

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2020 and 2019
(tabular amounts in thousands of US Dollars, except share, per share or per unit amounts)

The following Management's Discussion and Analysis ("MD&A") as provided by the management of Valeura Energy Inc. ("Valeura" or the "Company") is dated as of August 11, 2020, and should be read in conjunction with Valeura's unaudited condensed interim consolidated financial statements and related notes for the three and six month periods ended June 30, 2020 and 2019. 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, 2019 ("2019 AIF"). The reporting currency is the United States Dollar ("USD") (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 should be read in conjunction with Valeura's audited consolidated financial statements and MD&A for the year ended December 31, 2019. 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 2019 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.

Effective December 31, 2019, the Company changed its presentation currency from Canadian Dollars ("CAD") to USD to better reflect the Company's business activities, the needs of investors and comparability to peers in the oil and gas industry. All comparative amounts have been presented in USD to conform with current period presentation.

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.

Any financial outlook or future oriented financial information in this MD&A, as defined by applicable securities legislation, has been approved by management of Valeura. Such financial outlook or future oriented financial 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.

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), "net capital" (cash flow used in investing activities, excluding changes in non-cash working capital and restricted cash), and "adjusted funds flow" (cash provided by operating activities before decommissioning costs incurred and changes in non-cash working capital) are non-GAAP measures and do not have standardised meanings prescribed by GAAP and are therefore may not be comparable to similar measures used by other issuers. The Company uses these supplemental non-GAAP measures to assist readers in evaluating operating performance. The Company considers adjusted funds flow a key measure as it demonstrates the ability of the Company's continuing operations to generate the cash flow necessary to fund future growth through capital investments and considers operating

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2020 and 2019
(tabular amounts in thousands of US Dollars, except share, per share or per unit amounts)

netback an important measure as it demonstrates its profitability level relative to current commodity prices. For further information and reconciliations, refer to the individual sections.

Highlights and Selected Financial Information

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Financial				
Petroleum and natural gas sales	\$ 1,918	\$ 2,440	\$ 4,726	\$ 5,358
Net loss	(1,899)	(1,603)	(2,091)	(3,913)
Per share, basic and diluted	(0.02)	(0.02)	(0.02)	(0.05)
Adjusted funds flow ¹	339	774	391	1,115
Per share, basic and diluted	0.00	0.01	0.01	0.01
Cash provided by (used in) operating activities	\$ 1,192	\$ (1,007)	\$ 2,003	\$ (1,314)
Production volumes				
Natural gas (Mcf/d)	3,260	4,202	3,730	4,344
Crude oil (bbl/d)	18	-	17	10
Total (boe/d)	561	700	639	734
Sales prices				
Natural gas (per Mcf)	\$ 6.24	\$ 6.38	\$ 6.71	\$ 6.65
Crude oil (per bbl)	41.65	-	53.25	69.56
Total (per boe)	37.57	38.28	40.63	40.34
Exploration and development capital	1,734	3,050	3,616	7,323
Banarli farm-in	-	-	-	(1,452)
Working capital ²	33,231	39,825	33,231	39,825
Cash	\$ 30,469	\$ 38,536	\$ 30,469	\$ 38,536
Weighted average shares outstanding				
Basic and diluted (thousands) ³	86,585	85,585	86,585	86,515

Outstanding Share Data

	June 30, 2020
Common shares	86,584,989
Stock options	8,403,334
Fully Diluted	94,988,323

¹ Non-GAAP measure that does not have any standardised meaning under IFRS and therefore may not be comparable to similar measures presented by other entities – see note regarding non-GAAP measures on page 1 and reconciliation to operating cash flow on page 10.

² Working capital is current assets less current liabilities.

³ The weighted average number of common shares outstanding is not increased for outstanding stock options when the effect is anti-dilutive.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2020 and 2019
(tabular amounts in thousands of US Dollars, except share, per share or per unit amounts)

The Company

Valeura is a Canada-based public company currently engaged in the exploration, development and production of oil and natural gas in the Thrace Basin of northwest Turkey. Valeura's shares are traded on the Toronto Stock Exchange ("TSX") under the trading symbol "VLE" and on the London Stock Exchange ("LSE"), under the trading symbol "VLU".

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 included the Mediterranean Basin. The Company completed its first international transaction in Turkey during 2010 and since that time has executed a number of other transactions and won several new exploration licence awards in the country.

The asset and financing deals completed by the Company between Q4 2016 and Q1 2018 transformed the Company by increasing the size of the asset base, giving Valeura operatorship of all key assets, and providing carried funding by a major company for the first phase of exploration and appraisal of the deep, unconventional tight gas ("Deep Gas") play.

The Company is focussed on generating value through its established business including its natural gas operations in the Thrace Basin which yields high natural gas prices relative to North America. As a result of the discovery of deep, unconventional gas/condensate in the Yamalik-1, Inanli-1 and Devepinar-1 wells, Valeura has prioritised the delineation and commercial demonstration of the Deep Gas play. In addition, the Company is pursuing inorganic growth through potential mergers and acquisitions and has engaged RBC Capital Markets to support certain of these opportunities.

As at June 30, 2020, the Company held an interest in 17 exploration licences and production leases in the Thrace Basin of Turkey comprising approximately 0.46 million gross acres (0.37 million net acres of shallow rights and 0.35 million net acres of deep rights) as follows:

		Leases & Licence	Gross Area (Acres)	Valeura Shallow Rights		Valeura Deep Rights	
				WI	Net Acres	WI	Net Acres
South Thrace Production Leases	Operated	11	170,735	81.5%	139,149	81.5%	139,149
West Thrace Production Leases	Operated	3	13,578	81.5%	11,066	63%	8,554
Banarli Exploration Licences	Operated	2	133,840	100.0%	133,840	100.0%	133,840
West Thrace Exploration Licence	Operated	1	88,434	81.50%	72,074	63.0%	55,714
Total			406,587		356,129		332,980

Effective April 2, 2020, Valeura holds a 100% working interest in the Banarli Exploration Licences and a 63% working interest in the West Thrace Exploration Licence and Production Leases in the deep rights as a result of the Equinor exit (refer to detailed discussion below).

