per unit amounts)

Selected Quarterly Information

	Three months ended			
	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
Total daily production (boe/d)	1,045	1,223	1,180	997
Average wellhead price ($/boe)	$ 59.35	$ 65.14	$ 63.73	$ 58.11
Petroleum and natural gas sales	5,642	7,167	6,921	5,331
Funds flow from continuing operations	2,963	3,673	3,654	3,011
Per share, basic and diluted	0.05	0.06	0.06	0.05
Net income (loss) from continuing operations	(787)	107	697	(171)
Per share, basic and diluted	$ (0.01)	$ 0.00	$ 0.01	$ 0.00

	Three months ended			
	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013
Total daily production (boe/d)	1,123	1,274	1,149	967
Average wellhead price ($/boe)	$ 59.65	$ 57.98	$ 60.04	$ 61.41
Petroleum and natural gas sales	6,097	6,650	6,347	5,465
Funds flow from continuing operations	3,283	3,638	3,672	2,940
Per share, basic and diluted	0.06	0.06	0.06	0.05
Net income (loss) from continuing operations	288	276	(6,854)	(4,711)
Per share, basic and diluted	$ 0.01	$ 0.01	$ (0.12)	$ (0.08)

Significant factors that have impacted the Company's results during the above periods include:

- Revenue is directly impacted by the Company's ability to offset natural production declines with production additions from an on-going capital expenditure program.
- Valeura has benefited from high natural gas prices and netbacks in Turkey.
- With significant drilling and production operations in Turkey, the Company has had a high level of foreign exchange and currency translation exposure.

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Discontinued Operations

On August 19, 2014, the Company completed the sale of its non-core petroleum and natural gas properties in Canada for proceeds of $0.8 million. Prior to the discontinued operations, Valeura had two reportable segments consisting of Canada and Turkey. Results from the Company's discontinued operations in Canada are summarized as follows:

	Three months ended		Six months ended	
	June 30, 2015	June 30, 2014	**June 30, 2015**	June 30, 2014
Petroleum and natural gas revenue	**$ -**	$ 262	**$ -**	$ 508
Royalties	-	(36)	-	(47)
Production expense	-	(76)	-	(205)
Funds flow from discontinued operations	-	150	-	256
Financing expense	-	(6)	-	(14)
Depletion	-	(45)	-	(89)
Gain on disposition	-	75	-	75
Income from discontinued operations	**$ -**	$ 174	**$ -**	$ 228

Commitments and Contractual Obligations

On October 26, 2012, Valeura entered into a 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 $1.0 million, including an estimate for operating costs over the term of the lease. The remainder of this commitment is approximately $0.2 million as at June 30, 2015.

On June 15, 2015, Valeura entered into a new 39 month sublease agreement for its current office space in Calgary commencing on November 1, 2015 and ending on January 30, 2019. The Company has the option to terminate the sublease agreement after 18 months. The total amount committed under this sublease is approximately $1.4 million including an estimate for operating costs over the term of the sublease.

Critical Accounting Policies

Use of estimates and judgments

The preparation of consolidated 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 reader is referred to Valeura's December 31, 2014 audited consolidated financial statements and MD&A for a description of estimates and judgments.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: material information relating to the Company is made known to the Company's CEO and CFO by others, particularly during the period in which the annual and interim filings are being prepared; and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

The Company's CEO and CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company is required to disclose herein any change in the Company's internal controls over financial reporting that occurred during the period beginning on April 1, 2015 and ending on June 30, 2015 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting. No material changes in the Company's internal controls over financial reporting were identified during such period that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived can provide only reasonable, but not absolute assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

Off Balance Sheet Arrangements

The Company had no off balance sheet arrangements outstanding as at June 30, 2015 other than those previously disclosed under commitments.

Financial Instruments

Financial instruments of the Company include cash, accounts receivable, accounts payable and accrued liabilities. The carrying values of the financial instruments approximate their fair values due to their relatively short periods to maturity.

Business Risks and Uncertainties

There are a number of risk factors that the Company faces as a participant in the international oil and gas industry, and until recently in the Canadian oil and gas industry, which are inherently risky. These risks have not materially changed from December 31, 2014. The reader is referred to Valeura's December 31, 2014 audited consolidated financial statements, MD&A and 2014 AIF for a description of these risks.