



**Condensed Interim Consolidated Financial Statements (unaudited)
as at June 30, 2014 and for the three and six months ended June 30, 2014 and 2013**

Condensed Interim Consolidated Statements of Financial Position

(thousands of Canadian Dollars, unaudited)	June 30, 2014	December 31, 2013
Assets		
Current Assets		
Cash and cash equivalents	\$ 5,608	\$ 6,511
Accounts receivable	6,197	7,533
Prepaid expenses and deposits	938	449
	12,743	14,493
Exploration and evaluation assets (<i>note 3</i>)	30,789	29,998
Property, plant and equipment (<i>note 4</i>)	52,474	52,782
	\$ 96,006	\$ 97,273
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 3,877	\$ 7,659
Decommissioning obligations	9,204	8,835
Deferred taxes	5,629	4,798
Shareholders' Equity		
Share capital (<i>note 5</i>)	135,778	135,778
Warrants (<i>note 5</i>)	5,971	5,971
Contributed surplus	12,104	11,743
Accumulated other comprehensive loss	(11,476)	(11,638)
Deficit	(65,081)	(65,873)
	77,296	75,981
	\$ 96,006	\$ 97,273

See accompanying notes to the condensed interim consolidated financial statements

See Commitments (*note 8*)

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
For the three and six months ended June 30, 2014 and 2013

	Three Months Ended		Six Months Ended	
(thousands of Canadian Dollars, unaudited)	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Revenue				
Petroleum and natural gas sales	\$ 6,359	\$ 4,897	\$ 13,255	\$ 9,745
Royalties	(860)	(638)	(1,770)	(1,272)
Other Income	122	219	247	493
	5,621	4,478	11,732	8,966
Expenses and other items				
Production	754	1,031	1,494	2,218
General and administrative	1,251	1,653	2,756	3,376
Gain on asset disposition	(75)	-	(75)	-
Financing	163	137	322	278
Foreign exchange (gain) loss	(38)	487	(111)	361
Share-based compensation	157	383	300	740
Exploration and evaluation (note 3)	12	1,417	52	1,427
Depletion and depreciation (note 4)	2,484	1,776	5,382	3,587
	4,708	6,884	10,120	11,987
Income (loss) for the period before income taxes	913	(2,406)	1,612	(3,021)
Income taxes				
Deferred tax expense (recovery)	451	(178)	820	25
Net income (loss)	462	(2,228)	792	(3,046)
Other comprehensive income (loss)				
Currency translation adjustments	(50)	(1,952)	162	(1,432)
Comprehensive income (loss)	412	(4,180)	954	(4,478)
Net income (loss) per share				
Basic and diluted	\$ 0.01	\$ (0.04)	\$ 0.01	\$ (0.05)
Weighted average number of shares outstanding	57,906,135	57,906,135	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 and six months ended June 30, 2014 and 2013

	Three Months Ended		Six Months Ended	
(thousands of Canadian Dollars, unaudited)	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Cash was provided by (used in):				
Operating activities:				
Net income (loss) for the period	\$ 462	\$ (2,228)	\$ 792	\$ (3,046)
Depletion and depreciation	2,484	1,776	5,382	3,587
Exploration and evaluation expense (note 3)	12	1,417	52	1,427
Share-based compensation	157	383	300	740
Financing	163	137	322	278
Unrealized foreign exchange loss (gain)	(221)	468	(416)	351
Gain on asset disposition	(75)	-	(75)	-
Deferred tax expense (recovery)	451	(178)	820	25
Decommissioning costs incurred	-	(8)	(15)	(33)
Change in non-cash working capital	332	(211)	(3,208)	1,178
	3,765	1,556	3,954	4,507
Investing activities:				
Property and equipment expenditures	(852)	(612)	(1,929)	(909)
Exploration and evaluation expenditures	(727)	(5,691)	(4,050)	(11,839)
Proceeds on asset disposition	75	-	529	-
Change in non-cash working capital	(2,131)	(1,071)	657	(3,983)
	(3,635)	(7,374)	(4,793)	(16,731)
Foreign exchange gain (loss) on cash held in foreign currencies	(6)	(197)	(64)	(64)
Net change in cash and cash equivalents	124	(6,015)	(903)	(12,288)
Cash and cash equivalents, beginning of period	5,484	22,758	6,511	29,031
Cash and cash equivalents, end of period	\$ 5,608	\$ 16,743	\$ 5,608	\$ 16,743

See accompanying notes to the condensed interim consolidated financial statements



Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the six months ended June 30, 2014 and 2013