The Company's primary producing assets are located in the South Thrace Lands and the West Thrace Lands, in each case, being the lands comprising the leases and licences described above (together the "TBNG JV Lands").

The South Thrace Lands are jointly held by Valeura's wholly-owned subsidiaries, Thrace Basin Natural Gas Inc. ("TBNG") (41.5%) and Corporate Resources BV ("CRBV") (40%), and an independent third party Pinnacle Turkey, Inc. ("PTI") holds the other 18.5% working interest. There is no work programme obligation to the Government of Turkey during the current term of the leases.

On February 4, 2020, one of Valeura's partners in the Deep Gas play, Equinor, provided notice that it was withdrawing from the Banarli Exploration Licences, the West Thrace Exploration Licence and the West Thrace Production Leases. This change of working interest was approved by the General Directorate of Mining and Petroleum Affairs of the Republic of Turkey ("GDMPA") and became effective April 2, 2020. Valeura's working interest in the blocks is discussed below.

On the West Thrace Lands, as at June 30, 2020, the Company held a 63.0% working interest in deep rights which is held by TBNG, and an 81.5% working interest in shallow rights which is jointly held by TBNG (as to 41.5%) and CRBV (as to 40%). Valeura is the operator of the West Thrace Lands which are subject to joint operating agreements. The

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2020 and 2019
(tabular amounts in thousands of US Dollars, except share, per share or per unit amounts)

Company drilled two wells on the West Thrace Exploration Licence during Q2 2020, which fulfilled the remaining obligation in the current term of this licence. The Company received approval from the GDMPA to enter the next exploration period which will last for two years, expiring June 27, 2022. This is the first of up to three possible two-year extensions providing a period of up to six additional years to explore and appraise the deep play before the requirement to convert the licences to production leases. This exploration period carries an obligation for one exploration well and geological studies to be completed in order to enter the next exploration period.

The Company holds two exploration licences in the Banarli Lands (the "Banarli Exploration Licences"), being the lands comprising the licences described above. As at June 30, 2020, the Company held a 100% working interest in the shallow rights and 100% working interest in the deep rights through CRBV. The Company received approval from the GDMPA to enter the next exploration period during Q2, 2020 which will expire on June 27, 2022. This is the first of up to three possible two-year extensions providing a period of up to six additional years to explore and appraise the deep play before the requirement to convert to the licences to production leases. Each licence carries an obligation for one exploration well and geological studies to be completed in order to enter the next exploration period.

The Company's wholly-owned subsidiary, Valeura Energy Netherlands BV held a 35% working interest in three production leases in Edirne. These leases currently do not have active operations or production and were fully impaired in 2016. The Company signed an agreement in Q3 2019 to transfer its interest in these licences to the operator for nominal consideration. This transfer was approved by the GDMPA on April 24, 2020 and Valeura currently holds no interest in these leases.

Business Environment

The BOTAS level 2 wholesale (processing) gas price ("BOTAS Reference Price") used in the Company's gas sales contracts is set based on local market conditions. Price realisations in Q2 2020 were effectively unchanged from the first quarter on a Turkish Lira ("TL") basis but reduced on a USD basis reflecting a strengthening of the USD globally during the COVID-19 crisis. Effective July 1, 2020, the Government of Turkey lowered the natural gas BOTAS Reference Price in TL by 10%.

During Q2 2020, in light of the global COVID-19 pandemic, economic activity in Turkey slowed down, resulting in reduced gas demand from some of Valeura's light industrial customers. Toward the end of the quarter, economic activity and gas demand had begun to ramp up as Turkey's lockdown restrictions reduced. Operations in Turkey are returning to normal with COVID-19 related restrictions being eased. Valeura personnel have resumed both office and field work arrangements and the Company is preparing to resume production enhancement work, including workovers and production testing of its two recently drilled shallow exploration commitment wells.

The COVID-19 pandemic is an evolving situation that may continue to have widespread implications for the Company's business environment, operations, and financial conditions. Management cannot reasonably estimate the length or severity of this pandemic and will continue to monitor the situation closely.

Valeura is adhering to advice provided by local and international health authorities regarding social distancing and increased hygiene practices. The Company will continue to monitor conditions associated with COVID-19, including the safety of personnel and operations, the security situation generally, the impact on the Turkish economy and the knock-on effects on the TL, the Company's banking facilities, the impact on the Company's joint venture partners and any changes in offtakes by the Company's natural gas customers.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The ability to make reliable estimates is further complicated when the political, economic and security situation is uncertain. Management has based its estimates with respect to the Company's operations in Turkey based on information available up to the date this MD&A was approved by the board of directors of the Company. Significant changes could occur which could materially impact the assumptions and estimates made in this MD&A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2020 and 2019
(tabular amounts in thousands of US Dollars, except share, per share or per unit amounts)

Operations and Outlook

Production Operations

The Company generates cash flow from the sale of petroleum and natural gas production from its assets in the Thrace Basin of Turkey. The gas, which is composed primarily of methane, is gathered, dehydrated and compressed in Company-operated facilities and distributed on a Company-operated sales line network directly to light industry customers. Valeura is the operator of all of its production operations.

