valeura energy inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2022 and 2021

(all 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 August 4, 2022 and should be read in conjunction with Valeura's unaudited condensed interim consolidated financial statements and related notes for the three and six month periods ended June 30, 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 management's discussion and analysis 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.

Accounting Policy

Hyperinflation in a subsidiary's functional currency

IAS 29 provides guidance on when a hyperinflation economic environment exists. When hyperinflation is deemed to exist, the subsidiary's financial statements are first restated before being translated into the consolidated financial statements. Comparative amounts are excluded from the restatement requirement when the presentation currency of the ultimate financial statements into which they will be included (USD) is non-hyperinflationary.

Monetary items are not restated because they are already expressed in terms of the monetary unit current at the end of the reporting period. Certain non-monetary items are carried at amounts current at the end of the reporting period, such as net realizable value and fair value, so they also are not restated. All other non-monetary assets and liabilities are restated in their functional currency so that all the items presented are equivalent to their current purchasing power at the end of the current reporting period. A non-monetary item once restated, in accordance with the appropriate IFRS's, cannot exceed its recoverable amount.

Non-controlling interest

Where there is a party with a non-controlling interest in a subsidiary that the Company controls, that non-controlling interest is reflected as "non-controlling interest" in the Condensed Interim Consolidated Financial Statements. The non-controlling interests in net income (loss) of consolidated subsidiaries are shown as an allocation of the consolidated net income (loss) and are presented separately in "net income (loss) attributable to non-controlling interest". The only non-controlling interest presented is a 15% ownership of Panthera Resources Pte. Ltd. (a direct Singapore subsidiary of Valeura which owns all of the Q2 2022 purchased Thailand companies). Under the SPV the Company is required to fund the initial $20.0 million in the capital of the entity, for which approximately $8.9 has been funded to June 30, 2022.

The Company

Valeura is a Canada-based public company whose common shares ("Common Shares") are traded on the Toronto Stock Exchange under the trading symbol "VLE".

Valeura was established in 2010 to grow internationally through opportunistic acquisitions of producing assets with exploitation and exploration upside.

Turkey

The Company has been active in Turkey since its inception across all areas of exploration, development and production. The primary region of the Company's activity in Turkey has been the Thrace Basin, just west of Istanbul where the Company operated its 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. Equinor exited the Deep Gas Play in Q2 2020, and the Company is currently conducting a search for a new partner to progress further appraisal of the Deep Gas Play. 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 June 30, 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 Company's land holdings are in three exploration licences, all of 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, before the Company is required to convert the licences into production leases. The current first extension period has an expiry date of June 27, 2023, and the Company is required to drill a commitment well on each licence. The Company is currently seeking a partner for the continued appraisal of the Deep Gas Play prior to commencing further deep drilling.

Thailand

The Company has been active in Thailand since April 28, 2022, when it announced that it had entered into agreements to acquire certain offshore Gulf of Thailand assets (the "Acquisition"). Upon closing of the Acquisition on June 15, 2022, the Company, through an 85% owned special purpose vehicle ("SPV") company, became the holder of an 89% operated working interest in Licence G10/48 containing the Wassana oil field and a 43% operated working interest in the planned Rossukon oil field development in Licence G6/48. The Company has also agreed to purchase the mobile offshore production unit *Ingenium* (the "MOPU"), on location at the Wassana oil field.

The Company is seeking to continue building a balanced portfolio, which, in addition to the prospective high-value future upside in the Deep Gas Play, includes near-term cash flowing assets that additionally have further growth potential. In line with this strategy, the Company continues to seek additional mergers and acquisitions ("M&A") opportunities.

Operations and Outlook

Turkey

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 current quarter. In addition to the upfront sale price, Valeura has already recognised the maximum $2.5 million Royalty associated with the Disposition. As at June 30, 2022, the company collected $2.1 million.

The Company believes securing a partner is the most prudent step before committing significant capital to the next appraisal drilling and testing campaign. A farm down process is currently active and Valeura is poised to resume deep drilling operations rapidly upon securing a partner.

