MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2013 and 2012

(tabular amounts in thousands of Canadian Dollars, except share or per share 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 November 13, 2013 and should be read in conjunction with Valeura's unaudited condensed interim consolidated financial statements and related notes for the three and nine month periods ended September 30, 2013 and 2012. 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, 2012 ("2012 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 2012 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 financial statements should be read in conjunction with Valeura's audited consolidated financial statements and MD&A for the year ended December 31, 2012.

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.

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" (net loss for the period adjusted for non-cash items) 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 issuer's. The closest GAAP measure to operating netback and funds flow from operations is net loss – see the reconciliation of these non-GAAP financial measures to net loss under "Results of Operations". The Company uses these supplemental non-GAAP measures to assist readers in evaluating operating performance.

Forward-looking Statements

Certain information included in this MD&A constitutes forward-looking information under applicable securities legislation. Such forward-looking information is provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes, such as making investment decisions. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "project", "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, information with respect to: the

Company's growth strategy, operational decisions and the timing thereof; projected 2013 capital spending; development and exploration plans and expenditures for the Company's Turkish operations, including the potential number of wells to be drilled and the ability to finance development; anticipated work programs, budgets and operational plans, including targeted seismic, drilling, completions, workovers, well re-entry fracs and fracs on new wells, the continued drilling of horizontal wells with multi-stage frac completions and the expected impact and timing thereof; the future development program in the Thrace Basin; the potential for re-completions and a follow-on development program in the Mezardere Formation, and the number of re-completion candidates; the timing, costs and ability to fund each of the foregoing; and, the plans for and prospectivity of the Banarli Licence 5104 and other licences. Forward-looking information is based on a number of factors and assumptions which have been used to develop such information but which may prove to be incorrect. Although the Company believes that the expectations reflected in such forward-looking information is reasonable, undue reliance should not be placed on forward-looking information because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this MD&A, assumptions have been made regarding and are implicit in, among other things: the ability of the Company to execute its strategy and close on acquisitions; the ability of the Company to obtain financing on acceptable terms; future drilling, fracing and re-completion activity; the anticipated tight gas development program in the Thrace Basin and the ability to finance future development; the ability to meet drilling deadlines and other requirements under licences and leases (including spudding deadlines under the Company's 100 percent owned licences 5104 and 5147); 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 plans and anticipated costs, which are subject to change based on, among other things, the actual results of drilling and related activity, availability of fracing and other specialized oilfield equipment and service providers, 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, both domestically and 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 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 licences 5104 and 5147); 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 (particularly in the southeastern part of Turkey); 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 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 2012 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 or per share amounts)

Highlights and Selected Financial Information

	Three months ended		Nine months ended	
	September 30, 2013	September 30, 2012	**September 30, 2013**	September 30, 2012
Financial				
Petroleum and natural gas sales	**$ 5,749**	$ 5,859	**$ 15,494**	$ 19,533
Net loss	**(4,632)**	(702)	**(7,678)**	(3,794)
Per share, basic and diluted	**(0.08)**	(0.02)	**(0.13)**	(0.08)
Funds flow from operations[1]	**3,067**	2,803	**6,429**	9,115
Per share, basic and diluted	**$ 0.05**	$ 0.06	**$ 0.11**	$ 0.20
Production volumes				
Crude oil and NGL's (bbl/d)	**48**	58	**49**	63
Natural gas (Mcf/d)	**5,778**	6,489	**5,153**	7,718
Total (boe/d)	**1,011**	1,140	**909**	1,350
Sales prices				
Crude oil (per bbl)	**$ 94.75**	$ 78.61	**$ 83.18**	$ 80.31
Natural gas (per Mcf)	**10.03**	9.12	**10.22**	8.58
Total (per boe)	**61.79**	55.88	**62.47**	52.82
Capital expenditures	**$ 8,445**	$ 5,643	**$ 21,193**	$ 25,024
Net working capital surplus			**9,029**	13,992
Cash and cash equivalents			**9,850**	15,578
Weighted average shares outstanding				
Basic and diluted	**57,906,135**	46,406,135	**57,906,135**	46,406,135

Outstanding Share Data

	September 30, 2013
Common shares	57,906,135
Warrants	13,269,217
Stock options	5,021,250
Performance warrants	2,796,750
Diluted	78,993,352

[1] Funds flow from operations is calculated as cash flow from operating activities before adjustments for decommissioning expenditures and net changes in non-cash working capital.

