Consolidated Financial Statements

Years ended December 31, 2022 and 2021

(In U.S. Dollars)

MANAGEMENT'S REPORT

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

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

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

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

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

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

March 29, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Valeura Energy Inc.

Opinion

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

- the consolidated statements of financial position as at December 31, 2022 and December 31, 2021
- the consolidated statements of loss and comprehensive income (loss) for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

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

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

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

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Assessment of the impact of estimated proved and probable oil and gas reserves on the preliminary fair value of property, plant and equipment acquired in a business combination

Description of the matter

We draw attention to note 2 and note 5 to the financial statements. On June 15, 2022, the Company acquired property, plant and equipment through a business combination. The Company used estimated proved and probable oil and gas reserves from an independent third-party reserve evaluation to estimate the acquisition date preliminary fair value of property, plant and equipment acquired. The acquisition date preliminary fair value of the property, plant and equipment was $26.196 million. The determination of the acquisition date preliminary fair value of the property, plant and equipment involves significant estimates and assumptions including proved and probable oil and gas reserves and the discount rates. The purchase price allocation is not final as the Company is continuing to obtain and verify information required to determine the fair value of certain assets and liabilities including property, plant and equipment.

The estimate of proved and probable oil and gas reserves includes significant estimates and assumptions related to:

- Forecasted oil and gas commodity prices
- Forecasted production volumes
- Forecasted operating costs
- Forecasted royalty costs
- Forecasted future development costs.

The Company engaged independent third-party reserve evaluators to estimate proved and probable oil and gas reserves both as at March 31, 2022 and December 31, 2022. For purposes of estimating the preliminary fair value of the property, plant and equipment assets acquired in a business combination, the Company used the March 31, 2022 independent third-party reserve evaluators estimate of proved and probable oil and gas reserves.

Why the matter is a key audit matter

We identified the assessment of the impact of estimated proved and probable oil and gas reserves on the preliminary fair value of the property, plant and equipment acquired in a business combination as a key audit

matter. Significant auditor judgment was required to evaluate the results of our audit procedures regarding the estimate of proved and probable oil and gas reserves. Additionally, the assessment of the acquisition date preliminary fair value of the property, plant and equipment requires the use of professionals with specialized skills and knowledge in valuation.

How the matter was addressed in the audit

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

With respect to the estimate of proved and probable oil and gas reserves as at March 31, 2022 for the purposes of the determination of the acquisition date preliminary fair value of the property, plant and equipment:

- We evaluated the competence, capabilities and objectivity of the independent third-party reserve evaluators engaged by the Company
- We compared forecasted oil and gas commodity prices to those published by other independent third-party reserve evaluators
- We compared the proved and probable oil and gas reserves as at December 31, 2022 to the proved and probable oil and gas reserves as at March 31, 2022. We took into account changes in conditions and events affecting the Company to assess the adjustments or lack of adjustments made by the Company in arriving at the assumptions.

We involved valuation professionals with specialized skills and knowledge, who assisted in:

- Assessing the reasonableness of the Company's estimated acquisition date preliminary fair value of the property, plant and equipment, by comparing it against a fair value range that was independently developed by the valuation professionals using market metrics and other external data.

Other Information

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

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

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

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

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor’s report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor’s report is Jason Stuart Brown.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
March 31, 2023

valeura energy inc.