The three exploration licences, which hold the Deep Gas Play, have work commitments of geological studies and one exploration well in each licence. Through commercial arrangements with TBNGL, the operator of the shallow rights, two of the three commitment wells were drilled in Q2 2022, fulfilling the required work program in those blocks. The total cost to Valeura of these two wells was just over $0.4 million.

Thailand

Valeura's Thailand interests include a working interest in the suspended Wassana oil Field in block G10/48 where the Company intends to reactivate production operations in Q4 2022. Following closing of the Acquisition just prior to the end of Q2, operational activities commenced focused on the production restart, including procurement of a suitable floating storage and offloading vessel ("FSO") for the field's crude oil production. Subsequent to the end of the quarter, operations are currently underway on upgrades to the MOPU and the mandatory re-certification. These are expected to be completed in Q3 2022.

The Company is also undertaking planning and procurement for a five-well infill drilling programme that is currently scheduled for Q2 2023. The Company has taken a final investment decision on this programme and intends to procure the rig and long lead equipment in Q3 2022.

Valeura's Thailand interests also include a working interest in the Rossukon Oil Field development in block G6/48. Following closing of the Acquisition, Valeura's activities have centered around commercial engagement with partners and regulators relating to the phasing of the field development plan (“FDP”). The Company expects to finalise the revisions to the FDP in Q3 with a final investment decision planned for later in the year.

In keeping with Valeura's strategy, the Company intends to pursue near-term production through the reactivation of the Wassana oil field, Thailand in Q4 2022 plus infill development drilling on the Wassana oil field in Q2 2023. In addition, the Company is targeting development of the Rossukon oil field, Thailand for 2023 with first oil in Q4 2023. Concurrently, the Company is continuing to pursue inorganic growth, and is evaluating potential acquisitions, including opportunities in Thailand with synergies to the acquired assets and the associated tax losses.

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 2022, with ongoing 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 Company's ability to execute complex commercial arrangements, including M&A deals, and significantly increased the time required to complete transactions, particularly in light of agreeing to contingent future payments. In addition, the recent high activity in the oil and gas industry is creating strong inflationary pressure and increasing the difficulty to procure the required equipment and materials to be able to execute projects in a timely fashion.

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Following consultation with the Financial Conduct Authority ("FCA"), the Company was advised that the Acquisition constitutes a reverse takeover for the purposes of the Listing Rules of the FCA. Upon closing of the Acquisition on June 15, 2022, the Company was required to delist its Common Shares. This request was submitted and subsequent to the end of the quarter, trading of the Common Shares on the London Stock Exchange was cancelled on July 14, 2022.

The Common Shares continue to trade as normal on the Toronto Stock Exchange. Interests in the Common Shares purchased on the London Stock Exchange can be transferred from the UK depositary to the Canadian depositary to be traded on the Toronto Stock Exchange. The Company's management continues to believe a listing on a London stock exchange will support the Company's long-term strategy and can provide greater access to international investors. Valeura intends to continue to evaluate the merits of re-listing in London and will update shareholders in due course.

Results of Operations

Operations in Q2 2022 included ongoing maintenance of the three well sites related to the Deep Gas Play in Turkey, routine maintenance operations at the MOPU on Licence G10/48 in Thailand, and general and administrative costs. The results for the three months ended June 30, 2022, include all Turkey ongoing operations of the Company and Thailand operations from closing of the Acquisition on June 15, 2022. General and administrative expenses and transaction costs also reflect activity related to new business conducted during the quarter.

General and Administrative Expenses

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	**June 30, 2022**	June 30, 2021
General and administrative expenses	**$ 823**	$ 1,131	**$ 1,803**	$ 2,984
Business development	**459**	-	**1,124**	-
Recoveries and capitalized general Administrative expenses	**(75)**	(82)	**(130)**	(131)
Total general and administrative expenses	**$ 1,207**	$ 1,049	**$ 2,797**	$ 2,853

General and administrative expenses increased in the three months ended June 30, 2022, when compared to the same period in 2021 due the increase in business development costs required to close the Acquisition. The increase in business development costs in both the three and six month periods ended June 30, 2022, was offset by reductions in staffing levels at the Company's head office, and a reduction in costs due to the Disposition, which closed in Q2 2021. The three and six months ended June 30, 2022, include general and administrative expenses from Thailand of $0.05 million and recoveries of $0.02 million for the 15 days of operations.