The Company

Valeura and its subsidiaries are currently engaged in the exploration, development and production of petroleum and natural gas in Turkey and Western Canada. 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 has executed five other transactions and won four new exploration licence awards (Valeura 100 percent) in Turkey since that time. As at September 30, 2013, the Company held an interest in approximately 1.6 million gross acres (0.6 million net acres) in the Thrace Basin of northwest Turkey and the Anatolian Basin of southeast Turkey. The assets in the Thrace Basin include a 40 percent interest in an established shallow gas production and marketing business and a large acreage position of approximately 0.9 million gross acres (0.4 million net acres) with exposure to a potentially significant tight gas resource play below the existing shallow gas production. The tight gas play is currently under delineation and early-stage development. The assets in the Anatolian Basin as at September 30, 2013 included six exploration licences with conventional and unconventional oil potential.

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.

The Edirne Licence covers an area of 119,125 gross acres (41,694 net acres). Valeura acquired a 35 percent working interest in the lands and producing assets associated with the Edirne Licence. Potential exists on the Edirne Licence to carry out well workovers, compression and drilling.

Natural gas production from the Edirne Licence is sold domestically to a large wholesale gas marketer through a nine kilometre tie-in to a large diameter pipeline operated by Boru Hatlari ile Petrol Tasima Anonim Sirketi ("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") 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-PTI joint venture 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 September 30, 2013, and exposure to a potentially significant unconventional tight gas opportunity in the Thrace Basin.

The TBNG-PTI joint venture lands include five 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.

Natural gas is currently produced from approximately 95 wells on the TBNG-PTI joint venture lands, all located onshore. Approximately 50 percent of the natural gas produced in the third quarter of 2013 was shallow gas from sandstone reservoirs in the Danismen and Osmancik formations at 500 to 1,500 metres. The gas is processed and compressed in owned facilities and is distributed in an owned pipeline network directly to commercial and end-user customers. TransAtlantic has responsibility 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, and fully interpreted by April 2012, to support the Company's exploration and development drilling program for both shallow gas, but more importantly, deeper tight gas targets.

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 is focussing the majority of its capital program in the Thrace Basin on tight gas exploitation. The Company has had an active program of re-entering selected existing medium-depth wells to fracture stimulate ("frac") selected sandstone units, as well as drilling and fracing new medium-depth and deep wells as part of a proof-of-concept tight gas exploitation program. The Company completed re-entry fracs (primarily single stage fracs) on 33 existing wells and both single-stage and multi-stage fracs on 12 new drill wells during the period from July 1, 2011 to September 30, 2013. An additional four well re-entry fracs were completed subsequent to the end of the third quarter in October 2013. Natural gas production from tight gas sands in these frac'd wells contributed approximately 50 percent of the natural production from the TBNG-PTI joint venture lands in the third quarter of 2013, and this contribution is growing.

Thrace Basin Farm-ins, Other Acquisitions and New Licence Awards

On June 13, 2011, the Company completed a farm-in to earn a 50 percent working interest in Licences 4094 and 4532 owned by an affiliate of TransAtlantic in the Thrace Basin. The combined licences required the commitment to drill two wells and spend approximately US$3.0 million on seismic for a total commitment of approximately $4.5 million. The Company drilled the first well, Evrenbey-1, in November 2011, which was cased and suspended without testing. In June 2013, Valeura chose to forego further earning investments and to relinquish its rights under the farm-in arrangement, given its assessment of limited prospectivity on the licence post-drilling, and recorded a write-down of $1.4 million.

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 a new exploration Licence 5147 on a 100 percent basis (20,668 gross acres), which encompasses the lands in the expired Licence 4187. A decision by the GDPA on the award of a new licence to replace the expired Licence 3999 remains outstanding and timing is uncertain.

On April 8, 2013, the Company announced that it had been awarded the Banarli Licence 5104 on a 100 percent basis. The exploration licence covers an area of 118,598 gross acres (185 square miles) near the centre and deepest part of the Thrace Basin. The licence has a four-year initial term and requires that a well be spudded by late March 2014. 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. Processing and interpretation of the new seismic was completed in August 2013 from which two potential drilling locations have been identified.

In aggregate, the Company held interests in 13 production leases and exploration licences in the Thrace Basin covering an area of 882,752 gross acres (401,577 net) as at September 30, 2013.