Consolidated Statements of Financial Position

(thousands of US Dollars)	**December 31, 2022**	December 31, 2021 (restated - note 3)	January 01, 2021 (restated - note 3)
Assets			
Current Assets			
Cash and cash equivalents	**$ 17,516**	$ 40,826	$ 30,143
Restricted cash	**69**	16	232
Accounts receivable *(note 19a)*	**2,152**	586	199
Royalty receivable *(note 19a)*	**-**	2,315	-
Inventory	**551**	-	-
Prepaid expenses and deposits *(note 7)*	**4,057**	260	330
Assets held for sale *(note 22)*	**-**	-	22,219
	24,345	44,003	53,123
Non-Current Assets			
Long term non-refundable deposits and other *(note 8)*	**13,489**	-	-
Exploration and evaluation assets *(note 5 & 9)*	**5,956**	1,174	1,643
Property, plant and equipment *(note 5 & 10)*	**20,220**	46	278
	$ 64,010	$ 45,223	$ 55,044
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities	**$ 5,198**	$ 341	$ 506
Liabilities directly associated with assets held for sale *(note 22)*	**-**	-	9,935
Current portion of debt *(note 11)*	**5,900**	-	-
	11,098	341	10,441
Long-term debt *(note 11)*	**5,190**	-	-
Contingent consideration *(note 5)*	**4,174**	-	-
Decommissioning obligations *(note 5 & 12)*	**15,091**	3,042	2,025
	35,553	3,383	12,466
Shareholders' Equity			
Share capital *(note 16)*	**180,116**	179,717	179,717
Contributed surplus	**22,986**	22,706	22,410
Accumulated other comprehensive income (loss)	**8,748**	10,331	(55,051)
Non-controlling interest	**2,421**	-	-
Deficit	**(185,814)**	(170,914)	(104,498)
	28,457	41,840	42,578
	$ 64,010	$ 45,223	$ 55,044

See accompanying notes to the consolidated financial statements.
See subsequent events *(note 23)*.

Approved by the Board

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

("Russell Hiscock")
Russell Hiscock, Director

Consolidated Statements of Loss and Comprehensive Income (Loss)
For the years ended December 31, 2022 and 2021

(thousands of US Dollars)	**December 31, 2022**	December 31, 2021 (restated – note 3)
Revenue		
Petroleum and natural gas sales	**$ -**	$ 3,126
Royalties	**-**	(423)
Other Income	**260**	291
	260	2,994
Expenses and other items		
Operating	**5,735**	1,337
General and administrative *(note 15)*	**7,880**	4,999
Transaction costs *(note 15)*	**2,779**	74
Finance costs *(note 13)*	**1,532**	507
Foreign exchange (gain) loss	**(1,470)**	(443)
Share-based compensation (*note 15*)	**415**	246
Change in estimate on decommissioning liabilities *(note 12)*	**(1,266)**	1,761
Depletion and depreciation *(note 10)*	**38**	188
	15,643	8,669
Loss for the period before other items	**(15,383)**	(5,675)
Bargain purchase gain *(note 5)*	**1,592**	-
Change in net monetary position due to hyperinflation *(note 6)*	**151**	-
Gain on sale *(note 22)*	**-**	5,588
Gain on deferred consideration *(note 22)*	**-**	1,459
Currency translation on subsidiaries disposed and liquidated *(note 22)*	**-**	(67,513)
	1,743	(60,466)
Loss for the period before income taxes	**(13,640)**	(66,141)
Income taxes *(note 14)*		
Current tax expense	**-**	41
Deferred tax expense	**-**	234
Net loss	**(13,640)**	(66,416)
Net income (loss) attributable to:		
Shareholders of Valeura Energy	**(12,495)**	-
Non-controlling interest	**(1,145)**	-
Other comprehensive income (loss)	**-**	-
Currency translation on subsidiaries disposed and liquidated *(note 22)*	**-**	67,764
Currency translation adjustments	**(1,583)**	(2,330)
Comprehensive income (loss)	**$ (15,223)**	$ (982)
Comprehensive income (loss) attributable to:		
Shareholders of Valeura Energy	**(14,078)**	-
Non-controlling interest	**(1,145)**	-
Net income (loss) per share		
Basic and diluted	**(0.16)**	(0.77)
Net Income (loss) per share attributable to shareholders of Valeura Energy		
Basic and diluted	**(0.14)**	(0.77)
Weighted average number of shares outstanding (thousands) (note 16)	**86,610**	86,585

See accompanying notes to the consolidated financial statements.

valeura energy inc.

