Condensed Interim Consolidated Financial Statements as at March 31, 2022 and for the three months ended March 31, 2022 and 2021

(Unaudited)

(In U.S. Dollars)

valeura energy inc.

Condensed Interim Consolidated Statements of Financial Position

(thousands of US Dollars, unaudited)	**March 31, 2022**	December 31, 2021
Assets		
Current Assets		
Cash and cash equivalents	**$ 39,775**	$ 40,826
Restricted cash	**16**	16
Accounts receivable *(note 9)*	**583**	586
Royalty receivable *(note 9)*	**407**	2,315
Prepaid expenses and deposits	**559**	260
	41,340	44,003
Non-Current Assets		
Deposits *(note 11)*	**966**	-
Exploration and evaluation assets *(note 3)*	**1,333**	1,174
Property, plant and equipment *(note 4)*	**46**	46
	$ 43,685	$ 45,223
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities *(note 10)*	**$ 1,778**	$ 341
	1,778	341
Decommissioning obligations *(note 5)*	**1,638**	1,752
	3,416	2,093
Shareholders' Equity		
Share capital *(note 6)*	**179,717**	179,717
Contributed surplus	**22,830**	22,706
Accumulated other comprehensive gain (loss)	**10,634**	10,146
Deficit	**(172,912)**	(169,439)
	40,269	43,130
	$ 43,685	$ 45,223

Subsequent events *(note 11)*

See accompanying notes to the condensed interim consolidated financial statements.

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Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three months ended March 31, 2022 and 2021

(thousands of US Dollars, unaudited)	**March 31, 2022**	March 31, 2021
Revenue		
Petroleum and natural gas sales	**$ -**	$ 2,086
Royalties	**-**	(279)
Other Income	**25**	129
	25	1,936
Expenses and other items		
Production	**45**	770
General and administrative	**1,590**	1,658
Severance	**-**	146
Transaction costs	**1,223**	44
Accretion on decommissioning liabilities (*notes 5*)	**79**	277
Foreign exchange (gain) loss	**445**	744
Share-based compensation (*note 6*)	**113**	(76)
Change in estimate on decommissioning liabilities *(note 5)*	**(5)**	(709)
Depletion and depreciation *(notes 4)*	**8**	7
	3,498	2,861
Loss for the period before income taxes	**(3,473)**	(925)
Income taxes		
Current tax expense	**-**	22
Deferred tax expense (recovery)	**-**	114
Net loss	**(3,473)**	(1,061)
Other comprehensive income (loss)		
Currency translation adjustments	**488**	(727)
Comprehensive loss	**$ (2,985)**	$ (1,788)
Net loss per share *(note 6)*		
Basic	**$ (0.04)**	$ (0.01)
Diluted	**$ (0.04)**	$ (0.01)
Weighted average number of shares outstanding (thousands)		
Basic	**86,585**	86,585
Diluted	**86,585**	86,585

See accompanying notes to the condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Cash Flows
For the three months ended March 31, 2022 and 2021

(thousands of US Dollars, unaudited)	**March 31, 2022**	March 31, 2021
Cash was provided by (used in):		
Operating activities:		
Net income (loss) for the period	**$ (3,473)**	$ (1,061)
Depletion and depreciation *(note 4)*	**8**	7
Share-based compensation *(note 6)*	**113**	(76)
Accretion on decommissioning liabilities *(note 5)*	**79**	277
Change in estimate on decommissioning liabilities *(note 5)*	**(5)**	(709)
Foreign exchange loss (gain)	**380**	755
Deferred tax expense (recovery)	**-**	114
Change in restricted cash	**-**	(2)
Change in non-cash working capital *(note 8)*	**1,155**	247
Cash (used in) provided by operating activities	**(1,743)**	(448)
Financing activities:		
Principal payments on lease liability	**-**	(28)
Cash used in financing activities	**-**	(28)
Investing activities:		
Property and equipment expenditures *(note 4)*	**(3)**	-
Exploration and evaluation expenditures *(note 3)*	**(275)**	(68)
Assets held for sale expenditures	**-**	(72)
Royalty receivable *(note 9)*	**1,908**	-
Change in non-cash working capital *(note 8)*	**(968)**	(172)
Cash used in investing activities	**662**	(312)
Foreign exchange gain (loss) on cash held in foreign currencies	**30**	29
Net change in cash and cash equivalents	**(1,051)**	(759)
Cash and cash equivalents, beginning of period	**40,826**	30,143
Cash and cash equivalents, end of period	**$ 39,775**	$ 29,384

See accompanying notes to the condensed interim consolidated financial statements.

valeura energy inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the three months ended March 31, 2022 and 2021