Anatolian Basin

Karakilise

On November 14, 2011, the Company executed a binding letter agreement with GYP and AME which defined Valeura's working interest of 27.5 percent in the two Karakilise Licences 2674 and 2677. Under the terms of the agreement, the Company agreed to fully fund the first US$1.3 million of the deepening cost of Altinakar-1 well on Licence 2674 to the primary exploration target of light oil in the Bedinan Formation. GYP is the operator of the licences. The deepening to a depth of 2,418 metres was completed in March 2012. The well was subsequently cased and produced at rates of approximately 10 to 13 barrels of oil per day ("bopd"). The well was frac'd in early September 2012 but the frac was unsuccessful in improving oil productivity on a sustained basis.

Valeura was also awarded Licence 5052 in the Karakilise area on a 100 percent interest basis in June 2012. The Company reprocessed the existing seismic, much of which was provided by the government after the licence was awarded. Given higher than expected exploration risk associated with the licence following this seismic review, the Company sought a farm-in partner to assist in the funding of a licence-retaining exploration well prior to the mid-October 2013 spudding deadline. However, this farm-out process was not successful and as a result, the Company has applied to the GDPA to relinquish the licence.

As at September 30, 2013, the Company had 242,262 gross (66,622 net) acres of land in the Karakilise area.

Gaziantep

The TBNG-PTI 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 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 a subsequent development in October 2013, the Company applied to the GDPA to relinquish three of the four Gaziantep licences, which were assessed to have limited prospectivity. The Company has retained Licence 4607 at this time (123,372 gross acres or 32,077 net acres).

Bostanci

In June 2012, Valeura was awarded Bostanci Licence 4985 on the border with northern Iraq and Syria. The licence was part of a group of licences originally held under the AME-GYP farm-in lands. The lands expired under the previous arrangement and one of the expired licences was subsequently awarded to Valeura.

Valeura acquired the Bostanci Licence 4985 on a 100 percent basis and is the operator but under a pre-bidding arrangement, Oando Energy Resources Inc. ("Oando") had a right to a 50 percent participating interest. In June 2013 Oando relinquished this right, consistent with their announced corporate strategy to focus on Nigeria. The Company therefore continued to pursue other potential farm-in partners to fund an exploratory well prior to meet a mid-October 2013 spudding deadline. The Company also purchased well casing and a wellhead to preserve the opportunity to spud the well on a timely basis while the farm-out process proceeded and new seismic was being acquired and interpreted. In July 2013, the Company completed a 20 kilometre, six-line 2D seismic program over the oil exploration prospect at Bostanci. The new seismic provided coverage up to the Syrian and northern Iraq borders in this area. A precautionary mechanical de-mining program was completed along the proposed seismic lines in advance of shooting the seismic but no mines were detected in the areas cleared. The seismic interpretation was completed in late August and reviewed with several potential farm-in partners. However, the farm-out process was not successful and given the higher than expected exploration risk associated with drilling following the review of the new seismic, the Company has applied to the GDPA to relinquish the licence. Most of the purchased casing has been sold at essentially the original cost, which will provide a credit to capital in the fourth quarter of 2013. The unsold 7" casing could be used for drilling on the Banarli licence in the Thrace Basin.

In aggregate, the Company held interests in six exploration licences in the Anatolian Basin covering an area of 730,332 gross acres (193,520 net) as at September 30, 2013. Giving effect to the October 2013 relinquishment application for three licences in Gaziantep area, this total reduces to 365,634 gross acres (98,699 net).

Outlook

To date in 2013 the Company has invested approximately $21 million (net) in Turkey and expects to invest up to $26 million (net) for the full year, more than 74 percent of which is expected to be directed to the TBNG-PTI joint venture lands (Valeura 40 percent). In the fourth quarter of 2013, the Company expects to complete the drilling and fracing of the third horizontal well BTD-5H and to complete up to nine other well-re-entry fracs on the TBNG-PTI joint venture lands (including four already completed in October) from an inventory of more than 30 Mezardere Formation candidates, to be funded from cash flow and existing cash.

The Company will continue to seek a joint venture partner for its 100 percent owned and operated Banarli Exploration Licence 5104. Under the terms for this 185 square mile exploration licence awarded to Valeura in April 2013, an initial well must be spudded by late March 2014.

The 2014 work program and capital budget is currently under development with partners.

