valeura energy inc.

Consolidated Financial Statements

Years ended December 31, 2021 and 2020

(In U.S. Dollars)

MANAGEMENT'S REPORT

The management of Valeura Energy Inc. is responsible for the preparation of all information included in the consolidated financial statements and Management's Discussion & Analysis ("MD&A"). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Financial information that is presented in the MD&A is consistent with the consolidated financial statements.

In preparation of the consolidated financial statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. Management believes such estimates have been based on careful judgments and have been presented fairly in all material respects.

Management maintains appropriate systems of internal control that provide reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss or unauthorized use and financial records provide reliable and accurate information for the presentation of the consolidated financial statements.

KPMG LLP, an independent firm of chartered professional accountants, was appointed by the shareholders to audit the consolidated financial statements of Valeura Energy Inc. and provide an independent professional opinion. Their report is presented with the consolidated financial statements herein.

The Board of Directors, through its Audit Committee, has reviewed the consolidated financial statements including notes thereto with management and KPMG LLP. The Audit Committee is composed of independent directors. Valeura Energy Inc.'s Board of Directors has approved the consolidated financial statements based on the recommendation of the Audit Committee.

(signed) "Sean Guest" President and CEO	(signed) "Heather Campbell" CFO

March 30, 2022

KPMG

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Valeura Energy Inc.

Opinion

We have audited the consolidated financial statements of Valeura Energy Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2021 and December 31, 2020
- the consolidated statements of loss and comprehensive income (loss) for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditors' report.

Evaluation of indicators of impairment for exploration and evaluation assets

Description of the matter

We draw attention to note 2(d), note 3(d) and note 7 to the financial statements. At December 31, 2021, the Entity had exploration and evaluation ("E&E") assets of $1.172 million, which are assessed for impairment if facts and circumstances indicate that the carrying amount may exceed its recoverable amount. Judgement is required to assess whether internal or external indicators of impairment exist. Indicators of impairment include, but are not limited to:

- The right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither planned or budgeted

At December 31, 2021, the Entity determined that no indicators of impairment existed with respect to the Entity's E&E assets.

Why the matter is a key audit matter

We identified the evaluation of indicators of impairment for exploration and evaluation assets as a key audit matter. This matter represented an area of significant auditor judgement required in evaluating the internal and external factors included in the Entity's indicators of impairment analysis.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

- Assessed the status of the Entity's rights to explore by discussing with management if any rights were not expected to be renewed and inspecting exploratory licenses and renewals
- Assessed if substantive expenditures on further exploration for and evaluation of oil and natural gas resources in each area of interest are planned or discontinued by inspecting internal communications and external correspondence.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditors' report is Jason Stuart Brown.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
March 30, 2022

Consolidated Statements of Financial Position

(thousands of US Dollars)	**December 31, 2021**	December 31, 2020
Assets		
Current Assets		
Cash and cash equivalents	**$ 40,826**	$ 30,143
Restricted cash (*note 5*)	**16**	232
Accounts receivable *(note 6 and 16)*	**586**	199
Royalty receivable *(note 6 and 16)*	**2,315**	-
Prepaid expenses and deposits	**260**	330
Assets held for sale (*note 6*)	**-**	22,032
	44,003	52,936
Exploration and evaluation assets *(note 7)*	**1,174**	1,643
Property, plant and equipment *(note 8)*	**46**	278
	$ 45,223	$ 54,857
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 341**	$ 506
Liabilities directly associated with the assets held for sale *(note 6)*	**-**	10,240
	341	10,746
Decommissioning obligations *(note 9)*	**1,752**	2,161
	2,093	12,907
Shareholders' Equity		
Share capital *(note 13)*	**179,717**	179,717
Contributed surplus	**22,706**	22,410
Accumulated other comprehensive gain (loss)	**10,146**	(55,288)
Deficit	**(169,439)**	(104,889)
	43,130	41,950
	$ 45,223	$ 54,857

See accompanying notes to the consolidated financial statements.

Approved by the Board

("Tim Marchant")
Tim Marchant, Chairman, Director

("Russell Hiscock")
Russell Hiscock, Director

valeura energy inc.

Consolidated Statements of Loss and Comprehensive Income (Loss)
For the years ended December 31, 2021 and 2020

(thousands of US Dollars)	December 31, 2021	December 31, 2020
Revenue *(note 10)*		
Petroleum and natural gas sales	**$ 3,126**	$ 8,547
Royalties	**(423)**	(1,152)
Other Income	**291**	615
	2,994	8,010
Expenses and other items		
Production	**1,337**	3,343
General and administrative (note 12)	**4,793**	4,417
Severance	**206**	580
Transaction costs	**74**	223
Accretion on decommissioning liabilities	**554**	913
Foreign exchange (gain) loss	**(443)**	901
Settlement income	**-**	(332)
Share-based compensation (*note 12 and 13*)	**246**	1,032
Impairment	**-**	13,445
Change in estimate on decommissioning liabilities	**143**	-
Depletion and depreciation *(notes 8)*	**188**	3,649
	7,098	28,171
Gain (loss) for the period before other items	**(4,104)**	(20,161)
Gain on sale *(note 6)*	**6,134**	-
Gain on deferred consideration *(note 6)*	**1,459**	-
Currency translation on subsidiaries disposed and liquidated *(note 6)*	**(67,764)**	-
	(60,171)	-
Gain (loss) for the period before income taxes	**(64,275)**	(20,161)
Income taxes *(note 11)*		
Current tax expense	**41**	265
Deferred tax expense (recovery)	**234**	(892)
Net loss	**(64,550)**	(19,534)
Other comprehensive income (loss)		
Currency translation on subsidiaries disposed and liquidated *(note 6)*	**67,764**	-
Currency translation adjustments	**(2,330)**	(6,015)
	65,434	(6,015)
Comprehensive income (loss)	**$ 884**	$ (25,549)
Net income (loss) per share *(note 13)*		
Basic and diluted	**$ (0.75)**	**$ (0.23)**
Weighted average number of shares outstanding (thousands)	**86,585**	86,585

See accompanying notes to the consolidated financial statements.

valeura energy inc.