Transaction Costs

Transactions costs for the three and six months ended June 30, 2022, were $0.8 million and $2.0 million respectively compared to $0.03 million and $0.07 million in the same periods in 2021. The 2022 transaction costs relate to legal and due diligence costs associated with the Acquisition. The 2021 transaction costs are fees associated with the Disposition.

Operating Costs

Operating costs for the three and six months ended June 30, 2022, were $0.4 million and $0.5 million respectively. This compares to $0.4 million and $1.2 million for the same periods in 2021, which still included operations and production related to the Disposition, which closed in Q2 2021.

Operating costs for Thailand during the 15-day period of June 15, 2022, to June 30, 2022 were $0.3 million and relate to ongoing maintenance, insurance and reactivation costs.

Operating costs for the Deep Gas Play for the three and six months ended June 30, 2022, were $0.05 million and $0.03 million and relate to the ongoing maintenance and insurance.

Foreign Exchange

Foreign exchange (realised and unrealised) for three and six months ended June 30, 2022, was a gain of $1.1 million and a gain of $0.6 million, respectively, compared to a gain of $0.3 million and a loss of $0.4 million, respectively, for the same periods in 2021.

The functional currency for the Company's Turkish operations is the Turkish Lira ("TL") and the functional currency for the Company's Thailand operations is USD. 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 and devalued during Q2 2022.

Non-cash Expenses

Currency Translation Adjustment

The currency translation adjustment for the three and six months ended June 30, 2022, was a loss of $1.1 million and $0.6 million, respectively, compared a loss of $0.7 million and $1.4 million, respectively, for the same periods 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 the three and six months ended June 30, 2022, was $0.05 million and $0.2 million, respectively, compared to $0.1 million and $0.02 million, respectively, for the same periods in 2021.

Change in Estimate and Accretion on Decommissioning Liabilities

In 2022, the Company recorded an expense of $0.6 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.

As at the closing date of the Acquisition, the Company used a credit adjusted risk free rate of 11% to value the acquired Thailand decommissioning liability. The day following closing of the Acquisition, the Company re-measured the decommissioning obligation based on Valeura's IFRS accounting policies to apply a risk-free rate. The re-measured decommissioning liability, using a risk-free rate was 2.9%, resulted in a change in estimate increase of $15.2 million to the Thailand decommissioning obligation.

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The Acquisition

As announced on April 28, 2022, the Company entered into a Sale and Purchase Agreement (the "SPA") with KrisEnergy (Asia) Ltd to acquire all of the shares of KrisEnergy International (Thailand) Holdings Ltd ("KEITH"), which holds an interest in two operated licenses in shallow water offshore Thailand. On June 15, 2022, the Acquisition closed with $4.1 million in total cash consideration paid, including the initial purchase price and maintenance and administrative costs incurred between the effective date and closing. Contingent payments of up to $7.0 million based on future development milestones remain outstanding. The fair value of the contingent payments is discussed further below.

As part of the transaction, Valeura, with an 85% interest, and Panthera Thailand Pte. Ltd. ("Panthera"), with a 15% interest, created a Singapore-domiciled SPV, Panthera Resources Pte. Ltd., to serve as the entity which completed the Acquisition. The relationship between Valeura and Panthera is governed by a shareholders agreement which includes, among other things, provisions for the funding of 100% of the purchase price by Valeura, and the ongoing engagement of certain Panthera individuals as part of the Valeura management team. Under the shareholders agreement, Valeura has control over the SPV.