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

Results of Operations

	Three months ended		Nine months ended	
	September 30, 2013	September 30, 2012	**September 30, 2013**	September 30, 2012
Petroleum and natural gas sales	**$ 5,749**	$ 5,859	**$ 15,494**	$ 19,533
Royalties	**(767)**	(759)	**(2,039)**	(2,661)
Production costs	**(789)**	(996)	**(3,007)**	(3,181)
Operating netback[1]	**4,193**	4,104	**10,448**	13,691
Other income	**214**	108	**707**	321
General and administrative	**(1,314)**	(1,411)	**(4,690)**	(4,923)
Realized foreign exchange gain (loss)	**(26)**	2	**(36)**	26
Funds flow from operations[1]	**3,067**	2,803	**6,429**	9,115
Gain on asset disposition	**10**	71	**10**	171
Non-cash expenses				
Stock based compensation	**(291)**	(380)	**(1,031)**	(1,245)
Financing costs	**(122)**	(154)	**(400)**	(475)
Exploration and evaluation expense	**(4,493)**	-	**(5,920)**	(1,130)
Unrealized foreign exchange gain (loss)	**(1,312)**	(279)	**(1,663)**	(72)
Depletion and depreciation	**(2,173)**	(2,462)	**(5,760)**	(8,602)
Impairment	**-**	-	**-**	(888)
Deferred tax recovery (expense)	**682**	(301)	**657**	(668)
Net loss	**$ (4,632)**	$ (702)	**$ (7,678)**	$ (3,794)

Corporate Sales Volumes

	Three months ended		Nine months ended	
	September 30, 2013	September 30, 2012	**September 30, 2013**	September 30, 2012
Crude oil and NGLs (bbl/d)	**48**	58	**49**	63
Natural gas (Mcf/d)	**5,778**	6,489	**5,153**	7,718
Total (boe/d)	**1,011**	1,140	**909**	1,350
Turkey (boe/d)	**967**	1,079	**859**	1,284
Canada (boe/d)	**44**	61	**50**	66
Total (boe/d)	**1,011**	1,140	**909**	1,350

Approximately 95 percent of Valeura's total production is produced within Turkey, the majority of which is natural gas production in the Thrace Basin. Average sales volumes for the three and nine months ended September 30, 2013 decreased to 1,011 boe/d and 909 boe/d, respectively, compared to 1,140 boe/d and 1,350 boe/d for the same periods in 2012 due to natural declines, partially offset by natural gas production from workovers, new wells and fracs primarily in the tight gas sands in the Thrace Basin.

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

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

Corporate Operating Netbacks (per boe)

	Three months ended		Nine months ended	
	September 30, 2013	September 30, 2012	**September 30, 2013**	September 30, 2012
Petroleum and natural gas sales	**$ 61.79**	$ 55.88	**$ 62.47**	$ 52.82
Royalties	**(8.24)**	(7.24)	**(8.22)**	(7.19)
Production costs	**(8.48)**	(9.50)	**(12.12)**	(8.60)
Operating netback	**$ 45.07**	$ 39.14	**$ 42.13**	$ 37.03

Sales Volumes and Operating Income – Turkey Operations

	Three months ended		Nine months ended	
	September 30, 2013	September 30, 2012	**September 30, 2013**	September 30, 2012
Natural gas (Mcf/d)	**5,708**	6,356	**5,050**	7,575
Crude oil (bbl/d)	**16**	19	**17**	21
Total (boe/d)	**967**	1,079	**859**	1,284
Operating income:				
Petroleum and natural gas sales	**$ 5,465**	$ 5,584	**$ 14,737**	$ 18,590
Royalties	**(737)**	(735)	**(1,983)**	(2,479)
Production costs	**(662)**	(795)	**(2,543)**	(2,569)
Operating income	**$ 4,066**	$ 4,054	**$ 10,211**	$ 13,542

Operating Netbacks (per boe) – Turkey Operations

	Three months ended		Nine months ended	
	September 30, 2013	September 30, 2012	**September 30, 2013**	September 30, 2012
Petroleum and natural gas sales	**$ 61.41**	$ 56.30	**$ 62.88**	$ 52.86
Royalties	**(8.28)**	(7.41)	**(8.46)**	(7.05)
Production costs	**(7.44)**	(8.02)	**(10.85)**	(7.31)
Operating netback (per boe)	**$ 45.69**	$ 40.87	**$ 43.57**	$ 38.50

Pricing Information

	Three months ended		Nine months ended	
Average benchmark prices	**September 30, 2013**	September 30, 2012	**September 30, 2013**	September 30, 2012
Crude oil – Edmonton Light (per bbl)	**$ 104.69**	$ 84.33	**$ 95.13**	$ 86.81
AECO (per Mcf)	**2.30**	2.32	**3.01**	2.08
Natural gas – BOTAS (per Mcf)[1]	**TL 20.12**	TL 18.23	**TL 20.12**	TL 17.22
Natural gas – BOTAS (per Mcf)	**$ 10.63**	$ 10.07	**$ 11.05**	$ 9.58
Average exchange rate (CAD/TL)	**1.893**	1.8095	**1.820**	1.7964

[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 2012 AIF for further discussion.

