Condensed Interim Consolidated Financial Statements

as at March 31, 2014 and for the three months ended March 31, 2014 and 2013

Condensed Interim Consolidated Statements of Financial Position

(thousands of Canadian Dollars, unaudited)	**March 31, 2014**	December 31, 2013
Assets		
Current Assets		
Cash and cash equivalents	**$ 5,484**	$ 6,511
Accounts receivable	**6,108**	7,533
Prepaid expenses and deposits	**786**	449
	12,378	14,493
Exploration and evaluation assets *(note 3)*	**30,311**	29,998
Property, plant and equipment *(note 4)*	**53,788**	52,782
	$ 96,477	$ 97,273
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 5,561**	$ 7,659
Decommissioning obligations	**9,040**	8,835
Deferred taxes	**5,182**	4,798
Shareholders' Equity		
Share capital	**135,778**	135,778
Warrants	**5,971**	5,971
Contributed surplus	**11,914**	11,743
Accumulated other comprehensive loss	**(11,426)**	(11,638)
Deficit	**(65,543)**	(65,873)
	76,694	75,981
	$ 96,477	$ 97,273

See accompanying notes to the condensed interim consolidated financial statements

See Commitments *(note 7)*

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Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
For the three months ended March 31, 2014 and 2013

(thousands of Canadian Dollars, unaudited)	**March 31, 2014**	March 31, 2013
Revenue		
Petroleum and natural gas sales	**$ 6,896**	$ 4,848
Royalties	**(910)**	(634)
Other income	**125**	274
	6,111	4,488
Expenses and other items		
Production	**740**	1,187
General and administrative	**1,505**	1,723
Financing	**159**	141
Foreign exchange gain	**(73)**	(126)
Share-based compensation	**143**	357
Exploration and evaluation *(note 3)*	**40**	10
Depletion and depreciation *(note 4)*	**2,898**	1,811
	5,412	5,103
Income (loss) for the period before income taxes	**699**	(615)
Income taxes		
Deferred tax expense	**369**	203
Net income (loss)	**330**	(818)
Other comprehensive income		
Currency translation adjustments	**212**	520
Comprehensive income (loss)	**542**	(298)
Net income (loss) per share		
Basic and diluted	**$ 0.01**	$ (0.01)
Weighted-average number of shares outstanding	**57,906,135**	57,906,135

See accompanying notes to the condensed interim consolidated financial statements

Condensed Interim Consolidated Statements of Cash Flows
For the three months ended March 31, 2014 and 2013

(thousands of Canadian Dollars, unaudited)	**March 31, 2014**	March 31, 2013
Cash was provided by (used in):		
Operating activities:		
Net income (loss) for the period	**$ 330**	$ (818)
Depletion and depreciation	**2,898**	1,811
Exploration and evaluation expense *(note 3)*	**40**	10
Share-based compensation	**143**	357
Financing expenses	**159**	141
Unrealized foreign exchange gain	**(195)**	(117)
Deferred tax expense	**369**	203
Decommissioning costs incurred	**(15)**	(25)
Change in non-cash working capital	**(3,540)**	1,389
	189	2,951
Investing activities:		
Property and equipment expenditures	**(1,077)**	(297)
Exploration and evaluation expenditures	**(3,323)**	(6,148)
Proceeds on asset disposition	**454**	-
Change in non-cash working capital	**2,788**	(2,912)
	(1,158)	(9,357)
Foreign exchange gain (loss) on cash held in foreign currencies	**(58)**	133
Net change in cash and cash equivalents	**(1,027)**	(6,273)
Cash and cash equivalents, beginning of period	**6,511**	29,031
Cash and cash equivalents, end of period	**$ 5,484**	$ 22,758

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Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the three months ended March 31, 2014 and 2013

(thousands of Canadian Dollars, unaudited)	Number of Shares (thousands)	Share Capital	Share Purchase Warrants	Contributed Surplus	Deficit	Accumulated Other Comp. Income (Loss)	Total Shareholders' Equity
Balance, January 1, 2014	57,906	$ 135,778	$ 5,971	$ 11,743	$ (65,873)	$ (11,638)	$ 75,981
Net income for the period	-	-	-	-	330	-	330
Currency translation adjustments	-	-	-	-	-	212	212
Share-based compensation	-	-	-	171	-	-	171
March 31, 2014	**57,906**	**$ 135,778**	**$ 5,971**	**$ 11,914**	**$ (65,543)**	**$ (11,426)**	**$ 76,694**

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

See accompanying notes to the condensed interim consolidated financial statements

1. Reporting Entity

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

2. Basis of Preparation

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting of the International Financial Reporting Standards ("IFRS"). The unaudited condensed interim financial statements have been prepared in accordance with IFRS accounting policies and methods of computation as set forth in Valeura's audited consolidated financial statements for the year ended December 31, 2013, with the exception as noted below of certain disclosures that are normally required to be included in annual consolidated financial statements which have been condensed or omitted in the interim statements. The attached unaudited condensed consolidated financial statements should be read in conjunction with Valeura's audited consolidated financial statements and MD&A for the year ended December 31, 2013.

On January 1, 2014, the Company adopted new standards with respect to IFRIC 21 – "Levies" which establishes guidelines for the recognition and accounting treatment of a liability relating to a levy imposed by a government, and amendments to "Offsetting Financial Assets and Financial Liabilities" addressed within IAS 32 – "Financial Instruments: Presentation", which provides guidance regarding when it is appropriate and permissible for an entity to disclose offsetting financial assets and financial liabilities on a net basis. The new and amended standards are effective for annual periods beginning on or after January 1, 2014 and have no impact on the Company's financial statements.