The SPA has been accounted for as a business combination under IFRS 3. The preliminary purchase price allocation (in USD), based on the best information available regarding KEITH on June 15, 2022, is as follows:

Consideration		
Cash	$	4,053
Contingent consideration		4,109
Total consideration	**$**	**8,162**

Preliminary Purchase Price Allocation		
Cash	$	22
Accounts receivable		505
Prepaid expenses and deposits		470
Inventory		326
Exploration and evaluation assets		2,375
Property, plant and equipment		26,196
Accounts payable		(1,216)
Decommissioning obligations		(18,247)
Bargain purchase gain		(2,269)
	$	**8,162**

The identifiable assets and liabilities have been measured at their individual fair values on the closing date of Acquisition. Determinations of fair value often require management to make assumptions and estimates about future events. Valeura has determined the fair value of assets acquired and liabilities assumed as at the closing date of Acquisition. Valeura has determined that book value equals fair value for the following captions: cash, accounts receivable, prepaid expenses and deposits, inventory, and accounts payable. The fair value of property, plant and equipment was determined based on an independent reserves evaluation of the acquired properties, market comparables, discounted cash flows and consideration of other risks. Deferred taxes were calculated by applying the statutory tax rate to the capital asset fair value less available tax pools. Due to the size of the available tax pools, no deferred tax was recorded. The fair value of decommissioning obligations was determined based on applying a credit adjusted risk free rate. The purchase price allocation related to the Acquisition is preliminary and may be subject to adjustments, which may be material, pending completion of final valuations and estimates.

The contingent consideration is made up of two separate payments. Valeura will pay contingent consideration of $2.0 million 90 days after first oil has been delivered from the next infill development drilling programme on the Wassana field. Further contingent consideration of $5.0 million will become due 90 days after first production through a permanent production facility on the Rossukon field. Probabilities have been assigned to each payment and after calculating the present value of these potential future payments, the maximum payment of $7 million has been reduced to a fair value of $4.1 million as at the closing date of the Acquisition.

A bargain purchase gain of $2.3 million was recognized with the fair value of the assets purchased exceeding the fair value of the liabilities assumed and consideration paid.

Long term deposit

Valeura agreed to purchase an onsite Mobile Offshore Production Unit (the "MOPU") in a separate asset acquisition transaction, for cash consideration of $9.2 million, which will be phased over approximately 14 months. As at June 30, 2022, $4.2 million in cash consideration has been paid. Since the MOPU's recertification has yet to be completed and the title does not pass until the final payment of $5.0 million, the MOPU has been treated as a long-term non-refundable deposit at June 30, 2022. The final payment of $5.0 million is due no later than June 30, 2023.

Hyperinflation

During the second quarter of 2022, the Turkish Statistical Institute's published consumer price index indicated that cumulative 3-year inflation had exceeded 100 percent. Consequently, the Company has concluded that its subsidiary in Turkey, whose functional currency is the Turkish Lira, is currently operating in a hyperinflationary environment. The Company has therefore applied accounting adjustments to the underlying financial results and position of its subsidiary in Turkey as required by International Accounting Standards ("IAS") 29 'Financial Reporting in Hyperinflationary Economies'.

For the restatement of results and financial positions of its Turkish subsidiary, the Company applied the consumer price index ("CPI") annual inflation rates published by the Turkish Statistical Institute. The effect of inflation on the non-monetary position of the Company's Turkish subsidiary is presented in the income statement for changes to items purchased in 2022. For exploration and evaluation assets purchased between 2018 and 2021 the effects of inflation are presented in the opening retained earnings.

For the purpose of consolidation, the results and financial position of the Company's Turkish subsidiary are translated using the closing exchange rates at the period end date. Comparative financial statements are not restated under IFRS when the presentation currency of the ultimate financial statements into which they will be included (USD) is non-hyperinflationary. As a result, there have been no restatements to the comparative financial statements.

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 $29.7 million at June 30, 2022. 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.

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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 7, 2022, to August 31, 2023, with a limit of $1.0 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 $1.0 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.