Consolidated Statements of Cash Flows
For the years ended December 31, 2021 and 2020

(thousands of US Dollars)	**December 31, 2021**	December 31, 2020
Cash was provided by (used in):		
Operating activities:		
Net income (loss) for the period	**$ (64,550)**	$ (19,534)
Depletion and depreciation *(note 8)*	**188**	3,649
Impairment	**-**	13,445
Share-based compensation *(note 13)*	**246**	1,032
Accretion on decommissioning liabilities	**554**	913
Gain on deferred consideration *(note 6)*	**(1,459)**	-
Change in estimate on decommissioning liabilities *(note 9)*	**143**	-
Disposition *(note 6)*	**60,871**	-
Currency translation on subsidiary liquidated *(note 6)*	**759**	-
Unrealised foreign exchange loss (gain)	**(112)**	233
Deferred tax expense (recovery)	**234**	(892)
Decommissioning costs incurred	**-**	(121)
Change in restricted cash	**-**	(232)
Change in non-cash working capital *(note 15)*	**(37)**	1,362
Cash used in operating activities	**(3,163)**	(145)
Financing activities:		
Principal payments on lease liability	**(28)**	(68)
Cash used in financing activities	**(28)**	(68)
Investing activities:		
Property and equipment expenditures *(note 8)*	**(37)**	(3,130)
Exploration and evaluation expenditures *(note 7)*	**(225)**	(1,715)
Assets held for sale expenditures	**(163)**	-
Net cash received on disposition *(note 6)*	**14,358**	-
Royalty receivable *(note 6)*	**185**	-
Change in restricted cash	**216**	258
Change in non-cash working capital *(note 15)*	**(282)**	(447)
Cash provided by (used in) investing activities	**14,052**	(5,034)
Foreign exchange gain (loss) on cash held in foreign currencies	**(178)**	(721)
Net change in cash and cash equivalents	**10,683**	(5,968)
Cash and cash equivalents, beginning of period	**30,143**	36,111
Cash and cash equivalents, end of period	**$ 40,826**	$ 30,143

See accompanying notes to the consolidated financial statements.

valeura energy inc.

Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2021 and 2020

(thousands of US Dollars and thousands of shares)	Number of common shares	Share Capital	Contributed Surplus	Accumulated Other Comp. Income/(loss)	Deficit	Total Shareholders' Equity
Balance, January 1, 2021	86,585	$ 179,717	$ 22,410	$ (55,288)	$ (104,889)	$ 41,950
Net loss for the period	-	-	-	-	(64,550)	(64,550)
Currency translation adjustments	-	-	-	65,434	-	65,434
Share-based Compensation	-	-	296	-	-	296
December 31, 2021	**86,585**	**$ 179,717**	**$ 22,706**	**$ 10,146**	**$ (169,439)**	**$ 43,130**

(thousands of US Dollars and thousands of shares)	Number of common shares	Share Capital	Contributed Surplus	Accumulated Other Comp. Loss	Deficit	Total Shareholders' Equity
Balance, January 1, 2020	86,585	$ 179,717	$ 21,229	$ (49,273)	$ (85,355)	$ 66,318
Net loss for the period	-	-	-	-	(19,534)	(19,534)
Stock options cancellation	-	-	(14)	-	-	(14)
Currency translation adjustments	-	-	-	(6,015)	-	(6,015)
Share-based Compensation	-	-	1,195	-	-	1,195
December 31, 2020	**86,585**	**$ 179,717**	**$ 22,410**	**$ (55,288)**	**$ (104,899)**	**$ 41,950**

See accompanying notes to the consolidated financial statements.

1. Reporting Entity

Valeura Energy Inc. ("Valeura" or the "Company") and its subsidiaries (refer to note 2c) are currently engaged in the exploration and development of petroleum and natural gas in Turkey. 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 and the Main Market of the London Stock Exchange ("LSE"), under the trading symbol "VLU". Valeura's head office address is 1200, 202 – 6 Avenue SW, Calgary, AB, Canada.

2. Basis of Preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as at and for the years ended December 31, 2021 and 2020 and have been prepared in accordance with the accounting policies and methods of computation as set forth in note 3 below.

Operating, transportation and marketing expenses in the statement of loss and comprehensive loss are presented as a combination of function and nature in conformity with industry practices. Depletion, depreciation and finance expenses are presented in separate lines by their nature, while net administrative expenses are presented on a functional basis. Significant expenses such as salaries and benefits and share-based compensation are presented by their nature in the notes to the consolidated financial statements.

The consolidated financial statements were authorized for issue by the Board of Directors on March 30, 2022.

(b) Basis of measurement

The consolidated financial statements have been prepared using 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 discussed in note 4.