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

The unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 14, 2014.

(b) Basis of measurement

These unaudited condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial and non-financial assets and liabilities, which have been measured at fair value. The methods used to measure fair value are consistent with the Company's December 31, 2013 audited consolidated financial statements.

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

(c) Functional and presentation currency

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

(Stated in Canadian Dollars, unaudited)

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

3. Exploration and Evaluation Assets

Cost		Total
Balance, December 31, 2013	$	29,998
Additions		3,323
Dispositions		(454)
Transfers to property, plant and equipment ("PP&E") *(note 4)*		(2,659)
Capitalized share-based compensation		28
Exploration and evaluation expense		(40)
Effects of movements in exchange rates		115
Balance, March 31, 2014	**$**	**30,311**

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

4. Property, Plant and Equipment

Cost		Total
Balance, December 31, 2013	$	90,053
Additions		1,077
Transfers from exploration and evaluation assets *(note 3)*		2,659
Change in decommissioning obligations		39
Effects of movements in exchange rates		208
Balance, March 31, 2014	**$**	**94,036**

Accumulated depletion and depreciation		Total
Balance, December 31, 2013	$	37,271
Depletion and depreciation expense		2,898
Effects of movements in exchange rates		(79)
Balance, March 31, 2014	**$**	**40,248**

Net book value		Total
Balance, December 31, 2013	$	52,782
Balance, March 31, 2014	**$**	**53,788**

(Stated in Canadian Dollars, unaudited)

(a) Impairment assessment

IFRS requires an impairment test to assess the recoverable value of PP&E within each Cash Generating Unit ("CGU" or CGUs") whenever there is an indication of impairment. The recoverable amount of each CGU is based on the higher of value-in-use or fair value less costs to sell. As at March 31, 2014 and 2013, the Company conducted an assessment of impairment triggers for the Company's CGUs. After assessing all relevant impairment triggers the Company concluded that there were no indicators of impairment.

(b) Canada

For the purposes of calculating depletion, petroleum and natural gas properties in Canada include estimated future development costs of $2.9 million (December 31, 2013 - $2.9 million) associated with the development of the Company's proved plus probable reserves.

(c) Turkey

For the purposes of calculating depletion, petroleum and natural gas properties in Turkey include estimated future development costs of $72.5 million (December 31, 2013 – $73.2 million) associated with development of the Company's proved plus probable reserves.

The ultimate recovery of property, plant and equipment and exploration and evaluation costs in Turkey is dependent upon the Company obtaining government approvals, obtaining and maintaining licences in good standing, the existence and commercial exploitation of petroleum and natural gas reserves and undeveloped lands, and other uncertainties.

5. Share Capital

(a) Stock options

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

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

	Number of Options	Weighted average exercise price
Balance, December 31, 2013	1,847,250	$ 1.15
Granted	1,587,000	0.64
Balance, March 31, 2014	**3,434,250**	**$ 0.92**
Exercisable at March 31, 2014	**712,586**	**$ 1.35**

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

Exercise prices	Outstanding at March 31, 2014	Weighted average remaining life (years)	Weighted average exercise price	Exercisable at March 31, 2014	Weighted average exercise price
$0.64 - $0.99	1,587,000	7.0	$ 0.64	-	$ -
$1.00 - $1.50	1,673,750	6.0	$ 1.00	557,919	$ 1.00
$1.51 - $3.65	173,500	3.6	$ 2.62	154,667	$ 2.62
	3,434,250	6.3	$ 0.92	712,586	$ 1.35

(Stated in Canadian Dollars, unaudited)

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

Assumptions	**March 31, 2014**	December 31, 2013
Risk free interest rate (%)	**1.6**	1.5
Expected life (years)	**4.5**	4.5
Expected volatility (%)	**100.0**	100.0
Forfeiture rate (%)	**5.0**	5.0
Weighted average fair value of options	**$ 0.46**	$ 0.72

(b) Performance warrants

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

	Number of Performance Warrants	Weighted average exercise price
Balance, December 31, 2013 and March 31, 2014	**2,796,750**	**$ 2.00**
Exercisable at March 31, 2014	**2,796,750**	**$ 2.00**

The following table summarizes information about the performance warrants outstanding at March 31, 2014:

Exercise prices	Outstanding at March 31, 2014	Weighted average remaining life (years)	Weighted average exercise price	Exercisable at March 31, 2014	Weighted average exercise price
$2.00	2,796,750	0.8	$ 2.00	2,796,750	$ 2.00

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

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

(c) Share purchase warrants

As at March 31, 2014, there are 13,269,217 post-consolidation share purchase warrants outstanding, entitling the holder to acquire one common share at a price of $5.50 per common share until February 28, 2016. The Company has the right to accelerate the expiry of the warrants to 30 days from the date of notice if the 20 day volume weighted average price of the Company's common shares on the TSX is equal to or greater than $11.00 per common share.

(Stated in Canadian Dollars, unaudited)

6. Segmented Information

	March 31, 2014	March 31, 2013
Petroleum and natural gas revenue		
Canada	**$ 246**	$ 240
Turkey	**6,650**	4,608
	6,896	4,848
Net income (loss)		
Canada	**(1,142)**	(1,558)
Turkey	**1,472**	740
	330	(818)
Capital expenditures		
Canada	**9**	40
Turkey	**3,937**	6,405
	3,946	6,445
Total assets		
Canada	**5,689**	23,464
Turkey	**90,788**	102,036
	$ 96,477	$ 125,500

7. Commitments

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 million, including an estimate for operating costs over the term of the lease. The remainder of this commitment is approximately $0.8 million as at March 31, 2014.