Selected Quarterly Information

	Three months ended			
	June 30, 2022	**March 31, 2022**	**December 31, 2021**	**September 30, 2021**
Total daily production (boe/d)	-	-	-	-
Petroleum and natural gas sales	-	-	-	-
Cash provided by (used in) operating activities	(2,697)	(1,743)	(887)	(1,151)
Net income (loss)	333	(3,473)	(3,190)	1,234
Net income (loss) attributable to:				
Shareholders of Valeura Energy	59	(3,473)	(3,190)	1,234
Non-controlling interest	274	-	-	-
Per share, basic and diluted	$ 0.00	$ (0.04)	$ (0.04)	$ 0.01
	Three months ended			
	June 30, 2021	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**
Total daily production (boe/d)	614	684	707	615
Petroleum and natural gas sales	1,040	2,086	1,978	1,843
Cash provided by (used in) operating activities	(677)	(448)	(1,035)	(1,113)
Net loss	(61,533)	(1,061)	(15,294)	(2,149)
Per share, basic and diluted	$ (0.71)	$ (0.01)	$ (0.18)	$ (0.02)

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

- The Company reported net income in Q2 2022, as a result of closing the Acquisition and recording a bargain purchase gain.
- Cash used in operating activities increased in 2022 as a result of transactions costs associated with the Acquisition and business development costs.

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- The Company completed the Disposition in Q2 2021, resulting in the transfer of a large currency translation loss from accumulated other comprehensive income to current period earnings in Q2 2021 and no production and sales in Q3 2021.

Outstanding Share Data

	June 30 and August 4, 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, and the June 30, 2022, condensed interim consolidated statements for a description of estimates and judgments. The reader is also referred to the June 30, 2022, condensed interim consolidated statements of loss and comprehensive loss for new accounting policies during the period.

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 ("DC&P") 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 ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company is required to disclose herein any change in the Company's internal controls over financial reporting that occurred during the period beginning on April 1, 2022, and ending on June 30, 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.

On June 15, 2022, the Company closed its acquisition of KEITH. As permitted by and in accordance with NI 52-109, the CEO and CFO has limited the scope of our design of DC&P and ICFR to exclude controls, policies, and procedures of KEITH. This scope limitation is primarily due to the time required to assess the DC&P and ICFR relating to KEITH in a manner consistent with the Company's other operations. Further integration will take place during the remainder of the year as systems and processes align.

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 material off-balance sheet arrangements outstanding as at June 30, 2022, other than those discussed herein.

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

Offshore operational risks relating to Thailand

Valeura's Thailand operations are subject to all the operational risks inherent to offshore exploration, development and production of hydrocarbons and the drilling of wells, including, unsatisfactory performance of service providers engaged to carry out operations required for the drilling and analysis of wells, natural disasters, encountering unexpected formations or pressures, premature declines of reservoirs, invasion of water into producing formations, formations with abnormal pressures, mechanical problems with equipment, potential for substantial environmental damage, blow-outs, cratering, fires and spills, all of which could result in personal injuries, loss of life and damage to the property of the Company and others. The Company believes that governments throughout the world could implement stricter regulations on environmental protection, risk prevention and other forms of restrictions to drilling and other well operations. These new regulations and legislation, as well as evolving practices, could increase the cost of compliance and may also require changes to the Company's drilling operations, exploration, development and production plans and may lead to higher costs of operations.

The Company will be actively exploring for, developing and producing hydrocarbons in the Gulf of Thailand. Offshore operations involve different risks than onshore operations due in part to the remoteness of operations. Oil and natural gas exploration, development and production involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. Fires and explosions on drilling rigs, offshore installations or marine vessels are more likely to result in personal injury, loss of life and damage to property due to the remote locations, confined spaces and time required for rescue personnel to get to the location. Blow-outs and spills are more likely to result in significant environmental damage to the marine environment and can be difficult to contain and difficult and expensive to remediate. Also, offshore operations are subject to marine perils, including severe storms and other adverse weather conditions and vessel collisions, as well as interruptions or termination by governmental authorities based on safety, environmental and other considerations. There can be no assurance that these risks can be avoided. Failure to manage these risks could result in injury or loss of life, damage to property, environmental damage, and could result in regulatory action, legal liability, loss of revenues and damage to the Company's reputation and could have a material adverse effect on the Company's operations, project returns or financial condition.

