valeura energy inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2022 and 2021

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

The following Management's Discussion and Analysis ("MD&A") as provided by the management of Valeura Energy Inc. ("Valeura" or the "Company") is dated as of May 6, 2022, and should be read in conjunction with Valeura's unaudited condensed interim consolidated financial statements and related notes for the three month periods ended March 31, 2022 and 2021. Additional information relating to Valeura is available under Valeura's profile on www.sedar.com, including Valeura's Annual Information Form for the year ended December 31, 2021 ("2021 AIF"). The reporting currency is the United States Dollar ("USD") (see the sections titled "Foreign Exchange" and "Currency Translation Adjustment" for discussion on Valeura's functional currencies).

Basis of Presentation

Valeura's unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting of the International Financial Reporting Standards ("IFRS"). The unaudited condensed interim consolidated financial statements should be read in conjunction with Valeura's audited consolidated financial statements and MD&A for the year ended December 31, 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 2021 audited consolidated financial statements, with the exception of certain disclosures that are normally required to be included in annual consolidated financial statements, which have been condensed or omitted in the interim statements.

The discussion and analysis of oil and natural gas production is presented on a working-interest, before royalty basis. For the purpose of calculating unit of production information, natural gas is converted to a barrel of oil equivalent ("boe") using six thousand cubic feet of natural gas equal to one barrel of oil. This conversion ratio of 6:1 is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Readers are cautioned that boe as a unit of measure may be misleading, particularly if used in isolation

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the revenues and expenses during the reporting period. Management reviews these estimates, including those related to accruals, reserves, environmental and decommissioning obligations and income taxes at each financial reporting period. Changes in facts and circumstances may result in revised estimates and actual results may differ from these estimates. Readers should be aware that historical results are not necessarily indicative of future performance.

Any financial outlook or future oriented financial information in this MD&A, as defined by applicable securities legislation, has been approved by management of Valeura. Such financial outlook or future oriented financial information is provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes.

The Company

Valeura is a Canada-based public company whose common shares are traded on the Toronto Stock Exchange under the trading symbol "VLE" and on the London Stock Exchange under the trading symbol "VLU".

Valeura was established in 2010 to grow internationally through opportunistic acquisitions of producing assets with exploitation and exploration upside. The Company has been active in Turkey since its inception across all areas of exploration, development and production. The primary region of activity in Turkey has been in the Thrace Basin just west of Istanbul where Valeura operated gas production. Between 2017 and 2020, the Company undertook a large exploration and appraisal campaign of a deep, unconventional tight gas play ("Deep Gas Play") in partnership with Equinor. In 2021, the Company sold its shallow conventional gas business in Turkey for total cash consideration of $16.85 million, plus royalty payments of $2.5 million (the "Disposition").

Valeura retained all the assets associated with the Deep Gas Play, and as at March 31, 2022, the Company held operatorship and deep rights on six exploration licences and production leases in the Thrace Basin comprising approximately 0.23 million gross acres and 0.19 million net acres. Most of the land holdings are in three exploration licences which are in the first of three possible two-year extensions providing a period of up to five additional years to explore and appraise the Deep Gas Play. The current first extension period has an expiry date of June 27, 2023 and a commitment well is required in each licence. The Company is currently seeking a partner for the continued appraisal of the Deep Gas Play prior to commencing further deep drilling.

The Company is seeking to build a balanced portfolio whereby in addition to the prospective high-value future upside in the Deep Gas Play, the Company is looking to utilise its current cash position to acquire near-term cash flowing assets that additionally have further growth potential. In line with this strategy and subsequent to the end of the quarter, Valeura announced that it had signed agreements to buy assets in the Gulf of Thailand. This deal is expected to close in Q2 2022. The Company continues to seek additional Mergers and Acquisitions ("M&A") opportunities that will allow it to build further upon its asset portfolio.

Operations and Outlook

As a result of the sale of its Turkish gas production in 2021 to TBNG Limited ("TBNGL"), the Company did not have any production in the quarter. In addition to the upfront sale price, Valeura had the potential for a royalty payment from TBNGL for a period of five years, up to a maximum payment of $2.5 million. As a result of the recent increases in gas prices globally, Valeura has already invoiced the full $2.5 million and collected $2.1 million. The Company expects to collect the remaining balance in Q2 2022.

Valeura has the opportunity to retain the Deep Gas Play in Turkey for up to a further five years at expected relatively low holding costs. The Company believes securing a partner is the most prudent next step before committing significant capital to the next appraisal drilling and testing campaign. Given the very high gas prices in Europe since Q4 2021, and the increased focus on security of gas supply, in Q1 the Company reinitiated a farmout process with an advisor in London. Valeura is poised to resume deep drilling operations rapidly upon securing a partner, with several well locations already in the advanced permitting stage.