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 Company's consolidated financial statements include the accounts of Valeura and its subsidiaries and are expressed in US Dollars, unless otherwise stated.

(c) Functional and presentation currency

The consolidated financial statements are presented in US Dollars which is Valeura's reporting currency. Valeura's and its foreign subsidiaries transact in currencies other than the US Dollar and have a functional currency of Turkish Lira and Canadian dollars as follows:

Company	Functional Currency
Valeura Energy Inc.	Canadian Dollars
Northern Hunter Energy Inc.	Canadian Dollars
Valeura Energy (Netherlands) BV	Turkish Lira

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 statement of financial position. All exchange differences arising as a result of the translation to the functional currency of the subsidiary are recorded in earnings.

Translation of all assets and liabilities from the respective functional currencies to the reporting currency are performed using the rates prevailing at the statement of financial position date. The differences arising upon translation from the functional currency to the reporting currency are recorded as currency translation adjustments in 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 earnings.

(d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Critical judgments in applying accounting policies:

The following are the critical judgments that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- Valeura's assets are aggregated into cash-generating units for the purpose of calculating impairment. Cash generating units ("CGU" or "CGUs") are based on an assessment of the unit's ability to generate independent cash inflows. The determination of these CGUs was based on management's judgment in regard to shared infrastructure, geographical proximity, petroleum type and similar exposure to market risk and materiality.
- Judgments are required to assess when internal or external indicators of impairment exist and impairment testing is required. In determining the recoverable amount of assets or CGUs, in the absence of quoted market prices, impairment tests are based on estimates of proved and probable reserves which are dependent upon variables including forecasted oil and natural gas prices, operating costs, royalties, production volumes, future development costs, and other relevant assumptions all of which are subject to many uncertainties and interpretations.
- Costs associated with acquiring oil and natural gas licenses, carrying out seismic surveys and other technical studies and exploratory drilling are accumulated as exploration and evaluation ("E&E") assets pending determination of technical feasibility and commercial viability. Establishment of technical feasibility and commercial viability is subject to judgment and involves management's review of project economics, resource quantities, expected production techniques, production costs and required capital expenditures to confirm continued intent to develop and extract the underlying resources. Management uses the establishment of commercial reserves within the exploration area as the basis for determining technical feasibility and commercial viability. Judgment is required in determining whether indicators of impairment exist, including factors such as but not limited to, the right to explore in the specific area has expired during the period or will expire in the near future and is not expected to be renewed and determination of whether substantive expenditures on further exploration for and evaluation of mineral resources in specific areas will not be planned or budgeted. Upon determination of commercial reserves, E&E assets attributable to those reserves are tested for impairment and reclassified from E&E assets to a separate category within property, plant and equipment referred to as oil and natural gas properties.

Key sources of estimation uncertainty:

The following are key estimates and their assumptions made by management affecting the measurement of balances and transactions in the consolidated financial statements:

- Management's assumptions and estimates of future cash flows used in the Company's impairment assessment of exploration and evaluation properties are subject to risk and uncertainties, particularly in market conditions where higher volatility exists, and may be partially or totally outside of the Company's control. If an indication of impairment exists, or if an exploration and evaluation asset is determined to not be technically feasible and commercially viable, an estimate of a CGU's recoverable amount is calculated. The recoverable amount is based on the higher of fair value less costs of disposal and value in use, using a discounted cash flow methodology. The impairment analysis requires the use of estimates and assumptions, such as long-term commodity prices, discount rates, future capital expenditures, exploration potential and operating costs. Fair value of exploration and evaluation assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and risks to the asset. If the Company does not have sufficient information about a particular mineral resource property to meaningfully estimate future cash flows, the fair value is estimated by management through comparison to similar market assets and, where available, industry benchmarks.

- The Company estimates the decommissioning obligations for oil and natural gas wells and their associated production facilities and pipelines. In most instances, removal of assets and remediation occurs many years into the future. Amounts recorded for the decommissioning obligations and related accretion expense require assumptions regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, inflation estimates, future removal technologies in determining the removal cost, and the estimate of the liability specific discount rates to determine the present value of these cash flows.
- The Company's estimate of share-based compensation is based upon estimates of volatility and forfeiture rates.
- The deferred tax liability is based on estimates as to the timing of the reversal of temporary differences, substantively enacted tax rates and the likelihood of assets being realized.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in the consolidated financial statements and have been applied consistently by the Company and its subsidiaries, except as described below.

(a) Basis of consolidation

(i) Subsidiaries:

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, substantive potential voting rights are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The acquisition method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in earnings.

(ii) Jointly controlled operations and jointly controlled assets:

A portion of the Company's exploration and development activities are conducted jointly with others. The joint interests are accounted for on a proportionate consolidation basis and as a result the financial statements reflect only the Company's proportionate share of the assets, liabilities, revenues, expenses and cash flows from these activities.

Valeura's has one joint venture arrangements as follows:

Name of the joint arrangement	Nature of the relationship with the joint arrangement	Principal place of business of joint arrangement	Proportion of participating share
West Thrace Deep Joint Venture	Operator	Turkey	63% (all rights)

(iii) Transactions eliminated on consolidation:

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

(b) Financial instruments

(j) Non-derivative financial instruments:

Financial assets are classified in three principal classification categories: measured at amortized cost, fair value through other comprehensive income (“FVOCI”), or fair value through profit or loss (“FVTPL”). Financial liabilities are classified and measured at amortized cost or FVTPL. Financial instruments are recognized initially at fair value, net of any directly attributable transactions costs.