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 Q2 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 in which it operates and assess any potential effects on the Company's operations.

The reader is referred to Valeura's December 31, 2021, audited consolidated financial statements, management's discussion and analysis and 2021 AIF for a description of risks. As a result of the Acquisition, the following risk factors are more prevalent at June 30, 2022: failure to realize transactions and anticipated benefits related to mergers and acquisitions; exploration, development and production risks; acquisitions, dilution and availability of debt; climate change legislation; capital requirements; and price volatility, markets and marketing. In addition, the following risk factors have been modified to include mention of Thailand:

Variations in foreign exchange rates and interest rates, and hedging

The Company’s future revenue streams in Thailand are expected to be in U.S. Dollars, along with its capital expenditures and many of its operating expenditures. The functional currency of the Company’s Thailand based subsidiaries is in U.S. Dollars.

The Company’s drilling and completion operations in Turkey and related contracts are based in U.S. Dollars. Material increases in the value of the U.S. Dollar will negatively impact the Company’s costs of drilling and completions activity in Turkey. The Company’s functional currency in its subsidiary operations in Turkey is TL. Any future revenue stream in Turkey is expected to be based on TL revenue for natural gas and U.S. Dollar based revenue for crude oil translated into TL. The majority of costs will be incurred in U.S. Dollars for capital expenditures and TL for operating expenditures. Decreases in the value of the TL could result in decreases in revenue. Increases in the value of the TL and U.S. Dollar could result in increases in the cost of operations.

To the extent that the Company engages in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which the Company may contract. Valeura continues to assess its exposure to all foreign currencies. Recent volatility and weakness in the value of the TL may impair the ability of the Company to manage this exposure.

From time to time Valeura may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, Valeura will not benefit from such increases and may nevertheless be obligated to pay royalties on such higher prices, even though not received by it, after giving effect to such agreements. Given that any future natural gas sales and revenues in Turkey are expected to be priced in TL, Valeura from time to time may enter into agreements to fix the exchange rate of U.S. Dollars to the TL in order to offset the risk of revenue losses. Valeura may similarly seek to fix the exchange rate between the TL and the U.S. Dollar to offset the risk of a relative strengthening of the U.S. Dollar, which is the currency basis for a large portion of the capital expenditures in Turkey.

The use of foreign subsidiaries by the Company may affect the Company’s ability to pay dividends or make distributions

The Company conducts its operations in Thailand though its 85% owned and controlled Singapore based subsidiary Panthera Resources Pte. Ltd, which in turn operates the Thailand business through subsidiaries in the British Virgin Islands, Cayman Islands and Thailand. The Company conducts its operations at the Thrace Basin through its wholly owned subsidiary VENBV. The Company's ability to pay dividends on the Common Shares is reliant on the ability of these subsidiaries to generate cash flow and pay dividends or make other distributions to the Company. The ability of subsidiaries to make payments to the Company may be constrained by, among other things: (i) the level of taxation, particularly corporate profits and withholding taxes, in the operating jurisdictions; (ii) the introduction of exchange controls; and (iii) local law requirements in relation to the payments of dividends and distributions.

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 Company's ability to complete the commercial arrangements required to facilitate resuming production from the Wassana field in Q4, 2022; 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; the Company's business strategy and outlook; and evaluating the merits of re-listing the Common Shares on the London Stock Exchange.

Forward-looking information is based on management's current expectations and assumptions regarding, among other things: the ability to successfully re-start production from the Wassana field in Q4, 2022; political stability of the areas in which the Company is operating; ability to complete transactions; continued operations of and approvals forthcoming from the Turkish Government in a manner consistent with past conduct; timing and 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 integrate the Acquisition assets, including reactivation of production operations from the Wassana Field in Q4, 2022; inability to procure a FSO and re-certify the MOPU in Q3, 2022; 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 oil and gas prices and netbacks in Turkey and Thailand; 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 internal controls over financial reporting; 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.