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

	Three months ended		Nine months ended	
Valeura's average realized prices	**September 30, 2013**	September 30, 2012	**September 30, 2013**	September 30, 2012
Crude oil (per bbl)	**$ 94.75**	$ 78.61	**$ 83.18**	$ 80.31
Natural gas – Turkey (per Mcf)	**10.13**	9.27	**10.37**	8.71
Natural gas – consolidated (per Mcf)	**$ 10.03**	$ 9.12	**$ 10.22**	$ 8.58

The following table shows the percentage change in Valeura's realized prices for Q3 2013 and YTD 2013 compared with Q3 2012 and YTD 2012:

	Q3 2013	**YTD 2013**
Crude oil	20%	4%
Natural gas	10%	19%

Natural gas prices remain much stronger in Turkey when compared to Canada. With approximately 93 percent of Valeura's current production coming from natural gas in Turkey, the Company is well positioned to take advantage of Turkey's higher natural gas prices. Natural gas prices under sales contracts for all production in the Thrace Basin are linked to the BOTAS benchmark price in Turkish Lira. The effective Canadian dollar converted reference price is $10.63 per Mcf for Q3 2013. All natural gas sales in the Edirne field are delivered to the BOTAS pipeline and sold to a large wholesale buyer while sales on the TBNG-PTI joint venture lands are under direct sales contracts to industrial buyers in the area at prices referenced to the BOTAS benchmark price. All natural gas sales contracts in the Thrace Basin reflect a negotiated discount to the BOTAS benchmark price. The average realized natural gas price in Turkey for Q3 2013 represents a five percent discount to the BOTAS benchmark price.

The Company's Q3 2013 average realized natural gas price in Turkey increased by nine percent to $10.13 per Mcf from $9.27 per Mcf in the same period in 2012 due an increase in the BOTAS benchmark price effective October 1, 2012 (10 percent increase). The weakening of the Turkish Lira against the Canadian Dollar during Q3 2013 slightly decreased the realized price in Canadian Dollars in Q3 2013 compared to Q2 2013

Petroleum and Natural Gas Sales Revenues

	Three months ended		Nine months ended	
	September 30, 2013	September 30, 2012	**September 30, 2013**	September 30, 2012
Crude oil and NGLs	**$ 415**	$ 411	**$ 1,120**	$ 1,385
Natural gas	**5,334**	5,448	**14,374**	18,148
Total revenues	**$ 5,749**	$ 5,859	**$ 15,494**	$ 19,533

The composition of petroleum and natural gas sales revenues for the three and nine months ended September 30, 2013 was approximately 93 percent natural gas and 7 percent crude oil and NGLs. The decrease in 2013 revenue is due to lower volumes partially offset by higher natural gas prices in Turkey.

Royalties

	Three months ended		Nine months ended	
	September 30, 2013	September 30, 2012	**September 30, 2013**	September 30, 2012
Royalties	**$ 767**	$ 759	**$ 2,039**	$ 2,661
Percentage of revenue	**13.3%**	13.0%	**13.2%**	13.6%

Royalties for the three months ended September 30, 2013 were up slightly from the same period in 2012 reflecting higher natural gas prices in Turkey, partially offset by lower volumes. Royalties for the nine months ended

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

September 30, 2013 decreased in comparison to the same period in 2012 as a result of lower production volumes, partially offset by higher prices. Revenues in Turkey are subject to a 12.5 percent government royalty and certain overriding royalties.

Production Costs

	Three months ended		Nine months ended	
	September 30, 2013	September 30, 2012	**September 30, 2013**	September 30, 2012
Production costs	**$ 789**	$ 996	**$ 3,007**	$ 3,181
$ per boe	**8.48**	9.50	**12.12**	8.60

Unit production costs for the three months ended September 30, 2013 decreased to $8.48/boe compared to $9.50/boe for the same period in 2012 as a result of operations becoming more efficient during the quarter. Unit production costs for the nine months ended September 30, 2013 were $12.12/boe compared to $8.60/boe for the same period in 2012 due primarily to lower production volumes. Natural gas production costs in turkey were $1.16 per Mcf for Q3 2013.