Where the fair value option is applied to financial liabilities, any change in fair value resulting from an entity’s own credit risks is recorded through other comprehensive income or loss rather than net income or loss. The classification of financial assets is generally based on the business model in which a financial asset is managed and the characteristics of its contractual cash flows.

A financial asset is measured at amortized cost if it meets both of the following conditions: (a) the asset is held with a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial assets give rise to cash flows on specified dates that are solely payments of principal and interest on principal amounts outstanding.

Financial assets that meet criteria (b) above that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets is subsequently measured at FVOCI. All other financial assets and liabilities are subsequently measured at FVTPL.

Accounts receivable, prepaid expenses and deposits, accounts payable and accrued liabilities are measured at amortized cost.

Valeura does not currently have financial instrument contracts to which it applies hedge accounting.

(ii) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(c) Property, plant and equipment and exploration and evaluation assets

(i) Recognition and measurement:

Exploration and evaluation expenditures:

Pre-licence costs are recognized in earnings as incurred. Exploration and evaluation (“E&E”) costs, including the costs of acquiring licences and directly attributable general and administrative costs, are initially capitalized as exploration and evaluation assets. The costs are accumulated in cost centres by well, field or exploration area pending determination of technical feasibility and commercial viability.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proved and/or probable reserves are determined to exist. A review of each exploration CGU is conducted, at least annually, to ascertain whether proved and/or probable reserves have been discovered. Upon determination of proved and/or probable reserves, the CGU within which the intangible exploration and evaluation assets attributable to those reserves is first tested for impairment and then the applicable value is reclassified from exploration and evaluation assets to property, plant and equipment. Proceeds on E&E assets are recorded against the recognized E&E balance, and no gain or loss is recognized.

Development and production costs:

Items of property, plant and equipment ("PP&E"), which include oil and gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into CGUs for impairment testing. When significant parts of an item of PP&E, including oil and natural gas interests, have different useful lives, they are accounted for as separate items (components).

Gains and losses on disposal of an item of property, plant and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of PP&E and are recognized in earnings.

(ii) Subsequent costs:

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of PP&E are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in earnings as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such proved and probable reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in earnings as incurred.

(iii) Depletion and depreciation:

The net carrying value of development or production assets is depleted using the unit of production method by reference to the ratio of production in the year to the related proved and probable reserves, taking into account estimated future development costs necessary to bring those proved and probable reserves into production. Future development costs are estimated taking into account the level of development required to produce the proved and probable reserves. These estimates are reviewed by independent reserve engineers at least annually.

Other corporate assets are recorded at cost on acquisition and amortized on a declining-balance basis at rates of 20 percent to 50 percent per year.

(iv) Exploration and evaluation expense:

Upon determination that an exploration and evaluation CGU is impaired, the Company will transfer costs associated with the applicable CGU to exploration and evaluation expense in the period.

(v) Farm-in arrangements:

In circumstances where the Company has entered into farm-in arrangements whereby the farm-in partner ("partner") will earn a working interest on certain properties through payment of a pre-determined portion of the costs of exploration or development activities, Valeura recognizes a disposal of the partner's working interest once the commitment has been met and the difference between the proceeds received and the carrying amount of the asset are recognized as a gain or loss in earnings for Property, Plant and Equipment assets and as a reduction of Exploration and Evaluation Assets for instances where the farm in is on undeveloped land.

(d) Impairment

(i) Financial assets:

Loss allowances are recognized for expected credit losses ("ECL's) on its financial assets measured at amortized cost. Due to the nature of the financial assets, loss allowances are measured at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit loss and are discounted at the effective interest rate of the related financial asset.

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated through an impairment test. The recoverable amount of an asset or a CGU is the greater of its value-in-use and its fair value less costs to sell. Fair value less costs to sell is determined as the amount that would be obtained from the sale of the assets in an arm's length transaction between knowledgeable and willing parties.

E&E assets are assessed for impairment when they are reclassified to property, plant and equipment, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets, or CGUs.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Value-in-use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves. E&E assets are allocated to related CGUs when they are assessed for impairment, both at the time of any triggering facts and circumstances as well as upon their eventual reclassification to PP&E.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in earnings. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the assets in the unit (group of units) on a pro-rata basis.

An impairment loss in respect of PP&E and E&E assets, recognized in prior years, is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

(e) Share based payments

The grant date fair value of options granted to employees is recognized as compensation expense, with a corresponding increase in contributed surplus over the vesting period. A forfeiture rate is estimated on the grant date and is subsequently adjusted to reflect the actual number of options that vest.

(f) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

(i) Decommissioning obligations:

The Company's activities give rise to dismantling, decommissioning and site disturbance re-mediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category. Decommissioning obligations are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the statement of financial position date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

(g) Revenue from contracts with customers

Valeura's petroleum and natural gas revenues from the sale of natural gas and crude oil are based on the consideration specified in the contracts with customers. For natural gas, pricing is linked to BOTAS benchmark pricing, while crude oil pricing is linked to Brent benchmark pricing. Valeura recognizes revenue when it transfers control of the product to the customer, which is generally when legal title passes to the customer and collection is reasonably assured.
Valeura evaluates its arrangements with third parties and partners to determine if Valeura is acting as the principal or as the agent. Valeura is considered the principal in a transaction when it has primary responsibility for the transaction. If Valeura acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net basis, only reflecting the fee, if any realized by Valeura from the transaction.