Consolidated Statements of Cash Flows
For the years ended December 31, 2022 and 2021

(thousands of US Dollars)	December 31, 2022	December 31, 2021 (restated – note 3)
Cash was provided by (used in):		
Operating activities:		
Net income (loss) for the period	$ (13,640)	$ (66,416)
Depletion and depreciation *(note 10)*	38	188
Share-based compensation *(note 15)*	415	246
Finance cost *(note 13)*	1,532	507
Gain on deferred consideration *(note 22)*	-	(1,459)
Change in estimate on decommissioning liabilities *(note 12)*	(1,266)	1,761
Disposition *(note 22)*	-	61,166
Bargain purchase gain *(note 5)*	(1,592)	-
Currency translation on subsidiary liquidated *(note 22)*	-	759
Change in net monetary position due to hyperinflation *(note 6)*	(151)	-
Unrealised foreign exchange loss (gain)	(1,584)	(112)
Deferred tax expense (recovery)	-	234
Decommissioning costs incurred	(120)	-
Change in non-cash working capital *(note 18)*	(1,502)	(37)
Cash provided by (used) in operating activities	(17,870)	(3,163)
Financing activities:		
Facility financing, net of costs *(note 11)*	10,890	-
Principal payments on lease liability	-	(28)
Proceeds from stock option exercises	245	
Cash provided by (used in) financing activities	11,135	(28)
Investing activities:		
Property and equipment expenditures *(note 10)*	(43)	(37)
Exploration and evaluation expenditures *(note 9)*	(1,510)	(225)
Assets held for sale expenditures	-	(163)
Cash paid on acquisition, net (note 5)	(4,031)	-
Net cash received on disposition *(note 22)*	-	14,358
Long term non-refundable deposit and other *(note 8)*	(13,489)	-
Royalty receivable *(note 19a)*	2,315	185
Change in restricted cash	(53)	216
Change in non-cash working capital *(note 18)*	392	(282)
Cash provided by (used in) investing activities	(16,419)	14,052
Foreign exchange loss on cash held in foreign currencies	(156)	(178)
Net change in cash and cash equivalents	(23,310)	10,683
Cash and cash equivalents, beginning of year	40,826	30,143
Cash and cash equivalents, end of year	$ 17,516	$ 40,826

See accompanying notes to the consolidated financial statements.

valeura energy inc.

Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2022 and 2021

(thousands of US Dollars and thousands of shares)	Number of common shares	Share Capital	Contributed Surplus	Accumulated Other Comp. Income/(loss)	Deficit	Non-Controlling interest	Total Shareholders' Equity
Balance, January 1, 2022	86,585	$ 179,717	$ 22,706	$ 10,331	$ (170,914)	$ -	$ 41,840
Hyperinflation adjustment (note 6)	-	-	-	-	1,161	-	1,161
Net loss for the period	-	-	-	-	(12,495)	(1,145)	(13,640)
SPV capital transactions (note 3(c))	-	-	-	-	(3,566)	3,566	-
Currency translation adjustments	-	-	-	(1,583)	-	-	(1,583)
Shares issued	563	399	(154)	-	-	-	245
Share-based compensation	-	-	434	-	-	-	434
December 31, 2022	**87,148**	**$ 180,116**	**$ 22,986**	**$ 8,748**	**$ (185,814)**	**$ 2,421**	**$ 28,457**

(thousands of US Dollars and thousands of shares)	Number of common shares	Share Capital	Contributed Surplus	Accumulated Other Comp. Income/(loss)	Deficit	Total Shareholders' Equity
Balance, January 1, 2021 (restated)	86,585	$ 179,717	$ 22,410	$ (55,051)	$ (104,498)	$ 42,578
Net loss for the period	-	-	-	-	(66,416)	(66,416)
Currency translation adjustments	-	-	-	65,382	-	65,382
Share-based compensation	-	-	296	-	-	296
December 31, 2021	**86,585**	**$ 179,717**	**$ 22,706**	**$ 10,331**	**$ (170,914)**	**$ 41,840**

See accompanying notes to the consolidated financial statements.

1. Reporting Entity

Valeura Energy Inc. ("Valeura" or the "Company") and its subsidiaries (refer to note 2c) are currently engaged in the exploration, appraisal and development of petroleum and natural gas in the Gulf of Thailand and onshore Turkey. Valeura is incorporated in Alberta, Canada and has subsidiaries in the Netherlands, Turkey, Thailand, Singapore, British Virgin Islands, and Cayman Islands. Valeura's shares are traded on the Toronto Stock Exchange ("TSX") under the trading symbol VLE. On July 14, 2022, Valeura's shares were removed from the Main Market of the London Stock Exchange ("LSE"), where they previously traded under the trading symbol "VLU". Valeura's head office address is 1200, 202 – 6 Avenue SW, Calgary, AB, Canada.