General and Administrative Expenses

	Three months ended		Nine months ended	
	September 30, 2013	September 30, 2012	**September 30, 2013**	September 30, 2012
General and administrative	**$ 1,400**	$ 1,422	**$ 4,904**	$ 5,039
Business development	**81**	146	**402**	446
Total gross general and administrative	**1,481**	1,568	**5,306**	5,485
Recoveries	**(167)**	(157)	**(616)**	(562)
Total general and administrative expenses	**$ 1,314**	$ 1,411	**$ 4,690**	$ 4,923

Total general and administrative ("G&A") expenses for the three and nine months ended September 30, 2013 was slightly lower in comparison to the same periods in 2012 due to lower overall office expenses and travel costs.

Foreign Exchange

The Company realized a foreign exchange loss of $1.3 million and $1.7 million, respectively, for the three and nine months ended September 30, 2013 compared to a foreign exchange loss of $277,000 and $46,000 for the same periods in 2012. The increased foreign exchange losses in 2013 were 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 and the functional currency for the Company's Canadian operations is the Canadian Dollar. 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.

Other Income

During the three and nine months ended September 30, 2013, the Company recorded other income of $214,000 and $707,000, respectively, compared to $108,000 and $321,000 for the same periods in 2012. Other income in 2013 is comprised of processing fee income and interest income related to cash on hand. In 2012 other income was comprised of interest income related to cash on hand.

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

Funds Flow from Operations

Funds flow from operations for the three and nine months ended September 30, 2013 was $3.1 million and $6.4 million, respectively, compared to $2.8 million and $9.1 million for the same periods in 2012. The increase in funds flow from operations in the three months ended September 30, 2013 was due to higher natural gas prices in Turkey and reduced costs as operations become more efficient, partially offset by lower production volumes. The decrease in funds flow from operations for the nine months ended September 30, 2013 was the result of lower production volumes partially offset by higher natural gas prices in Turkey.

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 nine months ended September 30, 2013 was $0.3 million and $1.0 million, respectively, compared to $0.4 million and $1.2 million for the same periods in 2012. The decrease in 2013 can be attributed to a lower weighted average expense per award.

Financing costs

	Three months ended		**Nine months ended**	
	September 30, 2013	September 30, 2012	**September 30, 2013**	September 30, 2012
Accretion of decommissioning obligations	**$ 122**	$ 154	**$ 400**	$ 475

Accretion of decommissioning obligations for the three and nine months ended September 30, 2013 was lower when compared to the same periods in 2012 due to lower inflation and discount rates used in determining the Company's overall decommissioning liability.

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. E&E expense for the three and nine months ended September 30, 2013 was $4.5 million and $5.9 million, respectively, compared to $nil and $1.1 million, for the same periods in 2012. E&E expense for 2013 consists of $1.4 million recorded in Q2 2013 associated with the relinquishment of the Company's right to earn a 50 percent interest in Licence 4094 and 4532 under a farm-in agreement executed with TransAtlantic in 2011, $3.9 million recorded in Q3 2013 for the relinquishment of Bostanci Licence 4985, and $0.6 million recorded in Q3 2013 for the relinquishment of three Gaziantep licences.

Depletion and Depreciation

Depletion and depreciation for the three and nine months ended September 30, 2013 was $2.2 million and $5.8 million, respectively, compared to $2.5 million and $8.6 million for the same periods in 2012. For the three and nine months ended September 30, 2013 depletion and depreciation was lower when compared to the same periods in 2012 due to lower total production volumes. 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 nine months ended September 30, 2013 was $23.36/boe and $23.21/boe, respectively, compared to $23.48/boe and $23.26/boe for the same periods in 2012.

Impairment

During the three and nine months ended September 30, 2013, the Company did not record any impairment. For the same periods in 2012, impairment of $nil and $0.9 million related to a reduction in the fair value of Canadian assets as a result of decreased Canadian natural gas prices.

Deferred Tax

Deferred tax for the three and nine months ended September 30, 2013 was a recovery of $682,000 and $657,000, respectively, compared to an expense of $301,000 and $668,000 for the same periods in 2012. 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 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 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 nine months ended September 30, 2013 was a loss of $3.9 million and $5.4 million, respectively, compared to a loss of $2.0 million and a gain of $0.7 million for the same periods in 2012 and are related to the fluctuation in value of the Turkish Lira when compared to the Canadian Dollar in the respective periods. The currency translation losses in 2013 were due to the weakening of the Turkish Lira against the Canadian dollar.