(h) Finance income and expenses

Finance expense comprises interest expense on any borrowings, accretion of the discount on provisions and impairment losses recognized on financial assets.

Borrowing costs incurred for the construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the assets for their intended use or sale. All other borrowing costs are recognized in earnings using the effective interest method. The capitalization rate used to determine the amount of borrowing costs to be capitalized is the weighted average interest rate applicable to the Company's outstanding borrowings during the period.
Interest income is recognized as it accrues in earnings, using the effective interest method.

(i) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in earnings except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected taxes payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(j) Earnings per share

Basic per share amounts are calculated by dividing the net income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted per share amounts are determined by adjusting the net income or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees.

(k) Assets held for sale

Non-current assets or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probably that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as asset held for sale and subsequent gains and losses on remeasurement are recognized in profit and loss. Once classified as held for sale, property, plant and equipment are no longer amortised or depreciated.

4. Determination of Fair Values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods described below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Cash, deposits, accounts receivable, royalty receivable, accounts payable and accrued liabilities:

The fair value of cash, deposits, accounts receivable, accounts payable and accrued liabilities are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At December 31, 2021 and December 31, 2020, the fair value of these balances approximated their carrying values due to their short term to maturity.

(ii) Stock options:

The fair value of employee stock options is measured using a Black Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility based on the weighted average historic volatility adjusted for changes expected due to publicly available information, weighted average expected life of the instruments based on historical experience and general option holder behavior, expected dividends, the risk-free interest rate based on government bonds, and an estimated forfeiture rate.

5. Restricted Cash

The Company has restricted cash in the amount of $0.02 million (2020 - $0.23 million) that is securing licence deposits with the General Directorate of Mining and Petroleum Affairs of the Republic of Turkey ("GDMPA"). This restricted cash is held with the National Bank of Canada ("NBC") as security, along with the Account Performance Security Guarantee ("APSG") facility described in Note 9, for decommissioning or abandonment obligations and ongoing work programmes on the Company's Turkish licences.

6. Disposition

On May 26, 2021, the Company closed the sale of its shallow conventional gas assets for cash consideration (including closing working capital and effective date adjustments) of $16.85 million, and deferred consideration initially valued at $1.0 million, with an economic effective date of July 1, 2020 ("the Disposition"). The Disposition was structured as a sale of shares of Thrace Basin Natural Gas (Turkiye) Corporation ("TBNG") and Corporate Resources B.V. ("CRBV"), both of which were wholly owned subsidiaries of Valeura. The deferred consideration is in the form of a cash royalty payable over 5 years, referenced to local Turkish gas prices, with a minimum payment of $1 million and a maximum of $2.5 million.

Upon closing of the Disposition, the Company estimated the deferred consideration to be approximately $1.0 million. Subsequent to the closing of the sale and during the year ended December 31, 2021 the Company recorded a gain on the deferred consideration of $1.5 million as the maximum payment of $2.5 million is now expected to be received due to overall increases in Turkish natural gas prices. The total payment is expected to be received during the year ended December 31, 2022. Upon closing of the Disposition, $0.3 million of the purchase price is being held in escrow for a period of one year from the closing date of the Disposition. This amount is recorded within accounts receivable.

The disposition resulted in a gain on disposal of $6.1 million and a currency translation loss of $67.0 million. Per note 2 (c), accumulated other comprehensive income or loss in disposed subsidiaries, due to currency translation losses, must be transferred to retained earnings through the statement of profit and loss.

As at December 31, 2020, the disposed assets were classified as assets held for sale.

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

Recognised amounts of identifiable assets and liabilities disposed of were as follows:

Net assets disposed	
Cash and cash equivalents	$ 2,185
Accounts receivable	2,418
Inventory	117
Prepaid expenses and deposits	273
Right of use asset	340
Exploration and evaluation assets	1,232
Property and equipment	13,914
Accounts payable and accrued liabilities	(2,096)
Lease liability	(279)
Deferred income taxes	(589)
Asset retirement obligation	(5,755)
Total net assets disposed	**$ 11,760**

Consideration	
Cash proceeds	16,543
Retention receivable	310
Royalty receivable	1,041
Total consideration	**$ 17,894**

Gain on disposition	**$ 6,134**
Currency translation loss on subsidiaries disposed	**(67,005)**
Total loss on disposition	**$ (60,871)**

On December 30, 2021, the Company liquidated the Valeura Energy (Netherlands) Cooperatief UA foreign subsidiary. All remaining assets and liabilities, at the time of liquidation, were transferred to Valeura Energy Inc. The liquidation resulted in a currency translation loss of $0.8 million as a result of transferring accumulated other comprehensive income to retained earnings through the statement of profit and loss.

7. Exploration and Evaluation Assets

Cost	Total
Balance, December 31, 2019	$ 4,006
Additions	1,715
Transfers to property, plant and equipment *(note 8)*	(1,918)
Capitalized share-based compensation	167
Effects of movements in exchange rates	(988)
Transfer to assets held for sale	(1,339)
Balance, December 31, 2020	**$ 1,643**
Additions	225
Capitalized share-based compensation	54
Effects of movements in exchange rates	(748)
Balance, December 31, 2021	**$ 1,174**

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

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.