The Company's production generates strong operating netbacks which both generates operating income for the business and underscores the long-term potential value of the Company's unconventional gas resource. In early Q1 2020, the Company continued with selective low-cost workovers throughout the conventional play, which yielded an increase in production, more than offsetting natural declines from the existing fields. This programme has been both technically and financially successful. Given the high netbacks, individual projects have generally delivered payback on the order of a few weeks or months. These operations were suspended during Q2 2020 due to the COVID-19 pandemic, but by the end of Q2 2020, the Company had returned most staff to work and was preparing to recommence production enhancement operations before the end of the summer.

In Q2 2020, the Company completed drilling two shallow exploration targets in the West Thrace Exploration Licence as obligation wells. The first well was spudded April 4, 2020 and drilling was completed on April 19, 2020. The second well was spudded on April 27, 2020 and drilling operations were completed in early May 2020. Wireline logs indicate that both wells encountered gas zones. This testing is planned for Q3 2020.

In addition, the Company's completed technical studies in Q2 2020 which confirmed the potential for infill development drilling to convert undeveloped reserves into additional production. The Company is currently selecting and submitting infill well locations to the government for approval. It is expected that some of these locations could be approved to allow this drilling campaign to commence before year end.

Deep Unconventional Gas Play

Valeura identified the potential for a deep, unconventional tight gas play very early in its entry into the Thrace Basin. Five deep wells drilled to as deep as 4,000 metres by Valeura and its partners and other legacy operators prior to 2013 encountered over-pressured gas below approximately 2,500 metres, which supported an unconventional deep tight gas play concept. Based on this thesis, the Company acquired the Banarli Exploration Licences in 2013 in the centre and deepest part of the Thrace Basin and drilled two wells to depths of 2,500 to 2,800 metres that also encountered over-pressured gas below 2,500 metres. Recognising the higher cost associated with pursuing the deep gas play, the Company then completed transactions with Equinor in 2016 and 2017 including a farm-in to deep rights on the Banarli Exploration Licences (the "Banarli Farm-in") and sale of part of the Company's deep interests in the West Thrace Lands. The Company has since completed approximately 500 square kilometres of 3D seismic (Karaca 3D) and drilled, hydraulically stimulated and tested the Yamalik-1 and Inanli-1 exploration wells on the Banarli Exploration Licences (all which were 100% funded by Equinor) and the Devepinar-1 well on the West Thrace Lands, which was funded collaboratively by Equinor, Valeura and PTI.

During Q2 2020, Valeura resumed production testing of the Devepinar-1 well in which the Kesan Formation had been previously stimulated. Testing and evaluation of this section in the well has now been completed and the well has since been shut in. Pressure build up data will now be acquired to assist in interpretation.

On April 2, 2020, the Government of Turkey provided notice that it had approved the transfer of Equinor's working interests and rights to Valeura and PTI. This doubled Valeura's interest in the deep play and Valeura remains operator of all the production leases and exploration licences. In accordance with the Joint Operating Agreements ("JOA(s)"), Equinor remained obliged to fund its share of decommissioning obligations after its exit. On April 2, 2020, when the licences reverted back to Valeura the acquired assets were accounted for as an asset acquisition. The acquisition resulted in an increase in PP&E of approximately \$0.4 million. In June 2020 Valeura and Equinor

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2020 and 2019

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

negotiated a settlement whereby the Company agreed to release Equinor of their future obligation to fund their share of decommissioning obligations. This settlement resulted in a gain of approximately \$0.3 million.

Valeura submitted exploration licence renewal applications for the Banarli Exploration Licences and West Thrace Exploration Licence to enter the next exploration phase, which were approved July 1, 2020 and extend the licences to June 27, 2022. This provides sufficient time for Valeura and partners to undertake the next phase of appraisal of the Deep Gas play.

Valeura is seeking a new partner for the appraisal of the deep play and has engaged Stellar Energy Advisors in London to manage the farm-down process. The Company expects that this process will run from late Q3 2020 and through at least Q4 2020. Valeura has interpreted all of the new well and test data and has identified the preferred drilling locations to follow up on the appraisal of the Deep Gas play. These locations are currently being submitted to the government for approval such that final selection of firm locations and drilling can commence quickly once a new partner is selected.

Results of Operations

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Petroleum and natural gas sales	\$ 1,918	\$ 2,440	\$ 4,726	\$ 5,358
Royalties	(258)	(329)	(636)	(717)
Production costs	(881)	(750)	(1,682)	(1,533)
Operating netback ⁴	779	1,361	2,408	3,108
Other income	101	344	369	965
General and administrative expenses	(911)	(461)	(2,141)	(1,527)
Severance	-	-	(450)	-
Transaction costs	-	(129)	-	(935)
Gain on settlement	332	-	332	-
Realised foreign exchange gain (loss)	38	(434)	(127)	(481)
Current tax recovery (expense)	-	93	-	(15)
Adjusted funds flow ⁵	339	774	391	1,115
Non-cash expenses				
Share-based compensation	(254)	(506)	(411)	(1,044)
Accretion on decommissioning liabilities	(241)	(398)	(459)	(777)
Unrealised foreign exchange gain (loss)	(853)	(109)	629	(411)
Depletion and depreciation	(944)	(1,229)	(2,222)	(2,626)
Deferred tax recovery (expense)	54	(135)	(19)	(170)
Net loss	\$ (1,899)	\$ (1,603)	\$ (2,091)	\$ (3,913)

⁴ Non-GAAP measure that does not have any standardised meaning under IFRS and therefore may not be comparable to similar measures presented by other entities – see note regarding non-GAAP measures on page 1 and reconciliation on page 8.