2. Basis of Preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as at and for the years ended December 31, 2022 and 2021 and have been prepared in accordance with the accounting policies and methods of computation as set forth in note 3 below.

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

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its ongoing liabilities, obligations and commitments. As the Company is in the pre-production stage with respect to its oil and gas operations it is not generating revenues or cash flows and therefore is managing its liquidity through its existing working capital and issuance of debt and/or equity instruments. With the ongoing development and expansion (see note 23) of the Company's offshore Thailand properties and operations, the Company has significant operating and capital commitments and capital expenditure requirements. As a result, the Company has been securing debt and equity financing (see notes 11 and 23). The ability of the Company to draw on its financing requires the Company to meet and maintain certain terms, conditions and covenants of which there is no guarantee that the Company will be able to do so. Any additional financing that may be required is subject to the financial markets, economic conditions for the oil and gas industry, and in particular, commodity prices, and volatility in the debt and equity markets. These factors have made, and will likely continue to make, it challenging to obtain cost-effective funding. There is no assurance this capital will be available. In the event the Company is not successful in maintaining its financing arrangements, obtaining additional funding or of obtaining funding on terms that are acceptable to the Company, this will significantly impact the Company's ability to develop its oil and gas properties and enable them to become producing. The Company maintains and monitors a certain level of cash which is used to finance operating and capital expenditures.

The consolidated financial statements were authorized for issue by the Board of Directors on March 29, 2023.

(b) Basis of measurement

The 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 and except for the application of hyperinflationary accounting for the Company's subsidiary in Turkey. The methods used to measure fair value are discussed in note 4.

The COVID-19 pandemic may continue to have widespread implications for the Company's business environment, operations, and financial condition. Management cannot reasonably estimate the length or severity of this pandemic and continues to monitor the situation.

The Company's 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. Valeura and its foreign subsidiaries transact in currencies other than the US Dollar and have a functional currency of Turkish Lira, US dollars, 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
Valeura Energy Asia Pte.Ltd	United States Dollars
Valeura Energy BV Marine	United States Dollars
Valeura (BVI) Holdings Ltd.	United States Dollars
Valeura Energy (Thailand) Holdings Ltd. (BVI)	United States Dollars
Valeura Energy (Thailand) Ltd.	United States Dollars
Valeura Energy (Gulf of Thailand) Ltd.	United States Dollars

The functional currency of a subsidiary is the currency of the primary economic environment in which the subsidiary operates. Transactions denominated in a currency other than the functional currency are translated at the prevailing rates on the date of the transaction. Any monetary items held in a currency which is not the functional currency of the subsidiary are translated to the functional currency at the prevailing rate as at the date of the statement of financial position. All exchange differences arising as a result of the translation to the functional currency of the subsidiary are recorded in earnings.

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

(d) Use of estimates and judgments

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

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

Critical judgments in applying accounting policies:

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

- Valeura's assets are aggregated into cash-generating units for the purpose of calculating impairment. Cash generating units ("CGU" or "CGUs") are based on an assessment of the unit's ability to generate independent cash inflows. The determination of these CGUs was based on management's judgment in regard to shared infrastructure, geographical proximity, petroleum type and similar exposure to market risk and materiality.
- Judgments are required to assess when internal or external indicators of impairment exist and impairment testing is required. In determining the recoverable amount of assets or CGUs, in the absence of quoted market prices, impairment tests are based on estimates of proved and probable reserves which are dependent upon variables including forecasted oil and natural gas prices, operating costs, royalties, production volumes, future development costs, and other relevant assumptions all of which are subject to many uncertainties and interpretations.
- Costs associated with acquiring oil and natural gas licenses, carrying out seismic surveys and other technical studies and exploratory drilling are accumulated as exploration and evaluation ("E&E") assets pending determination of technical feasibility and commercial viability. Establishment of technical feasibility and commercial viability is subject to judgment and involves management's review of project economics, resource quantities, expected production techniques, production costs and required