Recoverability of exploration and evaluation assets

The Company assesses the recoverability of exploration and evaluation assets, before and at the moment of reclassification to property, plant and equipment, by allocating the E&E assets to appropriate CGUs. At December 31, 2021 and 2020, Valeura determined that no indicators of impairment existed with respect to the Company's E&E assets.

Impairment of exploration and evaluation assets is recognized in earnings.

8. Property, Plant and Equipment

Cost	Total
Balance, December 31, 2019	$ 66,126
Additions	3,130
Transfer from exploration and evaluation assets *(note 7)*	1,918
Change in decommissioning obligations *(note 9)*	2,021
Effects of movements in exchange rates	(13,048)
Transfer to assets held for sale	(45,039)
Balance, December 31, 2020	**$ 15,108**
Additions	37
Effects of movements in exchange rates	(6,321)
Balance, December 31, 2021	**$ 8,824**

Accumulated depletion and depreciation	Total
Balance, December 31, 2019	$ 31,843
Depletion and depreciation expense	3,566
Impairment	13,445
Effects of movements in exchange rates	(6,338)
Transfer to assets held for sale	(27,686)
Balance, December 31, 2020	**$ 14,830**
Depletion and depreciation expense	188
Effects of movements in exchange rates	(6,240)
Balance, December 31, 2021	**$ 8,778**

Net book value	Total
Balance, December 31, 2020	**$ 278**
Balance, December 31, 2021	**$ 46**

The majority of the property, plant and equipment as at December 31, 2021, is furniture and fixtures and computer hardware and software.

The Company conducted an assessment of impairment triggers and concluded there were no indicators of impairment with respect to the Company's property plant and equipment as at December 31, 2021.

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

9. Decommissioning Obligations

	December 31, 2021	December 31, 2020
Decommissioning obligations, beginning of year	**$ 2,161**	$ 8,181
Obligations incurred	**-**	871
Obligations settled	**-**	(121)
Change in estimates	**143**	1,610
Accretion of decommissioning obligations	**197**	913
Effects of movements in exchange rates	**(749)**	(1,759)
Transfer to liabilities directly associated with assets held for sale	**-**	(7,534)
Decommissioning obligations, end of year	**$ 1,752**	$ 2,161

The Company's decommissioning obligations result from its ownership interest in oil and natural gas assets. The total decommissioning obligation of $1.8 million at December 31, 2021 is estimated based on the Company's net ownership interest in three deep wells, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The change in estimates amount of $0.1 million at December 31, 2021 reflects the combined effect of a revision in the cost estimates for abandonment and reclamation, an increase in the risk-free interest rate in Turkey (December 31, 2021 – 23.1%; December 31, 2020 – 12.5%) and an increase in the inflation rate in Turkey (December 31, 2021 – 36.1%; December 31, 2020 – 14.6%). The change in estimates has been recorded on the statement of loss and comprehensive income (loss) as the Company has no corresponding asset recorded related to the decommissioning liability.

	December 31, 2021	December 31, 2020
Undiscounted cash flows	**$ 5,161**	**$ 8,084**
Undiscounted cash flows associated with assets held for sale	**$ -**	**$ 20,130**
Risk free rate – Turkey	**23.1%**	**12.5%**
Inflation rate – Turkey	**36.1%**	**14.6%**
Timing of cash flows	**4-5 years**	**2-13 years**

10. Revenue

Petroleum and natural gas sales, royalties and third-party natural gas sales recorded in 2021 are from the shallow conventional assets prior to their sale on May 26, 2021 (see note 6). After the close of the Disposition, the Company's only revenue for the period is interest.

For revenue earned until May 26, 2021, under the contracts, the Company was required to deliver a variable volume of natural gas to the contract counter party. Revenue was recognised when a unit of production was delivered to the contract counterparty. The amount of revenue recognised was based on the agreed transaction price, whereby any variability in revenue related specifically to the Company's efforts to transfer production or the customer's demand for natural gas, and therefore the resulting revenue was allocated to the production delivered in the period during which the variability occurs. As a result, none of the variable revenue was considered constrained.

The Company's contracts had a term of one year or less, whereby delivery took place throughout the contract period. Revenues were typically collected between the 12th and 25th day of the month following production.

The Company produced a small amount of crude oil prior to May 26, 2021, that was sold on a spot basis as volumes warranted. Oil was delivered by truck to customers and revenue was recognised in the period in which the delivery occurred.

In addition to selling natural gas that the Company produced prior to May 26, 2021, the Company sold natural gas that it purchased from other producers in the area. This purchased natural gas was sold to the same customers, using the same contracts, through the same distribution network as natural gas the Company produced. The Company purchased natural gas from other producers under contracts that were typically one year or less in length at a discount of between 12.5% and 15% to the BOTAS price. These contracts required the Company to deliver the purchased natural gas to customers. The Company did not have the right, nor the ability, to store the purchased natural gas. Since the Company did not have the ability to influence the decision-making process for the purchased natural gas volumes or the discretion to set prices, did not experience any inventory risk, did not perform any processing of the product and did not remit royalties to the Turkish government for the product, it considered itself an agent in these transactions. Revenue for this purchased gas was included net of purchase cost in other income.

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

Interest and other revenue is comprised mainly of interest on cash in hand.

All of the Company's natural gas was sold in Turkey, in the Thrace Basin, which is the same area in which it was produced.