(thousands of US Dollars and thousands of shares, unaudited)	Number of common shares	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comp. Income/(loss)	Total Shareholders' Equity
Balance, January 1, 2022	86,585	$ 179,717	$ 22,706	$ (169,439)	$ 10,146	$ 43,130
Net loss for the period	-	-	-	(3,473)	-	(3,473)
Currency translation adjustments	-	-	-	-	488	488
Share-based Compensation	-	-	124	-	-	124
March 31, 2022	**86,585**	**$ 179,717**	**$ 22,830**	**$ (172,912)**	**$ 10,634**	**$ 40,269**

(thousands of US Dollars and thousands of shares, unaudited)	Number of common shares	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comp. Loss	Total Shareholders' Equity
Balance, January 1, 2021	86,585	$ 179,717	$ 22,410	$ (104,889)	$ (55,288)	$ 41,950
Net loss for the period	-	-	-	(1,061)	-	(1,061)
Currency translation adjustments	-	-	-	-	(727)	(727)
Share-based Compensation	-	-	(59)	-	-	(59)
March 31, 2021	**86,585**	**$ 179,717**	**$ 22,351**	**$ (105,950)**	**$ (56,015)**	**$ 40,103**

See accompanying notes to the condensed interim 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

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 attached 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, 2021. 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 audited consolidated financial statements for the year ended December 31, 2021 with the exception as noted below of certain disclosures that are normally required to be included in annual consolidated financial statements which have been condensed or omitted in the interim statements.

Operating, transportation and marketing expenses in profit or loss are presented as a combination of function and nature in conformity with industry practices. Depletion and depreciation and finance expenses are presented in a separate line by their nature, while net administrative expenses are presented on a functional basis. The use of estimates and judgements is also consistent with the December 31, 2021 financial statements.

The unaudited condensed interim consolidated financial statements were authorised for issue by the Board of Directors on May 6, 2022.

(b) Basis of measurement

These unaudited condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial and non-financial assets and liabilities, which have been measured at fair value. The methods used to measure fair value are consistent with the Company's December 31, 2021 audited consolidated financial statements.

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 unaudited condensed interim consolidated financial statements include the accounts of Valeura and its subsidiaries and are expressed in thousands of 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 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 loss 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.

(d) Use of estimates

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 influenced by political and economic factors. Management has based its estimates with respect to the Company's operations in Turkey based on information available up to the date these condensed interim consolidated financial statements were approved by the Board of Directors. Significant changes could occur which could materially impact the assumptions and estimates made in these consolidated financial statements. Changes in assumptions are recognised in the financial statements prospectively.

3. Exploration and Evaluation Assets

Cost		**Total**
Balance, December 31, 2021	$	1,174
Additions		275
Capitalised share-based compensation		10
Effects of movements in exchange rates		(126)
Balance, March 31, 2022	**$**	**1,333**

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

4. Property, Plant and Equipment

Cost		Total
Balance, December 31, 2021	$	8,824
Additions		3
Effects of movements in exchange rates		(910)
Balance, March 31, 2022	**$**	**7,917**

Accumulated depletion and depreciation		Total
Balance, December 31, 2021	$	8,778
Depreciation expense		8
Effects of movements in exchange rates		(915)
Balance, March 31, 2022	**$**	**7,871**

Net book value		Total
Balance, December 31, 2021	$	46
Balance, March 31, 2022	**$**	**46**

The depreciation expense recorded in 2022 relates to the Company's corporate assets.

(a) Contingencies

Although the Company believes that it has title to its oil and natural gas properties, it cannot control or completely protect itself against the risk of title disputes or challenges.

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

5. Decommissioning Obligations

		March 31, 2022
Decommissioning obligations, beginning of period	$	1,752
Change in estimates		(5)
Accretion of decommissioning obligations		79
Effects of movements in exchange rates		(188)
Balance, March 31, 2022	**$**	**1,638**

The Company's decommissioning obligations result from its ownership interest in oil and natural gas assets. The total decommissioning obligation is estimated based on the Company's net ownership interest in all 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 estimate is mainly due to a change in the risk-free interest rate and inflation in Turkey. The change in estimate has been recorded on the statement of loss and comprehensive loss as the Company has no asset related to the decommissioning liability.

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

6. Share Capital

(a) Issued

Common shares	Number of Shares	Amount
Balance, March 31, 2022 and December 31, 2021	**86,584,989**	**$ 179,717**

(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 three months ended March 31, 2022 is 86,584,989 (March 31, 2021 and December 31, 2021 – 86,584,989). The weighted average number of common shares outstanding was not increased for the three month period ended March 31, 2022, and 2021, for outstanding stock options, as the effect would be anti-dilutive.