capital expenditures to confirm continued intent to develop and extract the underlying resources. Management uses the establishment of commercial reserves within the exploration area as the basis for determining technical feasibility and commercial viability. Judgment is required in determining whether indicators of impairment exist, including factors such as but not limited to, the right to explore in the specific area has expired during the period or will expire in the near future and is not expected to be renewed and determination of whether substantive expenditures on further exploration for and evaluation of mineral resources in specific areas will not be planned or budgeted. Upon determination of commercial reserves, E&E assets attributable to those reserves are tested for impairment and reclassified from E&E assets to a separate category within property, plant and equipment referred to as oil and natural gas properties.

- Business combinations also require judgements, estimates and assumptions in regard to contingent consideration, the date the acquirer obtains control, and fair value estimates on assets purchased and liabilities assumed. If determined to be a business combination the Company applies the acquisition method to account for the recognition and measurement of identifiable assets acquired, the liabilities assumed, any non-controlling interest and, if applicable, goodwill or a gain on the transaction. Significant changes could occur which could materially impact the assumptions and estimates made in these consolidated financial statements.

Key sources of estimation uncertainty:

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

- Petroleum and natural gas properties are depreciated on a unit of production basis at a rate calculated by reference to proved and probable oil and gas reserves determined, at least annually by independent third-party reserve evaluators, in accordance with National Instrument 51-101 “Standards of Disclosure for Oil and Gas Activities” and incorporating the estimated future cost of developing and extracting those reserves. During fiscal 2022, management engaged independent third-party reserve evaluators to prepare a reserve report both as at March 31, 2022 and December 31, 2022. Proved and probable reserves are determined using estimates of oil and natural gas in place, recovery factors and forecasted oil and gas commodity prices. Forecasted future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. There are numerous uncertainties inherent in estimating oil and gas reserves. The key estimates and assumptions used in the determination of cash flows from oil and gas reserves and reserve volumes include the following: i) forecasted oil and gas prices, operating costs, royalty costs, future development costs and future production volumes can materially affect the estimated cash flows associated with proven and probable oil and gas reserves. Assumptions that are valid at the time of reserve estimation may change significantly when new information becomes available. ii) Estimated forward commodity prices are used in the reserve report. Commodity prices can fluctuate for a variety of reasons including supply and demand fundamentals, inventory levels, exchange rates, weather and economic and geopolitical factors. Estimating reserves is very complex, requiring many judgements based on geological, geophysical, engineering and economic data. These estimates may change, having either a positive or a negative impact on net earnings as further information becomes available and as the economic environment changes.
- The determination of the fair values of assets and liabilities acquired as part of a business combination are estimated based on information available at the date of acquisition and requires management to make assumptions and estimates about future events. The determination of the acquisition date fair value of petroleum and natural gas properties acquired in a business combination involves significant estimates and assumptions including associated proved and probable oil and gas reserves and the discount rates applied.
- Depletion of petroleum and natural gas properties is provided using the unit-of-production method and is based on production volumes (before royalties) in relation to total estimated proved and probable reserves as determined by internal reserve evaluations for the first three quarters of the year and then at year end by the Company’s independent third-party reserve evaluators. Natural gas reserves and sales volumes are converted at an assumed energy equivalent of six thousand cubic feet to one barrel of oil. Calculations for depletion are based on total capitalized costs plus estimated future development costs of proved and probable reserves. Exploration and evaluation costs are excluded from depletion calculations. The calculation of the unit-of-production rate of amortization could be impacted from significant changes in any of the factors or assumptions used in estimating reserves. These factors could include: i) Changes in proved and probable reserves; ii) Changes in estimates of future development costs; iii) The effect on proved and probable reserves of differences between actual production as compared to forecasts as well as forecasted oil and gas commodity price assumptions; and iv) Unforeseen operational issues.