The three exploration licences which hold the Deep Gas Play have work commitments of geological studies and one exploration well in each licence. Spudding of these wells must be completed by June 27, 2023 to enable application for the next two-year extension period. Through commercial arrangements with TBNGL, operator of the shallow rights, the expected drilling in Q2 2022 of shallow wells would fulfil the commitments in two of the three licences.

New Business

Subsequent to the end of the quarter, on April 28, 2022, the Company entered into a sale and purchase agreement (the "SPA") to acquire all of the shares of KrisEnergy International (Thailand) Holdings Ltd. out of a receivership (the "Acquisition"). Valeura has formed Panthera Resources Pte. Ltd., a Singapore-domiciled special purpose vehicle company ("SPV") to serve as the buyer under the SPA in which Valeura will hold an 85% interest. The Acquisition will result in Valeura holding an interest in two operated licences in shallow water offshore Thailand, which includes the suspended Wassana oil Field in block G10/48 (89% SPV operated working interest) and the fully appraised, but undeveloped Rossukon Oil Field in block G6/48 (43% SPV operated working interest). The upfront cash consideration is $3.1 million, plus certain contingent payments of up to a further $7.0 million relating to future development milestones. 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 a mobile offshore production unit ("MOPU") located on the Wassana Oil Field, for cash consideration of $9.2 million, which will be phased over approximately 14 months.

Valeura anticipates that the Acquisition will close in Q2 2022. Work is underway including operational planning activities and finalising key commercial arrangements to facilitate the restart of production operations from the Wassana oil field. Production is expected to be approximately 3,000 barrels per day (net) in Q4 2022.

In keeping with Valeura's strategy, the Company intends to continue pursuing inorganic growth, and is evaluating opportunities for further acquisitions, including opportunities in Thailand with synergies to the acquired assets and the associated tax loss carry forwards. The collective international experience of the Company's management and board of directors defines a broad focus area, including jurisdictions with significant deal flow and expected relatively low competition for assets.

Business Environment

The Company's business was complicated in 2020 and much of 2021 by the effects of the global COVID-19 pandemic given the restrictions on travel and in person meetings. However, the situation has improved in Q1 2022, with recent relaxing of restrictions in many parts of the world.

The extreme volatility of oil and gas prices globally over the past two years has challenged the ability to execute M&A deals and significantly increased the time required and necessitated more complicated deal structures where contingent future payments are now the norm.

Following consultation with the Financial Conduct Authority ("FCA"), the Company has been advised that the Acquisition, should it close, will constitute a reverse takeover for the purposes of the Listing Rules of the FCA. Therefore, the Company was required to request a suspension of the listing of its common shares ("Common Shares") on the standard segment of the Official List and trading in its Common Shares on the Main Market of the London Stock Exchange has been suspended as of April 28, 2022.

Prior to April 28, 2022, approximately 3.1% of the Company's shares were held on the UK depositary and trading on the London Stock Exchange. The Common Shares will continue to trade as normal on the Toronto Stock Exchange. Interests in the Company's shares purchased on the London Stock Exchange are fully fungible and can be transferred from the UK depositary to the Canadian depositary to be traded on the Toronto Stock Exchange. Shareholders interested in transferring their shares should contact their broker or nominee to coordinate such a transaction with the Company's registrar.

After the Acquisition closes, in order for its Common Shares to resume trading on a UK stock exchange, the Company will be required to undertake a new listing process, which will require the filing of a prospectus document providing details on the enlarged Company group.

Results of Operations

Operations in Q1 2022 were limited to ongoing maintenance of the three well sites related to the Deep Gas Play, and general and administrative costs. The results for the three months ended March 31, 2022, in Turkey reflect the expected ongoing operations of the Company, until operations related to new business and/or the Deep Gas Play commence. General and administrative expenses and transaction costs reflect activity related to new business conducted during the quarter.

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

General and Administrative Expenses

	Three months ended	
	March 1, 2022	March 31, 2021
General and administrative expenses	**$ 980**	$ 1,740
Business development	**665**	-
Recoveries and capitalized general and administrative expenses	**(55)**	(82)
Total general and administrative expenses	**$ 1,590**	$ 1,658

General and administrative expenses decreased when compared to the same period in 2021 due to reductions in staffing levels at the Company's head office, and a reduction in costs due to the Disposition, which closed in Q2 2021. This decrease was partially offset by an increase in business development costs in Q1 2022.

Transaction Costs

Transaction costs in Q1 2022 were $1.2 million and relate to legal and due diligence costs associated with the Acquisition of the Gulf of Thailand assets which was announced on April 28, 2022.