⁵ Non-GAAP measure that does not have any standardised meaning under IFRS and therefore may not be comparable to similar measures presented by other entities – see note regarding non-GAAP measures on page 1 and reconciliation on page 10.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2020 and 2019
(tabular amounts in thousands of US Dollars, except share, per share or per unit amounts)

Sales Volumes

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Natural gas (Mcf/d)	3,260	4,202	3,730	4,344
Crude oil (bbl/d)	18	-	17	10
Total (boe/d)	561	700	639	734

Sales volumes for the three and six months ended June 30, 2020 were 561 boe/d and 639 boe/d, respectively, compared to 700 boe/d and 734 boe/d for the same periods in 2019. Sales volumes decreased as a result of lower gas demand from the Company's customer base due to the combined impact of the reduction of local industrial activity in light of the COVID-19 pandemic, national holidays in Turkey and natural declines. Toward the end of Q2 2020, economic activity and gas demand started to ramp up as Turkey's lockdown restrictions reduced, resulting in production increasing by 40% in June when compared to production rates experienced in May.

Pricing Information

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Average reference prices				
Natural gas – BOTAS (per Mcf) ⁶	TL 43.67	TL 38.08	TL 43.67	TL 38.08
Natural gas – BOTAS (per Mcf)	\$ 6.37	\$ 6.49	\$ 6.76	\$ 6.79
Average exchange rate (TL/USD)	6.86	5.87	6.46	5.61

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Average realised prices				
Natural gas (per Mcf)	\$ 6.24	\$ 6.38	\$ 6.71	\$ 6.65
Crude oil (per bbl)	\$ 41.65	\$ -	\$ 53.25	\$ 69.56

Natural gas sales from the TBNG JV Lands are under direct sales contracts to industrial buyers and power generation companies in the area and each contract is at a negotiated discount or premium to the BOTAS Reference Price, described below. Natural gas from Banarli is being sold to the TBNG JV, net of a transportation and marketing fee. Valeura receives the majority of the benefits from this fee arrangement and the associated proceeds by virtue of its current 81.5% working interest in the TBNG JV facilities.

In Turkey the price of natural gas is set by BOTAS, the state-owned enterprise that owns most of the gas pipelines and controls most of the import contracts for natural gas into Turkey. The BOTAS Reference Price is denominated in TL. Historically, the BOTAS Reference Price has behaved in a similar manner to the regional price for natural gas when translated to USD. In 2018, BOTAS introduced regular updates to the natural gas price and since mid-2018 the price has been adjusted, if required, on the first day of the month. Analysis suggests that these price adjustments are taking into account variations in the regional price of natural gas, and changes in the TL exchange rate. While indications are that the BOTAS pricing continues to move toward a more market-driven price for natural gas, there is no guarantee that the government will continue this policy in the future.

In Q2 2020, the average realised natural gas price in Turkey of \$6.24 per Mcf represents a 2.0% discount to the BOTAS benchmark price. Effective July 1, 2020 the Government of Turkey lowered the natural gas reference price by 10% (in TL).

⁶ BOTAS owns and operates the national crude oil and natural gas pipeline grids in Turkey and purchases the majority of Turkey's natural gas imports. BOTAS regularly posts prices and its Level-2 Wholesale Tariff benchmark is shown herein as a reference price. See the 2019 AIF for further discussion.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2020 and 2019
(tabular amounts in thousands of US Dollars, except share, per share or per unit amounts)

Petroleum and Natural Gas Sales Revenues

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Natural gas	\$ 1,851	\$ 2,440	\$ 4,557	\$ 5,235
Crude oil	67	-	169	123
Total revenues	\$ 1,918	\$ 2,440	\$ 4,726	\$ 5,358

Petroleum and natural gas sales revenues for the three and six months ended June 30, 2020 were 97% natural gas and 3% crude oil. Variations in the amount of crude oil (generally condensate) reported in a quarter are primarily due to how many liftings occur in the quarter. Revenues for the three and six months ended June 30, 2020 decreased in comparison to the same periods in 2019 due primarily to lower production volumes and the weakening of the TL compared to the USD partially offset by higher TL prices for natural gas.

Royalties

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Royalties	\$ 258	\$ 329	\$ 636	\$ 717
Percentage of revenue	13.5%	13.4%	13.5%	13.3%

Royalties for the three and six months ended June 30, 2020 decreased in comparison to the same periods in 2019 as a result of lower petroleum and natural gas sales revenues. Revenues are subject to a 12.5% government royalty and an overriding royalty only on the TBNG JV Lands of 1%.

Production Costs

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Production costs – shallow	\$ 706	\$ 750	\$ 1,507	\$ 1,533
Production costs – Devepinar-1	175	-	175	-
Total production costs	\$ 881	\$ 750	\$ 1,682	\$ 1,533
\$ per boe	17.25	11.78	14.46	11.54

The increase in production costs for the three and six months ended June 30, 2020 in comparison to the same periods in 2019 are due to production testing costs of the Devepinar-1 well in Q2 2020 (\$0.2 million net). As there are currently booked reserves on Devepinar-1, any costs associated with testing and producing these must be included in operating costs and not capital costs. The testing costs are relatively high due to the use of rental equipment. If these one-off testing costs are excluded then the production costs in 2020 would have been \$13.82 and \$12.96 per boe for the three and six months respectively.

Operating Netbacks (per boe)

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Petroleum and natural gas sales	\$ 37.57	\$ 38.28	\$ 40.63	\$ 40.34
Royalties	(5.05)	(5.16)	(5.47)	(5.40)
Production costs	(17.25)	(11.78)	(14.46)	(11.54)
Operating netback ⁷	\$ 15.27	\$ 21.34	\$ 20.70	\$ 23.40

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2020 and 2019
(tabular amounts in thousands of US Dollars, except share, per share or per unit amounts)

Operating netbacks per boe in the three and six months ended June 30, 2020 decreased in comparison to the same periods in 2019 due primarily to the one-off inclusion of the Devepinar-1 testing in the production costs and lower production volumes.

Operating netback is a non-GAAP measure and is equal to petroleum and natural gas sales less royalties, production expenses and transportation costs. The Company considers operating netback an important measure as it demonstrates its profitability level relative to current commodity prices.