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

Capital Expenditures

The following summarizes the Company's capital spending:

	Three months ended		Nine months ended	
Turkey	**September 30, 2013**	September 30, 2012	**September 30, 2013**	September 30, 2012
Geological and geophysical	**$ 1,769**	$ 1,190	**$ 5,826**	$ 2,946
Land	**-**	-	**-**	1,554
Drilling and completions	**4,320**	3,140	**11,976**	16,014
Equipping	**427**	172	**762**	384
Recompletions and fracs	**1,938**	1,220	**2,541**	4,003
Other	**1**	-	**38**	2
Turkey total	**8,455**	5,722	**21,143**	24,903
Canada total	**(10)**	(79)	**50**	121
Consolidated total	**$ 8,445**	$ 5,643	**$ 21,193**	$ 25,024

Turkey

Capital spending in Q3 2013 in Turkey was $8.4 million, including $1.8 million for geological and geophysical operations (primarily seismic), $4.3 million for drilling and completions and $1.9 million for recompletions and fracs. This was up from $5.7 million in the same period in 2012 due primarily to increased geological and geophysical expenditures associated with the Bostanci seismic acquisition, increased drilling and completion expenditures for two horizontal wells in the Thrace Basin and increased fracing activity in the Thrace Basin.

The Company spudded one gross horizontal well (0.4 net) in Q3 2013 at BTD-4H in the Thrace Basin, which is the second horizontal well in a two-well horizontal drilling pilot in the Tekirdag area on the TBNG-PTI joint venture lands. The formation targeted in the BTD-4H well was the Teslimkoy, which was drilled at a depth of 1,000 metres with a 617 metre horizontal section. The well was stimulated with a 10-stage frac and was put on production on September 27, 2013 at a rate of approximately 3.3 MMscf/d (gross). The Company also spudded one gross vertical well (0.4 net) in Q3 2013 at Karanfiltepe-5 in the Thrace Basin in the Hayrabolu area on TBNG-PTI joint venture lands. This well is cased and standing awaiting completion operations.

The Company completed fracs in tight gas sands on 13 gross wells (5.2 net) and workovers on four gross shallow gas wells (1.6 net) during Q3 2013 on the TBNG-PTI joint venture lands.

During Q3 2013, the Company completed the acquisition, processing and interpretation of a new 20 kilometre 2D seismic survey on the Bostanci Licence 4985 (Valeura 100 percent). The Company has applied to the GDPA to relinquish this licence as described above. E&E expenses for Q3 2013 include $3.9 million for seismic and pre-drill costs for Bostanci Licence 4985 and $0.6 million for relinquishing three Gaziantep licences.

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

Liquidity, Financing and Capital Resources

	Three months ended		Nine months ended	
	September 30, 2013	September 30, 2012	**September 30, 2013**	September 30, 2012
Opening cash position	**$ 16,743**	$ 18,338	**$ 29,031**	$ 24,107
Inflow of funds				
Proceeds on asset disposition	**10**	89	**10**	189
Funds from operations	**3,067**	2,803	**6,429**	9,115
	3,077	2,892	**6,439**	9,304
Outflow of funds				
Capital expenditures	**(8,445)**	(5,643)	**(21,193)**	(25,024)
Decommissioning costs incurred	**(52)**	(11)	**(85)**	(13)
Changes in working capital and foreign exchange on cash	**(1,473)**	2	**(4,342)**	7,204
	(9,970)	(5,652)	**(25,620)**	(17,833)
Closing cash position	**$ 9,850**	$ 15,578	**$ 9,850**	$ 15,578

Capital Funding and Resources

As at September 30, 2013, Valeura's working capital balance was $9.0 million including a cash and cash equivalents position of $9.9 million.

The Company's cash position and funds flow from operations are the primary sources of capital for exploration and development expenditures in 2013. Valeura's opening cash position in 2013 was $29.0 million. In the first nine months of 2013 the Company utilized this opening cash balance and funds flow from operations of $6.4 million to fund an exploration and development capital program of $21.2 million. The resultant cash and cash equivalents balance at September 30, 2013 was $9.9 million after other negative changes in working capital and foreign exchange on cash and incurred decommissioning costs totaling $4.4 million.

Financial Capacity

At the end of Q3 2013 the Company's working capital surplus was $9.0 million. The combination of this working capital surplus plus estimated cash flow is expected to be sufficient to fund the Company's Q4 2013 target capital program of $4.8 million net of a credit of approximately $0.8 million on the sale of Bostanci casing. The Company has considerable flexibility in managing capital given the terms of licence agreements and joint venture operating agreements in Turkey. For 2014, a capital program of $15 million to $20 million could be funded from an estimated cash position at year end 2013 of $7.0 million to $8.0 million and associated funds flow from operations of $10 million to $12 million. Management is encouraged by the better than expected performance so far in Q4 2013 and if extended into 2014 could potentially boost 2014 funds flow and the supportable level of capital expenditures.