Operating Costs

Operating costs for the three months ended March 31, 2022, were $0.05 million. This compares to $0.8 million for the three months ended March 31, 2021, which still included operations and production related to the Disposition, which closed in Q2 2021.

Operating costs for the Deep Gas Play in Q1 2022 were related to the ongoing maintenance and insurance.

Foreign Exchange

Foreign exchange (realised and unrealised) for Q1 2022 was a loss of $0.4 million compared to a loss of $0.7 million for the same period in 2021.

The functional currency for the Company's Turkish operations is the TL. Foreign exchange gains and losses are the result of translation of accounts denominated in currencies other than the functional currencies of Valeura and its subsidiaries, and settling transactions denominated in currencies other than the functional currency of the entity.

The Company's general and administrative costs are mostly denominated in Canadian dollars ("CAD"). The CAD/USD exchange rate remained consistent during Q1 2022.

Non-cash Expenses

Currency Translation Adjustment

The currency translation adjustment for Q1 2022 was a gain of $0.5 million compared to a loss of $0.7 million for the same period in 2021 reflecting the fluctuation in the value of the TL and CAD compared to the USD in the respective periods.

Share-based Compensation

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

Share-based compensation expense for Q1 2022 was $0.1 million compared to a recovery of $0.1 million for the same period in 2021.

Change in Estimate and Accretion on Decommissioning Liabilities

In Q1 2022, the Company recorded a recovery of $0.01 million related to the change in estimate on the Company's decommissioning obligations for the wells related to the Deep Gas Play. The total decommissioning obligation is estimated based on the Company's net ownership interest in three deep wells and associated facilities, estimated costs to reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred in future years. The change in estimate reflects the combined effect of a revision in the cost estimates for abandonment and reclamation, and changes in the risk-free interest rate and inflation rate in Turkey.

Liquidity, Financing and Capital Resources

The Company's capital structure includes working capital and shareholders' equity. Currently, total capital resources available are working capital and the Company is in a strong position given its significant cash position of $39.8 million (before payment of any consideration in respect of the Acquisition). The Company's objective when managing capital is to maintain a flexible capital structure which allows it to execute its growth strategy through acquisitions and expenditures on exploration and development activities while maintaining a strong financial position.

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 the lands in the Thrace Basin.

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

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

The Company's account performance security guarantee ("APSG") facility with Export Development Canada 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 the National Bank of Canada ("NBC") on the Company's behalf, 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 $0.14 million in letters of credit under the APSG facility at current exchange rates.

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Selected Quarterly Information

	Three months ended			
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Total daily production (boe/d)	-	-	-	614
Petroleum and natural gas sales	-	-	-	1,040
Cash provided by (used in) operating activities	(1,743)	(887)	(1,151)	(677)
Net income (loss)	(3,473)	(3,190)	1,234	(61,533)
Per share, basic and diluted	$ (0.04)	$ (0.04)	$ 0.01	$ (0.71)

	Three months ended			
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
Total daily production (boe/d)	684	707	615	561
Petroleum and natural gas sales	2,086	1,978	1,843	1,918
Cash provided by (used in) operating activities	(448)	(1,035)	(1,113)	1,192
Net loss	(1,061)	(15,294)	(2,149)	(1,899)
Per share, basic and diluted	$ (0.01)	$ (0.18)	$ (0.02)	$ (0.02)

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

- Cash used in operating activities increased in Q1 2022 as a result of transactions costs associated with the Acquisition of the Gulf of Thailand assets announced in April 2022.
- The Company completed the Disposition in Q2 2021, resulting in the transfer of a large currency translation loss from accumulated other comprehensive income ("AOCI") to current period earnings in Q2 2021 and no production and sales in Q3 2021; and
- The Company was required to write down the value of the Deep Gas Play assets in 2020, which resulted in the significant loss reported in Q4 2020.

Outstanding Share Data

	March 31, 2022
Common shares	86,584,989
Stock options	6,667,666
Fully diluted	93,252,655

Critical Accounting Policies

Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The reader is referred to Valeura's audited consolidated financial statements for the year ended December 31, 2021, for a description of estimates and judgments.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

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

The Company's CEO and CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company is required to disclose herein any change in the Company's internal controls over financial reporting that occurred during the period beginning on January 1, 2022, and ending on March 31, 2022, that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting. No material changes in the Company's internal controls over financial reporting were identified during such period that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

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

Off Balance Sheet Arrangements

The Company had no off balance sheet arrangements outstanding as at March 31, 2022.

Financial Instruments

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

Business Risks and Uncertainties

The Company is impacted by rising inflationary pressures.