General and Administrative Expenses

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
General and administrative expenses	\$ 1,357	\$ 1,386	\$ 3,269	\$ 3,347
Recoveries and capitalised general Administrative expenses	(446)	(925)	(1,128)	(1,820)
Total general and administrative expenses	\$ 911	\$ 461	\$ 2,141	\$ 1,527

General and administrative expenses before recoveries in the three and six months ended June 30, 2020 decreased slightly when compared to the same periods in 2019. Overhead recoveries are realised primarily from operating the deep drilling and testing programme on the Deep Gas play and decreased in 2020 as a result of Equinor exiting the partnership, and lower capital activity as compared to 2019.

Transaction Costs

Transactions costs for the three and six months ended June 30, 2020 were \$nil compared to \$0.1 million and \$0.9 million respectively, compared to the same periods in 2019. The 2019 transaction costs are fees related to the Company's listing on the LSE.

Foreign Exchange

Foreign exchange (realised and unrealised) for three and six months ended June 30, 2020 was a loss of \$0.8 million and a gain of \$0.5 million, respectively, compared to a loss of \$0.5 million and \$0.9 million, respectively, for the same periods in 2019.

The functional currency for the Company's Turkish operations is the TL. 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.

The Company's seismic and drilling operations and related contracts in Turkey are predominantly based in USD. Material increases in the value of the USD against the TL will negatively impact the Company's costs of drilling and completions activities. Future USD/TL exchange rates could accordingly impact the future value of the Company's reserves as determined by independent evaluators, as changes in realised prices, royalties, operating costs and abandonment liabilities effect the value of future cash flows from reserves.

Historically, any devaluation in the TL has typically been followed by an increase in the posted BOTAS Reference Price for natural gas. However, devaluation of the TL without a corresponding increase in the natural gas reference price, has a negative impact on adjusted funds flow and could affect the ability of the Company to fund its capital programme in the future. Subsequent to the end of Q2 2020, BOTAS announced a 10% decrease to the reference price (in TL) effective July 1, 2020 despite a continued weakening of the TL in 2020. Devaluation of the TL will result in decreases in realized natural gas prices, royalties, and operating expenses, all other things being equal.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2020 and 2019
(tabular amounts in thousands of US Dollars, except share, per share or per unit amounts)

Changes to the TL/USD exchange rate would have had the following impact on revenues, royalties and production costs for the three and six months ended June 30, 2020:

	Petroleum and natural gas revenues	Royalties	Production costs
+/- 5% change in realised TL/USD exchange rate			
Three months ended June 30, 2020	\$ 97	\$ 13	\$ 44
Six months ended June 30, 2020	\$ 243	\$ 32	\$ 84

Changes to the TL/USD exchange rate would have had the following impact on capital expenditures for the three and six months ended June 30, 2020:

	Capital expenditures
+/- 5% change in realised TL/USD exchange rate, upon conversion to presentation currency	
Three months ended June 30, 2020	\$ 18
Six months ended June 30, 2020	\$ 78

Other Income

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Third party natural gas sales net of costs	\$ 24	\$ 154	\$ 125	\$ 404
Interest and other revenue	77	190	244	561
Other Income	\$ 101	\$ 344	\$ 369	\$ 965

Other income is comprised of third party processing and marketing income, interest income related to cash on hand. Third party natural gas sales decreased during the three and six months ended June 30, 2020 when compared to the same periods in 2019 as a result of lower third party gas throughput, which was compounded by lower gas demand and the requirement to shut in third party gas due to the COVID-19 pandemic. Interest and other revenue decreased due to lower interest income as a result of lower average cash levels and interest rates in 2020 in comparison to 2019.

Current Tax

Current tax for the three and six months ended June 30, 2020 was \$nil compared to a recovery of \$0.1 million and an expense of \$0.02 million, respectively, for the same periods in 2019. The current tax expense represents taxes due related to normal operating activities in Turkey.

Adjusted Funds Flow

Adjusted funds flow for the three and six months ended June 30, 2020 was \$0.3 million and \$0.4 million, respectively, compared to \$0.8 million and \$1.1 million, respectively, for the same periods in 2019. The decrease in adjusted funds flow in 2020 when compared to the same period in 2019 was due to decreased revenue, lower overhead recoveries, increased productions costs and severance.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2020 and 2019
(tabular amounts in thousands of US Dollars, except share, per share or per unit amounts)

The following table reconciles Valeura's cash provided by operating activities to adjusted funds flow:

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Cash from (used) in operating activities	\$ 1,192	\$ (1,007)	\$ 2,003	\$ (1,314)
Decommissioning costs incurred	1	111	17	119
Change in non-cash working capital	(854)	1,670	(1,629)	2,310
Adjusted funds flow ⁸	\$ 339	\$ 774	\$ 391	\$ 1,115

Adjusted funds flow is a non-GAAP measure and is based on cash provided by (used in) operating activities before decommissioning costs incurred and changes in non-cash working capital. The Company considers adjusted funds flow a key measure as it demonstrates the ability of the Company's continuing operations to generate the cash flow necessary to fund future growth through capital investments. Certain non-cash charges and decommissioning costs have been excluded from the calculation of adjusted funds flow, as management believes the timing of collection, payment and incurrence is variable and by excluding them from the calculation management is able to provide a more meaningful measure of the Company's cash flow from operations.

Non-cash Expenses:

Share-based Compensation

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

Share-based compensation expense for the three and six months ended June 30, 2020 was \$0.3 million and \$0.4 million, respectively, compared to \$0.5 million and \$1.0 million, respectively, for the same periods in 2019. The Company granted 3,045,000 options with a weighted average exercise price of \$0.27 in Q1 2020.