(thousands of Canadian Dollars, except share and per share amounts, 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	-	-	-	-	792	-	792
Currency translation adjustments	-	-	-	-	-	162	162
Share-based compensation	-	-	-	361	-	-	361
June 30, 2014	57,906	\$ 135,778	\$ 5,971	\$ 12,104	\$ (65,081)	\$ (11,476)	\$ 77,296

(thousands of Canadian Dollars, except share and per share amounts, unaudited)	Number of Shares (thousands)	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	-	-	-	-	(3,046)	-	(3,046)
Currency translation adjustments	-	-	-	-	-	(1,432)	(1,432)
Share-based compensation	-	-	-	910	-	-	910
June 30, 2013	57,906	\$ 122,059	\$ 5,971	\$ 10,588	\$ (51,401)	\$ (7,167)	\$ 93,769

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 August 13, 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.

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	4,050
Dispositions	(454)
Transfers to property, plant & equipment ("PP&E") (note 4)	(2,918)
Capitalized share-based compensation	60
Exploration and evaluation expense	(52)
Effects of movements in exchange rates	105
Balance, June 30, 2014	\$ 30,789

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 E&E Cash Generating Units ("CGUs").

4. Property, Plant and Equipment

Cost	Total
Balance, December 31, 2013	\$ 90,053
Additions	1,929
Transfers from exploration and evaluation assets (note 3)	2,918
Change in decommissioning obligations	39
Effects of movements in exchange rates	244
Balance, June 30, 2014	\$ 95,183

Accumulated depletion and depreciation	Total
Balance, December 31, 2013	\$ 37,271
Depletion and depreciation expense	5,382
Effects of movements in exchange rates	56
Balance, June 30, 2014	\$ 42,709

Net book value	Total
Balance, December 31, 2013	\$ 52,782
Balance, June 30, 2014	\$ 52,474

(a) Impairment testing

IFRS requires an impairment test to assess the recoverable value of PP&E within each Cash Generating Unit (“CGU” or CGUs”) whenever there is an indication of impairment. The recoverable amount of each CGU is based on the higher of value-in-use or fair value less costs to sell. As at June 30, 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 for the three months ended June 30, 2014, 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 for the three months ended June 30, 2014, petroleum and natural gas properties in Turkey include estimated future development costs of \$69.3 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 7 year term and vest over 3 years. No options were granted in the three month period ended June 30, 2014.

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, June 30, 2014	3,434,250	\$ 0.92
Exercisable at June 30, 2014	720,432	\$ 1.37

The following table summarizes information about the stock options outstanding at June 30, 2014:

Exercise prices	Outstanding at June 30, 2014	Weighted average remaining life (years)	Weighted average exercise price	Exercisable at June 30, 2014	Weighted average exercise price
\$0.64 - \$0.99	1,587,000	6.8	\$ 0.64	-	\$ -
\$1.00 - \$1.50	1,673,750	5.7	\$ 1.00	557,919	\$ 1.00
\$1.51 - \$3.65	173,500	3.4	\$ 2.62	162,513	\$ 2.65
	3,434,250	6.1	\$ 0.92	720,432	\$ 1.37

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	June 30, 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 June 30, 2014	2,796,750	\$ 2.00
Exercisable at June 30, 2014	2,796,750	\$ 2.00

The following table summarizes information about the performance warrants outstanding at June 30, 2014:

Exercise prices	Outstanding at June 30, 2014	Weighted average remaining life (years)	Weighted average exercise price	Exercisable at June 30, 2014	Weighted average exercise price
\$2.00	2,796,750	0.5	\$ 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 June 30, 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.

6. Segmented Information

	Three months ended		Six months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Petroleum and natural gas revenue				
Canada	\$ 262	\$ 233	\$ 508	\$ 473
Turkey	6,097	4,664	12,747	9,272
	6,359	4,897	13,255	9,745
Net income (loss)				
Canada	(1,385)	(1,621)	(2,527)	(3,179)
Turkey	1,847	(607)	3,319	133
	462	(2,228)	792	(3,046)
Capital expenditures (dispositions)				
Canada	(64)	20	(55)	60
Turkey	1,568	6,283	5,505	12,688
	\$ 1,504	\$ 6,303	\$ 5,450	12,748
Total assets				
Canada			6,674	17,270
Turkey			89,332	101,716
			\$ 96,006	\$ 118,986

7. Capital Management

The Company's objective when managing capital is to maintain a flexible capital structure which allows it to execute its growth strategy through 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

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

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

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

8. Commitments

On 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 \$0.7 million as at June 30, 2014.