(c) Stock options

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

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

	Number of Options	Weighted average exercise price (CAD)
Balance outstanding, December 31, 2021	6,667,666	$ 0.48
Balance outstanding, March 31, 2022	**6,667,666**	**0.48**
Exercisable at March 31, 2022	**4,289,345**	**$ 0.50**

The following table summarises information about the stock options outstanding at March 31, 2022:

Exercise prices (CAD)	Outstanding at March 31, 2022	Weighted average remaining life (years)	Weighted average exercise price (CAD)	Exercisable at March 31, 2022	Weighted average exercise price (CAD)
$0.25 - $0.51	2,310,000	5.0	$ 0.26	1,523,338	$ 0.25
$0.52 - $0.53	2,262,500	6.0	0.52	754,174	0.52
$0.54 - $0.74	1,141,833	1.6	0.62	1,058,500	0.62
$0.75 - $0.80	953,333	1.9	0.76	953,333	0.76
	6,667,666	4.3	$ 0.48	4,289,345	$ 0.50

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

No options were granted during Q1 2022. In 2021, the fair value, at the grant date, of the stock options issued was estimated using the Black-Scholes model with the following weighted average inputs (weighted average fair value per option in CAD):

Assumptions	**March 31, 2022**	December 31, 2021
Risk free interest rate (%)	**-**	0.8
Expected life (years)	**-**	4.5
Expected volatility (%)	**-**	99.0
Forfeiture rate (%)	**-**	11.0
Weighted average fair value per option	**-**	$ 0.37

7. 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.

8. Supplemental Cash Flow Information

Three months ended	**March 31, 2022**	March 31, 2021
Change in non-cash working capital:		
Accounts receivable	**$ 3**	$ 112
Prepaid expenses and deposits	**(1,265)**	(233)
Inventory	**-**	-
Accounts payable and accrued liabilities	**1,437**	439
Assets held for sale	**-**	3,425
Liabilities directly associated with the asset held for sale	**-**	(1,875)
Movements in exchange rates	**12**	(1,793)
	$ 187	$ 75
The change in non-cash working capital has been allocated to the following activities:		
Operating	**1,155**	247
Investing	**(968)**	(172)
	$ 187	$ 75

9. 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.

The Board of Directors oversees managements' establishment and execution of the Company's risk management framework.

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

Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyse 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 is as follows:

	March 31, 2022	December 31, 2021
Joint venture receivable from partners	$ 29	$ 25
Retention receivable	310	310
Taxes receivable	227	205
Other	17	46
Accounts receivable	$ 583	$ 586
Royalty receivable	$ 407	$ 2,315

Trade and other receivables:

The Company's accounts receivables consist of a retention receivable amount related to the 2021 Disposition 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 2021 Disposition. As at March 31, 2022, $2.1 million of the $2.5 million royalty receivable has been collected.

Receivables from partners are related to the Company's remaining licences in Turkey. Other receivables are related to an insurance premium refund.

(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 $39.8 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.

10. Accounts payable and accrued liabilities

The majority of the accounts payable and accrued liabilities balance is comprised of legal transactions costs related to the share purchase agreement disclosed in note 11 and business development costs.

11. Subsequent events

As announced on April 28, 2022, the Company entered into a Sale and Purchase Agreement with KrisEnergy (Asia) Ltd (the "Seller") to acquire all of the shares of KrisEnergy International (Thailand) Holdings Ltd (the "SPA"), which holds an interest in two operated licences in shallow water offshore Thailand for total initial cash consideration of $3.1 million (refundable if certain conditions are not met), plus certain contingent payments of up to a further US$7.0 million relating to future development milestones and an estimated $1.6 million for maintenance and administrative costs between the signing of the SPA and the anticipated close. As at March 31, 2022, $1.0 million of the cash consideration was paid and recorded as a non-current deposit (refundable if certain conditions are not met). Separately, Valeura has agreed to purchase an onsite Mobile Offshore Production Unit (asset acquisition) from Nora Limited, for cash consideration of $9.2 million (the "MOPU Purchase"), which will be phased over approximately 14 months. The SPA has an effective date of January 1, 2022 and Valeura anticipates the deal closing within the first half of 2022.

To facilitate the SPA, Valeura, with an 85% interest, and Panthera Resources PTY Ltd (a Singapore-based geo-technical consulting firm, "Panthera"), with a 15% interest, have created a Singapore-domiciled special purpose vehicle company ("SPV") Panthera Resources Pte. Ltd, to serve as the buying entity under the SPA. The relationship between Valeura and Panthera as shareholders of the SPV is governed by a shareholder agreement which includes, among other things, provisions for the funding of the SPA purchase 100% by Valeura, and the ongoing engagement of certain Panthera individuals as part of the Valeura management team.