Accretion on Decommissioning Liabilities

Accretion on decommissioning obligations for the three and six months ended June 30, 2020 was \$0.2 million and \$0.5 million, respectively, compared to was \$0.4 million and \$0.8 million, respectively, for the same periods in 2019. The decrease is due to lower levels of inflation in 2020 in Turkey in comparison to 2019.

Depletion and Depreciation

Depletion and depreciation for the three and six months ended June 30, 2020 was \$0.9 million and \$2.2 million, respectively, compared to \$1.2 million and \$2.6 million, respectively, for the same periods in 2019. Depletion is calculated on a unit-of-production basis utilising proved plus probable reserves.

On a per unit basis, depletion and depreciation for the three and six months ended June 30, 2020 was \$18.49/boe and \$19.11/boe, respectively, compared to \$19.51/boe and \$19.77/boe, respectively, for the same periods in 2019.

Deferred Tax

Deferred tax for the three and six months ended June 30, 2020 was a recovery of \$0.1 million and an expense of \$0.02 million, respectively, compared to an expense of \$0.1 million and \$0.2 million, respectively, for the same

⁸ Non-GAAP measure that does not have any standardised meaning under IFRS and therefore may not be comparable to similar measures presented by other entities – see note regarding non-GAAP measures on page 1.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2020 and 2019
(tabular amounts in thousands of US Dollars, except share, per share or per unit amounts)

periods in 2019. 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.

Currency Translation Adjustments

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

The currency translation adjustment for the three and six months ended June 30, 2020 was a loss of \$0.2 million and \$6.1 million, respectively, compared to a loss of \$0.7 million and \$1.3 million, respectively, for the same periods in 2019 reflecting the fluctuation in the value of the TL and CAD compared to the USD in the respective periods.

Capital Expenditures

The following summarises the Company's capital spending:

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Geological and geophysical	\$ 263	\$ 163	\$ 509	\$ 210
Drilling & completions	1,443	1,973	2,600	5,443
Workovers & recompletions	5	800	377	1,457
Equipping, facilities & other	23	114	130	213
Total exploration and development capital program	1,734	3,050	3,616	7,323
Banarli farm-in	-	-	-	(1,452)
Total net capital ⁹	\$ 1,734	\$ 3,050	\$ 3,616	\$ 5,871

Net capital is a non-GAAP measure and is equal to cash flow used in investing activities, excluding changes in non-cash working capital, restricted cash and the decommissioning credit from Equinor upon its exit. The Company considers net capital expenditures to be a useful measure of cash flow used for capital reinvestment.

The Company's total exploration and development capital programme spending for Q2 2020 was \$1.7 million, including \$1.4 million for drilling and completions operations and \$0.3 million for geological and geophysical. During Q2 2020, the Company drilled two shallow exploration commitment wells and plans to test the wells in Q3 2020. Wireline logs indicate that both wells encountered gas zones.

2020 Capital Programme

Valeura's planned capital programme for the second half of 2020 relates to its shallow production operations and includes approximately \$1.0 million in low-cost workovers of existing producing wells and studies.

The full year capital programme for the Deep Gas play is under review pending partnering considerations and includes approximately \$0.2 million in capital for studies.

⁹ Non-GAAP measure that does not have any standardised meaning under IFRS and therefore may not be comparable to similar measures presented by other entities – see note regarding non-GAAP measures on page 1.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2020 and 2019
(tabular amounts in thousands of US Dollars, except share, per share or per unit amounts)

The Company is ramping up planning in respect of the lifting of COVID-19 restrictions in Turkey. Active field operations are expected to begin toward the end of the third quarter and at the current time the Company expects to be able to complete its planned capital programme in 2020.

Liquidity, Financing and Capital Resources

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Opening cash position	\$ 32,554	\$ 47,799	\$ 36,111	\$ 45,993
Inflow of funds				
Banarli farm-in	-	-	-	1,452
Proceeds from stock option exercises	-	-	-	201
Foreign exchange on cash	71	225	-	488
Adjusted funds flow ¹⁰	339	774	391	1,115
	410	999	391	3,256
Outflow of funds				
Capital expenditures ¹¹	(1,734)	(3,050)	(3,616)	(7,323)
Decommissioning costs incurred	(1)	(111)	(17)	(119)
Payments on leases	(17)	(23)	(41)	(46)
Restricted cash	(1)	(110)	(15)	(60)
Change in non-cash working capital ¹²	(742)	(6,968)	(1,013)	(3,165)
Foreign exchange on cash	-	-	(1,331)	-
	(2,495)	(10,262)	(6,033)	(10,713)
Closing cash position	\$ 30,469	\$ 38,536	\$ 30,469	\$ 38,536

Capital Funding and Resources

As at June 30, 2020, Valeura's working capital¹³ balance was \$33.1 million including cash of \$30.5 million. Valeura's 2020 opening cash position was \$36.1 million. In the first six months of 2020, the Company utilised this opening cash balance plus funds flow from operations to fund an exploration and development capital programme of \$3.6 million.

Financial Capacity

As at June 30, 2020 the Company's working capital¹³ was \$33.1 million. The working capital position is more than sufficient to fund the planned capital programme for 2020.

Capital Management

The Company's objective when managing capital is to maintain a flexible capital structure which allows it to execute its growth strategy through expenditures on exploration and development activities while maintaining a strong

¹⁰ Non-GAAP measure that does not have any standardised meaning under IFRS and therefore may not be comparable to similar measures presented by other entities – see note regarding non-GAAP measures on page 1.

¹¹ Includes the following captions from the condensed interim consolidated statements of cash flows: exploration and evaluation expenditures and property and equipment expenditures.

¹² Includes the following captions from the consolidated statements of cash flows: changes in non-cash working capital from operating activities, changes in non-cash working capital from investing activities and foreign exchange gain (loss) on cash held in foreign currencies.