- Management's assumptions and estimates of future cash flows used in the Company's impairment assessment of its' CGU's are subject to risk and uncertainties, particularly in market conditions where higher volatility exists, and may be partially or totally outside of the Company's control. If an indication of impairment exists, or if an exploration and evaluation asset is determined to not be technically feasible and commercially viable, an estimate of a CGU's recoverable amount is calculated. The recoverable amount is based on the higher of fair value less costs of disposal and value in use, using a discounted cash flow methodology. The impairment analysis and calculations require the use of estimates and assumptions, such as long-term commodity prices, discount rates, future capital expenditures, exploration potential and operating costs. The fair value of a CGU is generally determined as the present value of estimated future cash flows arising from the continued use of the assets comprising the CGU, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks to the asset. If the Company does not have sufficient information about a particular cash generating unit, exploration and evaluation asset and/or individual asset, to meaningfully estimate future cash flows, the fair value is estimated by management through comparison to similar market assets and, where available, industry benchmarks.
- The Company estimates the decommissioning obligations for oil and natural gas wells and their associated production facilities and pipelines. In most instances, removal of assets and remediation occurs many years into the future. Amounts recorded for the decommissioning obligations and related accretion expense require assumptions regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, inflation estimates, future removal technologies in determining the removal cost, and the estimate of the liability specific discount rates to determine the present value of these cash flows.
- The Company's estimate of share-based compensation is based upon estimates of volatility and forfeiture rates.
- The deferred tax liability is based on estimates as to the timing of the reversal of temporary differences, substantively enacted tax rates and the likelihood of assets being realized.

3. Significant Accounting Policies

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

(a) Basis of consolidation

(i) Subsidiaries:

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

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

(ii) Jointly controlled operations and jointly controlled assets:

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

Valeura's has joint venture arrangements as follows:

Name of the joint arrangement	Nature of the relationship with the joint arrangement	Principal place of operation of joint arrangement	Proportion of participating share
West Thrace Deep Joint Venture	Operator	Turkey	63% (all rights)
G10/48 Concession (1)	Operator	Gulf of Thailand	89% (all rights)
G6/48 Concession (2)	Operator	Gulf of Thailand	43% (all rights)

(1) The Company's interest in the G10/48 Concession is held by Valeura Energy (Thailand) Ltd. and Valeura Energy (Gulf of Thailand) Ltd.
(2) The Company's interest in the G6/48 Concession is held by Valeura Energy (Gulf of Thailand) Ltd.

(iii) Transactions eliminated on consolidation:

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

(b) 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. Further disclosure on hyperinflation and the effects of these adjustments can be found in note 6. Hyperinflation.

(c) 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 Consolidated Financial Statements. The non-controlling interests in net income (loss) and comprehensive income (loss) of consolidated subsidiaries are shown as an allocation of the consolidated net income (loss) and comprehensive income (loss) and are presented separately in "net income (loss) attributable to non-controlling interest" and "comprehensive income (loss) attributable to non-controlling interest". The only non-controlling interest presented is a 12.5% ownership of Valeura Energy Asia Pte. Ltd. (formerly named Panthera Resources Pte. Ltd.) (a direct Singapore subsidiary of Valeura, which owns all of the Q2 2022 purchased Thailand companies). On December 27, 2022, Valeura increased its ownership stake in Valeura Energy Asia Pte. Ltd from 85% to 87.5% as a result of Valeura's cumulative cash contributions to the SPV.

(d) Financial instruments

(i) Non-derivative financial instruments:

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

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

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

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

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

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

(ii) Share capital:

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

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

(i) Recognition and measurement:

Exploration and evaluation expenditures:

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

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

Development and production costs:

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

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

(ii) Subsequent costs:

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

(iii) Depletion and depreciation:

The net carrying value of petroleum and natural gas assets included in property, plant and equipment is depleted by area using the unit of production method by reference to the ratio of production in the year to the related proved and probable reserves (before royalties), taking into account estimated future development costs necessary to bring those proved and probable reserves into production. Future development costs are estimated taking into account the level of development required to produce the proved and probable reserves for each area. These estimates are reviewed by independent reserve engineers at least annually.