Capital Management

The Company's objective is to maintain a flexible capital structure which allows it to execute its growth strategy through strategic acquisitions and 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.

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

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.

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 Turkey.

Selected Quarterly Information

				Three months ended
	September 30, 2013	**June 30, 2013**	**March 31, 2013**	**December 31, 2012**
Total daily production (boe/d)	1,011	862	851	1,008
Average wellhead price ($/boe)	$ 61.79	$ 62.45	$ 63.31	$ 58.37
Petroleum and natural gas sales	5,749	4,897	4,848	5,409
Funds from operations	3,067	1,775	1,587	2,700
$ per share (basic and diluted)[1]	0.05	0.03	0.03	0.05
Net loss	(4,632)	(2,228)	(818)	(12,110)
$ per share (basic and diluted)[1]	(0.08)	(0.04)	(0.01)	(0.21)

				Three months ended
	September 30, 2012	**June 30, 2012**	**March 31, 2012**	**December 31, 2011**
Total daily production (boe/d)	1,140	1,340	1,572	1,856
Average wellhead price ($/boe)	$ 55.88	$ 56.28	$ 47.62	$ 44.61
Petroleum and natural gas sales	5,859	6,864	6,810	7,619
Funds from operations	2,803	3,373	2,939	4,085
$ per share (basic and diluted)[1]	0.06	0.07	0.06	0.09
Net loss	(702)	(752)	(2,340)	(3,406)
$ per share (basic and diluted)[1]	(0.02)	(0.02)	(0.05)	(0.07)

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 is benefiting from natural gas prices and netbacks in Turkey which are more than three times higher than in Canada.
- With significant drilling and production operations in Turkey, the Company has a high level of foreign exchange and currency translation exposure. Capital expenditures in Turkey are denominated in US Dollars and Turkish

[1] The average number of common shares outstanding is not increased for outstanding stock options and performance warrants when the effect is anti-dilutive.

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

Lira and gas prices and operating expenses are denominated in Turkish Lira resulting in currency exposure on a consolidated basis. The foreign exchange loss in Q3 2013 was $1.3 million while the currency translation adjustment recorded in accumulated other comprehensive income was a loss of $3.9 million. The currency translation loss in Q3 2013 is the result of the weakening of the Turkish Lira against the Canadian Dollar.

Segmented Information

	Three months ended		Nine months ended	
	September 30, 2013	September 30, 2012	**September 30, 2013**	September 30, 2012
Petroleum and natural gas revenue				
Canada	**$ 284**	$ 275	**$ 757**	$ 943
Turkey	**5,465**	5,584	**14,737**	18,590
	5,749	5,859	**15,494**	19,533
Net income (loss)				
Canada	**(1,384)**	(1,893)	**(4,563)**	(6,352)
Turkey	**(3,248)**	1,191	**(3,115)**	2,558
	(4,632)	(702)	**(7,678)**	(3,794)
Capital expenditures				
Canada	**(10)**	(78)	**50**	122
Turkey	**8,455**	5,721	**21,143**	24,902
	$ 8,445	$ 5,643	**21,193**	25,024
Total assets				
Canada			**13,415**	22,401
Turkey			**93,625**	101,748
			$ 107,040	$ 124,149

Commitments and Contractual Obligations

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 negligible as at September 30, 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.

New Accounting Pronouncements and 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, 2012 audited consolidated financial and MD&A for a description of estimates and judgments.

Adoption of Accounting Standards

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.

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 July 1, 2013 and ending on September 30, 2013 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 September 30, 2013 other than those previously disclosed under commitments.

Financial Instruments

Financial instruments of the Company include cash and cash equivalents, 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 participants in the Canadian and international oil and gas industries, which are inherently risky.

Political Risks

During Q2 2013 Turkey experienced a period of political unrest and civil disobedience which has diminished in its intensity in the Q3 2013 period. These events have not impacted the Company's ability to conduct drilling and production operations and no delays or security issues have been experienced.

All other risk factors have not materially changed from December 31, 2012. The reader is referred to Valeura's December 31, 2012 audited consolidated financial statements, MD&A and 2012 AIF for a description of these risks.