¹³ Working capital is current assets less current liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2020 and 2019
(tabular amounts in thousands of US Dollars, except share, per share or per unit amounts)

financial position. The Company's capital structure includes working capital and shareholders' equity. Currently, total capital resources available include working capital and adjusted funds flow from operations. The Company is in an enviable position with sufficient cash on hand to fund its forward operations and no debt.

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 currently subject to any externally imposed capital requirements, other than licence and lease retention work programme requirements, as it maintains operatorship over all the lands in the Thrace Basin.

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

Valeura has not utilised 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 annualised adjusted 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.

Equinor's withdrawal from the deep unconventional gas appraisal programme has resulted in Valeura's continued control and flexibility in planning its capital spend. The withdrawal also doubled Valeura's interest in the Deep Gas play but may result in operational delays as the Company searches for another partner to participate in the deep unconventional gas appraisal programme.

Subsequent to December 31, 2019, the global impact of the COVID-19, as well as recent declines in prices for oil and gas have resulted in significant declines in global stock markets and has created a great deal of uncertainty as to the health of the global economy. As a result, oil and gas companies are subject to liquidity risks in maintaining their revenues and earnings as well as ongoing and future development and operating expenditure requirements. These factors are likely to have a negative impact on the Company's ability to raise debt or equity, if required, in the near future or on terms favorable to the Company. The COVID-19 pandemic has resulted in lower production and revenues over the second quarter of 2020, however, the further potential impact that COVID-19 will have on the Company's business or financial results cannot be reasonably estimated at this time. Any shutdowns requested or mandated by government authorities in response to the outbreak of COVID-19 may have a material impact to the Company's planned operating activities, however, no mandated shutdowns have affected operations to date.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect to the Company is not known at this time. Estimates and judgments made by management in the preparation of these condensed interim consolidated financial statements are subject to a higher degree of measurement uncertainty during this volatile period.

Restricted Cash

The Company has restricted cash in the amount of \$0.3 million (2019 - \$0.3 million) that is securing licence deposits with the GDMPA. This restricted cash is held with National Bank of Canada ("NBC") as security, along with the Account Performance Security Guarantee ("APSG") facility described below, for decommissioning or abandonment obligations and ongoing work programmes on the Company's Turkish licences and as security for third party gas purchases. As the expected abandonment date and work programmes for these assets is more than one year from June 30, 2020, this restricted cash and deposit have been classified as non-current in the Company's financial statements.

Effective March 17, 2020, the Company renewed its APSG facility with Export Development Canada. The APSG, which was issued to NBC allows the Company to use the APSG as collateral for certain letters of credit issued by NBC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2020 and 2019

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

The facility is effective from March 17, 2020 to May 31, 2021 with a limit of US\$4.5 million and can be renewed on an annual basis. The Company has issued approximately US\$2.9 million in letters of credit under the APSG facility at current exchange rates.

Selected Quarterly Information

	Three months ended			
	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Total daily production (boe/d)	561	716	646	531
Average wellhead price (\$/boe)	\$ 37.57	\$ 43.03	\$ 44.60	\$ 44.32
Petroleum and natural gas sales	1,918	2,808	2,653	2,166
Cash provided by operating activities	1,192	811	2,286	600
Adjusted funds flow ¹⁴	339	52	1,595	1,032
Per share, basic and diluted	0.00	0.00	0.02	0.02
Net loss	(1,899)	(192)	(735)	(166)
Per share, basic and diluted	\$ (0.02)	\$ (0.00)	\$ (0.01)	\$ (0.00)
	Three months ended			
	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
Total daily production (boe/d)	700	768	623	655
Average wellhead price (\$/boe)	\$ 38.28	\$ 42.25	\$ 41.62	\$ 30.47
Petroleum and natural gas sales	2,440	2,918	2,384	1,837
Cash provided by (used in) operating activities	(1,007)	(307)	4,047	(1,127)
Adjusted funds flow (used) ¹⁴	773	341	2,330	(329)
Per share, basic and diluted	0.01	0.03	0.03	(0.01)
Net loss	(1,603)	(2,310)	(480)	(2,025)
Per share, basic and diluted	\$ (0.02)	\$ (0.01)	\$ (0.01)	\$ (0.02)

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

- Gas production in Q2 2020 was negatively impacted by the COVID-19 crisis which slowed the global economies and reduced the demand for gas and put downward pressure on energy commodity prices.
- Revenue is directly impacted by the Company's ability to mitigate natural production declines with production additions from an on-going capital expenditure programme and acquisitions;
- Valeura has benefited from relatively high natural gas prices and netbacks in Turkey compared to North America. The 2018 and 2019 increases to the BOTAS Reference Price has resulted in higher wellhead price realisation. These reference price increases offset the effect of the weakening of the TL since 2017; and
- With its revenues in TL and capital expenditures primarily in reporting currency USD and in CAD, Valeura has exposure related to foreign exchange and currency translation. However, this risk is mitigated given the large cash position held in USD and CAD.

¹⁴ Non-GAAP measure that does not have any standardised meaning under IFRS and therefore may not be comparable to similar measures presented by other entities – see note regarding non-GAAP measures on page 1.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2020 and 2019
(tabular amounts in thousands of US Dollars, except share, per share or per unit amounts)

Critical Accounting Policies

Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The reader is referred to Valeura's December 31, 2019 audited consolidated financial statements and MD&A for a description of estimates and judgments.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

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

The Company's CEO and CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company is required to disclose herein any change in the Company's internal controls over financial reporting that occurred during the period beginning on April 1, 2020 and ending on June 30, 2020 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting. No material changes in the Company's internal controls over financial reporting were identified during such period that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

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

Off Balance Sheet Arrangements

The Company had no off balance sheet arrangements outstanding as at June 30, 2020.