Inflation rates in jurisdictions that the Company operates in increased significantly in 2021, rising above the target inflation rate ranges set by governing central banks and continued to rise throughout Q1 2022. A significant portion of the upward pressure on prices has been attributed to the rising costs of labour, energy, food, motor vehicles and housing, overall challenges involved in reopening and managing the economy throughout the COVID-19 pandemic, continuing global supply-chain disruptions and the impact of the Russian invasion of Ukraine. Inflation increases may or may not be transitory. However, any sustained upward trajectory in the inflation rate could have an impact on the Company's results by applying upward pressure on the Company's costs in 2022 and future periods. The

Company's potential inability to manage costs resulting from inflation may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and funds from operations.

The cost or availability of oil and gas field equipment may adversely affect the Company's ability to undertake future projects. The oil and gas industry is cyclical in nature and is prone to shortages of supply of equipment and services including drilling rigs, geological and geophysical services, engineering and construction services, major equipment items for infrastructure projects and construction materials generally. These materials and services may not be available when required at reasonable prices. A failure to secure the services and equipment necessary to Valeura's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on the Company's financial performance and funds from operations. The Company continues to monitor inflationary pressures in the jurisdictions it operates in and assess any potential effects on the Company's operations.

All other risk factors have not materially changed from December 31, 2021. The reader is referred to Valeura's December 31, 2021, audited consolidated financial statements, MD&A and 2021 AIF for a description of these risks.

Forward-looking Statements

Certain information included in this MD&A constitutes forward-looking information under applicable securities legislation. Such forward-looking information is for the purpose of explaining management's current expectations and plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes, such as making investment decisions. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "project", "target" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking information in this MD&A includes, but is not limited to: the ability to close the Acquisition in Q2 2022; the Company's ability to collect the outstanding $0.4 million in royalties the Company has invoiced related to the Disposition; the Company's farm-out process for the Deep Gas Play continuing; management's belief regarding the potential of the Company's Deep Gas Play; the Company's ability to find another partner for the Deep Gas Play appraisal programme and realise other growth opportunities through potential mergers and acquisitions; the Company's commitment to safety, environmentally responsible practices and optimising operational and administrative functions; and the Company's business strategy and outlook.

Forward-looking information is based on management's current expectations and assumptions regarding, among other things: closing the Acquisition within the first half of 2022; political stability of the areas in which the Company is operating and completing transactions; continued operations of and approvals forthcoming from the Turkish Government in a manner consistent with past conduct; the timing of royalty payments under the Disposition; the prospectivity of the Deep Gas Play; the ability to extend the Thrace Basin exploration licences for up to a further five years at relatively low holding costs; future sources of funding; future economic conditions; future currency exchange rates; the ability to meet drilling deadlines and fulfil commitments under licences and leases, in particular spudding an exploration well on each of three exploration licences by June 27, 2023; and the Company's continued ability to obtain and retain qualified staff and equipment in a timely and cost efficient manner. In addition, the Company's work programmes and budgets are in part based upon expected agreement among joint venture partners and associated exploration, development and marketing plans and anticipated costs and sales prices, which are subject to change based on, among other things, the actual results of drilling and related activity, availability of drilling, hydraulic stimulation and other specialised oilfield equipment and service providers, changes in partners' plans and unexpected delays and changes in market conditions. Although the Company believes the expectations and assumptions reflected in such forward-looking information are reasonable, they may prove to be incorrect.

Forward-looking information involves significant known and unknown risks and uncertainties. Exploration, appraisal, and development of oil and natural gas reserves are speculative activities and involve a degree of risk. A number of factors could cause actual results to differ materially from those anticipated by the Company including, but not limited to: inability to close the Acquisition in Q2 2022; inability to integrate the Acquisition if it closes; inability to secure a new partner for Deep Gas Play and execute potential mergers and acquisitions; evolving impacts of the COVID-19 pandemic including disruptions in global supply chains; the Company's ability to manage growth; the Company's ability to manage the costs related to inflation; uncertainty in capital markets and ability to raise debt and equity, as required, particularly for companies with a small market capitalisation; the ability to finance future development and/or inorganic growth; the risks of currency fluctuations; changes in gas prices in Turkey; potential changes in joint venture partner strategies and participation in work programmes; the risks of disruption to operations and access to worksites (including the impact of the COVID-19 pandemic), threats to security and safety of personnel; potential changes in laws and regulations, the uncertainty regarding government and other approvals; the ability of the Company to maintain its directors, senior management team and employees with relevant experience; the ability of the Company to maintain effective ICFR; counterparty risk; risks associated with weather delays and natural disasters; and the risk associated with international activity. The forward-looking information included in this MD&A is expressly qualified in its entirety by this cautionary statement. See the 2021 AIF for a detailed discussion of the risk factors.

The forward-looking information contained in this MD&A is made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless required by applicable securities laws. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.