	December 31, 2021	December 31, 2020
Natural gas	$ 3,031	$ 8,315
Crude oil	95	232
Petroleum and natural gas sales	**$ 3,126**	**$ 8,547**

	December 31, 2021	December 31, 2020
Royalties – natural gas	$ 379	$ 1,039
Crude oil	14	28
Gross overriding royalty	30	85
Royalties	**$ 423**	**$ 1,152**

	December 31, 2021	December 31, 2020
Third party natural gas sales net of costs	$ 152	$ 303
Interest and other revenue	139	312
Other income	**$ 291**	**$ 615**

11. Income Taxes

A reconciliation of the expected tax expense to the actual provision for current and deferred taxes is as follows:

	December 31, 2021	December 31, 2020
Loss before taxes	**$ (64,275)**	$ (20,161)
Combined federal and provincial tax rate	**23.00%**	24.00%
Expected income tax recovery	**(14,783)**	(4,840)
Change in tax rates	**(538)**	1,662
Non-taxable items and other	**7,104**	764
Foreign tax rate differential	**43**	277
Change in unrecognized deferred tax assets	**8,449**	1,510
Income tax (recovery) expense – current and deferred	**$ 275**	$ (627)

The deferred income tax rate applied to the temporary differences in 2021 was 23.0 percent (2020 – 24.0 percent). The Turkish tax rate for 2021 was 25.0 percent (2020 - 22.0 percent).

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

The components of the deferred tax balances are as follows:

	December 31, 2021	December 31, 2020
Property, plant and equipment and exploration and evaluation assets	**$ -**	$ (3,215)
Decommissioning obligations	**-**	1,657
Non-capital losses and other	**-**	538
Foreign Exchange	**-**	590
Transferred to assets held for sale	**-**	430
	$ -	$ -

The temporary differences that determine the unrecognized deferred tax assets are as follows:

	December 31, 2021	December 31, 2020
Property, plant and equipment and exploration and evaluation assets	**$ 6,739**	$ 7,880
Share issuance costs	**856**	1,769
Non-capital losses and other	**61,912**	57,957
Foreign Exchange	**6,065**	5,206
	$ 75,572	$ 72,812

The Company has tax assets of approximately $69.0 million at December 31, 2021 (2020 – $73.2 million) available for deduction against future taxable income. Cumulative non-capital loss carry-forwards in the amount of $60.2 million at December 31, 2021 (2020 - $58.3 million) expire between 2021 and 2038.

12. Administrative Expenses

The components of administrative expenses are as follows:

For the years ended	**December 31, 2021**	**December 31, 2020**
Cash:		
Salaries and benefits (1)	**$ 2,447**	$ 2,777
Other (2)	**2,669**	3,212
	5,116	5,989
Capitalized overhead and recoveries (3)	**(323)**	(1,572)
General and administrative	**4,793**	4,417
Non-cash:		
Share-based compensation	**300**	1,199
Capitalized share-based compensation (3)	**(54)**	(167)
Share-based compensation	**$ 246**	$ 1,032

(1) Includes salaries, benefits and bonuses earned by all Directors, Officers and employees of the Company.

(2) Includes costs such as rent, professional fees, insurance, travel, office, and other business expenses incurred by the Company.

(3) Includes a portion of salaries, benefits, share-based compensation and other G&A directly attributable to the exploration and development activities of the Company. The reduction in recoveries in 2021 reflects the reduction in capital expenditures on the deep gas play.

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

Compensation for Executive Officers and Directors are comprised of the following:

For the years ended	December 31, 2021	December 31, 2020
Salaries and benefits [1]	**$ 1,089**	$ 1,468
Share-based compensation [2]	**250**	832
Executive Officers and Directors compensation	**$ 1,339**	$ 2,300

(1) Includes salaries, benefits and bonuses earned by Executive Officers and Directors comprised of: Chairman of the Board, President and Chief Executive Officer, Chief Financial Officer, Chief Operating Officer (2020 only), Vice President - Commercial and other independent Directors.

(2) Represents the amortization of share-based compensation expense in the year associated with options granted to Executive Officers and Directors participating in the Company's Stock Option Plan.

The Company recorded other severance and transaction costs for the year ended December 31, 2021 of $0.2 million and $0.1 million respectively. The 2021 transaction costs are fees related to the transaction described in Note 6.

13. Share Capital

(a) Authorized

Unlimited number of common shares
Unlimited number of preferred shares, issuable in series

(b) Per share amounts

Per share amounts have been calculated using the weighted average number of common shares outstanding. The weighted average number of common shares outstanding for the year ended December 31, 2021 is 86,584,989 (2020 – 86,584,989). As a result of the company incurring a net loss during each of the last two years, the average number of common shares outstanding was not increased for outstanding stock options as the effect would be anti-dilutive.