Financial Instruments

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

Business Risks and Uncertainties

Public Health Crises, including COVID-19, could adversely affect the Company's business

A local, regional, national or international outbreak of a contagious disease, such as COVID-19, could have an adverse effect on local economies and potentially the global economy, which may adversely impact the price and demand for oil and gas. COVID-19 could affect the Company's ability to conduct operations and may result in temporary shortages of staff to the extent the Company's work force is impacted. Such an outbreak, if uncontrolled, could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Economic activity slowed down in Turkey in Q2 2020, resulting in reduced gas demand from some of Valeura's light industrial customers. However, toward the end of the quarter, economic activity and gas demand started to ramp up as

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2020 and 2019

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

Turkey's lockdown restrictions reduced. Valeura is adhering to advice provided by local and international health authorities regarding social distancing and increased hygiene practices. As a result, most of the Company's production operations were able to proceed normally; however, the Company did suspend non-critical field work, including workovers and redevelopment of existing wells, and implemented work-from-home arrangements wherever possible during Q2 2020. As of the date of this MD&A, operations in Turkey are returning to normal with COVID-19 related restrictions being eased. Valeura personnel have resumed both office and field work arrangements and the Company is preparing to resume production enhancement work, including workovers and production testing of its two recently drilled shallow exploration commitment wells. The COVID-19 pandemic is an evolving situation that may continue to have widespread implications for the Company's business environment, operations, and financial conditions. Management cannot reasonably estimate the length or severity of this pandemic and will continue to monitor the situation closely.

The COVID-19 pandemic has also contributed to the devaluation of the TL compared to the USD which has negatively impacted the Company's results. As previously discussed, the BOTAS Reference Price is denominated TL and has historically behaved in a similar manner to the regional price for natural gas when translated to USD. BOTAS introduced regular price updates to the natural gas price since mid-2018 and analysis suggests that these price adjustments have taken into account variations in the regional price of natural gas, and changes in the TL exchange rate. While indications are that the BOTAS pricing continues to move toward a more market-driven price for natural gas, there is no guarantee that the government will continue this policy in the future. On July 1, 2020 the Botas reference price (in TL) was reduced by 10% despite further devaluation of the TL.

All other risk factors have not materially changed from December 31, 2019. The reader is referred to Valeura's December 31, 2019 audited consolidated financial statements, MD&A and 2019 AIF for a description of these risks.

Forward-looking Statements

Certain information included in this MD&A constitutes forward-looking information under applicable securities legislation. Such forward-looking information is for the purpose of explaining management's current expectations and plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes, such as making investment decisions. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "project", "target" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking information in this MD&A includes, but is not limited to: resumption of the Company's field investment activities following expected easing of the COVID-19 pandemic restrictions; the 2020 work programme and capital budget; the review of the full year capital programme for the Deep Gas play; the timeliness and costs for the deep appraisal and testing programme in 2020; the commerciality of the two recently drilled wells on the West Thrace Exploration Licence; planned testing and determination of the potential of a deep gas play in the Thrace Basin; management's belief regarding the potential of the Company's deep gas play and shallow gas business in the Thrace Basin; the optimisation of the Company's conventional shallow gas assets; the Company's ability to find another partner for the deep unconventional gas appraisal programme and realise other growth opportunities through potential mergers and acquisitions; the Company's commitment to safety, environmentally responsible practices and optimising operational and administrative functions; the Company's business strategy and outlook, operational plans, and expected capital expenditures; and the availability of operating cash flow and the ability to finance development through 2020 from existing working capital and operating cash flow.

Forward-looking information is based on management's current expectations and assumptions regarding, among other things: the resumption of operations following the COVID-19 pandemic; political stability of the areas in which the Company is operating and completing transactions; continued safety of operations and ability to proceed in a timely manner; the impact of Equinor's withdrawal from joint operations; continued operations of and approvals forthcoming from the Turkish government in a manner consistent with past conduct; future drilling activity on the expected timelines; the prospectivity of the TBNG JV Lands and Banarli Exploration Licences, including the deep potential; the continued favourable pricing and operating netbacks in Turkey; future production rates and associated

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2020 and 2019

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

operating netbacks and cash flow; decline rates; future sources of funding; future economic conditions; future currency exchange rates; the ability to meet drilling deadlines and other requirements under licences and leases; and the Company's continued ability to obtain and retain qualified staff and equipment in a timely and cost efficient manner. In addition, the Company's work programmes and budgets are in part based upon expected agreement among joint venture partners and associated exploration, development and marketing plans and anticipated costs and sales prices, which are subject to change based on, among other things, the actual results of drilling and related activity, availability of drilling, high-pressure stimulation and other specialised oilfield equipment and service providers, changes in partners' plans and unexpected delays and changes in market conditions. Although the Company believes the expectations and assumptions reflected in such forward-looking information are reasonable, they may prove to be incorrect.

Forward-looking information involves significant known and unknown risks and uncertainties. Exploration, appraisal, and development of oil and natural gas reserves are speculative activities and involve a 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: uncertainty in capital markets and ability to raise debt and equity, as required, particularly for companies with a small market capitalisation; the risks of currency fluctuations; changes in gas prices and netbacks in Turkey; potential changes in joint venture partner strategies and participation in work programmes; uncertainty regarding the contemplated timelines and costs for the deep evaluation; the risks of disruption to operations and access to worksites (including the impact of the COVID-19 pandemic), threats to security and safety of personnel; potential changes in laws and regulations, the uncertainty regarding government and other approvals; counterparty risk; risks associated with weather delays and natural disasters; and the risk associated with international activity. The forward-looking information included in this MD&A is expressly qualified in its entirety by this cautionary statement. See the 2019 AIF 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.