(c) 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.
The number and weighted average exercise prices of share options are as follows:

	Number of Options	Weighted average exercise price (CAD)
Balance, December 31, 2019	5,836,667	$ 1.97
Granted	3,195,000	0.28
Expired	(240,000)	1.00
Forfeited	(3,154,834)	2.85
Balance, December 31, 2020	5,636,833	$ 0.57
Granted	2,312,500	0.52
Expired	(373,334)	0.63
Forfeited	(908,333)	1.06
Balance, December 31, 2021	**6,667,666**	**$ 0.48**
Exercisable at December 31, 2021	**2,681,842**	**$ 0.57**

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

The following table summarizes information about the stock options outstanding at December 31, 2021:

Exercise prices (CAD)	Outstanding at December 31, 2021	Weighted average remaining life (years)	Weighted average exercise price (CAD)	Exercisable at December 31, 2021	Weighted average exercise price (CAD)
$0.25 - $0.37	2,260,000	5.2	$ 0.25	753,342	$ 0.25
$0.38 - $0.51	50,000	6.2	0.49	-	-
$0.52 - $0.53	2,262,500	6.2	0.52	-	-
$0.54 - $0.74	1,141,833	1.8	0.62	975,167	0.62
$0.75 - $0.80	953,333	2.1	0.76	953,333	0.76
	6,667,666	4.5	$ 0.48	2,681,842	$ 0.57

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

Assumptions	**December 31, 2021**	**December 31, 2020**
Risk free interest rate (%)	**0.8**	0.8
Expected life (years)	**4.5**	4.5
Expected volatility (%)	**99.0**	99.6
Forfeiture rate (%)	**11.0**	6.8
Weighted average fair value of options granted (CAD)	**$ 0.37**	$ 0.20

14. Credit Facilities

The Company's APSG facility with Export Development Canada ("EDC") is effective from June 16, 2021 to May 31, 2022 with a limit of $0.25 million and can be renewed on an annual basis. The APSG facility, which was issued to NBC allows the Company to use the facility as collateral for certain letters of credit issued by NBC, with a limit of $0.25 million and can be renewed on an annual basis. The Company has issued approximately $0.15 million in letters of credit under the APSG facility at current exchange rates.

15. Supplemental Cash Flow Information

	December 31, 2021	December 31, 2020
Change in non-cash working capital:		
Accounts receivable	**$ (387)**	$ 5,850
Prepaid expenses and deposits	**70**	793
Inventory	**-**	214
Deposits (non-current)	**-**	-
Accounts payable and accrued liabilities	**165**	(509)
Movements in exchange rates	**(167)**	6
Transfer to assets held for sale	**-**	(5,439)
	(319)	915
The change in non-cash working capital has been allocated to the following activities:		
Operating	**(37)**	1,362
Investing	**(282)**	(447)
	$ (319)	$ 915

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

16. Financial Risk Management

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as:

- Credit risk
- Market risk
- Liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout the consolidated financial statements.

The Board of Directors oversees managements' establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from joint venture partners and oil and natural gas marketers. The maximum exposure to credit risk at year-end is as follows:

	December 31, 2021	December 31, 2020
Joint venture receivable from partners	$ 25	$ 89
Revenue receivables from customers	-	1,688
Retention receivable *(note 6)*	310	-
Taxes receivable	205	1,248
Other	46	-
Accounts receivable	$ 586	$ 3,025
Royalty receivable *(note 6)*	$ 2,315	$ -

Trade and other receivables:

The Company's accounts receivables consist of a retention receivable amount related to the Disposition (note 6) which is a portion of the purchase price held in escrow for one year and taxes receivable from the Turkish Government (VAT receivable). The royalty receivable relates to the Disposition discussed in note 6. As a December 31, 2021, $0.2 million of the $2.5 million royalty receivable has been collected. As at March 30, 2022, the Company has collected an additional $1.5 million.

(b) Market risk

Market risk is the risk that changes in market conditions, such as commodity prices, foreign exchange rates and interest rates will affect the Company's income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximising the Company's return.

Interest rate risk:

Interest rate risk is the risk that future cash flows or valuations of assets or liabilities will fluctuate as a result of changes in market interest rates. The Company currently has limited exposure to interest rate risk as it has no debt and interest rates on cash balances are at historic lows. Market interest rates currently affect the present value of the Company's decommissioning liability.

Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with the financial liabilities. The Company's financial liabilities consist of accounts payable. Accounts payable consists of invoices payable to trade suppliers for office, field operating activities and capital expenditures. The Company processes invoices within a normal payment period. Accounts payable have contractual maturities of less than one year. The Company maintains and monitors a certain level of cash which is used to finance all operating and capital expenditures.

Capital management:

The Company's *capital structure* includes working capital and shareholders' equity. Currently, total capital resources available are working capital and the Company has a significant cash and cash equivalents balance of $40.8 million. 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 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 expenditures include expenditures in oil and gas activities which may or may not be successful. The Company makes adjustments to the capital structure in light of changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas assets. In order to maintain or adjust the capital structure, the Company may, from time to time, issue shares, adjust its capital spending or issue debt instruments. The Company is not currently subject to any externally imposed capital requirements as it maintains operatorship over all of its 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.

Fair value of financial assets and liabilities:

The Company's fair value measurements are classified as one of the following levels of the fair value hierarchy:

Level 1 – inputs represent unadjusted quoted prices in active markets for identical assets and liabilities. An active market is characterized by a high volume of transactions that provides pricing information on an ongoing basis.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These valuations are based on inputs that can be observed or corroborated in the marketplace, such as market interest rates or forecasted commodity prices.

Level 3 – inputs for the asset or liability are not based on observable market data.

The Company aims to maximise the use of observable inputs when preparing calculations of fair value. Classification of each measurement into the fair value hierarchy is based on the lowest level of input that is significant to the fair value calculation.

The fair value of cash and cash equivalents, accounts receivable, royalty receivable, and accounts payable and accrued liabilities approximate their carrying amounts due to their short terms to maturity.