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

(iv) Exploration and evaluation expense:

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

(f) Impairment

(i) Financial assets:

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

(ii) Non-financial assets:

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

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

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

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

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

(g) Share based payments

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

(h) Provisions

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

(i) Decommissioning obligations:

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

(i) Revenue from contracts with customers

Valeura's petroleum and natural gas revenues from the sale of natural gas and crude oil are based on the consideration specified in the contracts with customers. For natural gas sales in Turkey, pricing is linked to BOTAS benchmark pricing, while crude oil pricing in Turkey is linked to Brent benchmark pricing and in Thailand is linked to Brent and Dubai benchmark pricing. Valeura recognizes revenue when it transfers control of the product to the customer, which is generally when legal title passes to the customer and collection is reasonably assured.

Valeura evaluates its arrangements with third parties and partners to determine if Valeura is acting as the principal or as the agent. Valeura is considered the principal in a transaction when it has primary responsibility for the transaction. If Valeura acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net basis, only reflecting the fee, if any realized by Valeura from the transaction.

(j) Finance income and expenses

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

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

(k) Income tax

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

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

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

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

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

(l) Earnings per share

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

(m) Assets held for sale

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

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

(n) Inventory

Inventory consists of diesel, materials and supplies. Inventory is valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price less applicable selling expenses. If the carrying value exceeds net realizable value, a write-down in recognized. The write-down may be reversed in a subsequent period if the inventory is still on had but the circumstances which caused the write-down no longer exist.

(o) Change in accounting policy

Under the Company's previous accounting policy, Valeura used a risk-free interest rate in the measurement of the present value of its decommissioning obligations. Effective December 31, 2022, the Company elected to change its policy for the measurement of decommissioning obligations to utilize a credit adjusted interest rate. The use of a credit adjusted interest rate results in more reliable and relevant information for the readers of the consolidated financial statements as this methodology provides a more accurate representation of the value at which such liabilities could be transferred to a third party, and provides a better indication of the risk associated with such obligations.

Management has applied the voluntary change in accounting policy retrospectively. The consolidated financial statements have been restated to reflect adjustments made because of this change. The tables below presents the impact of the change in accounting policy to the consolidated statements of financial position, the consolidated statements of loss and comprehensive loss and the consolidated statements of cash flows, for each of the line items impacted.

Impacts on the Consolidated Statements of Financial Position

As at	December 31, 2022	December 31, 2021			January 1, 2021		
	Adjustments	Previous Policy	Adjustments	Restated	Previous Policy	Adjustments	Restated
Assets							
Assets held for sale	-	-	-	-	22,032	187	22,219
Property, plant and equipment	(14,515)	46	-	46	278	-	278
Liabilities and equity							
Liabilities directly associated with the assets held for sale	-	-	-	-	10,240	(305)	9,935
Decommissioning obligations	(14,623)	1,752	1,290	3,042	2,161	(136)	2,025
Accumulated other comprehensive income (loss)	491	10,146	185	10,331	(55,288)	237	(55,051)
Deficit	(383)	(169,439)	(1,475)	(170,914)	(104,889)	391	(104,498)

Impacts on the Consolidated Statements of Loss and Comprehensive income (Loss)

For the year ended December 31,	2022	2021		
	Adjustments	Previous Policy	Adjustments	Restated
Accretion on decommissioning liabilities	498	554	(47)	507
Change in estimate on decommissioning liabilities	(1,593)	143	1,618	1,761
Gain on sale	-	6,134	(546)	5,588
Currency translation loss on subsidiaries disposed and liquidated	-	(67,764)	251	(67,513)
Change in net monetary position due to hyperinflation	3	-	-	-
Net income (loss)	1,092	(64,550)	(1,866)	(66,416)
Comprehensive income (loss)	1,092	884	(1,866)	(982)

Impacts on the Consolidated Statements of Cash Flows

For the year ended December 31,	2022	2021		
	Adjustments	Previous Policy	Adjustments	Restated
Net income (loss)	1,092	(64,550)	(1,866)	(66,416)
Accretion on decommissioning liabilities	498	554	(47)	507
Change in estimate on decommissioning liabilities	(1,593)	143	1,618	1,761
Disposition	-	60,871	295	61,166
Change in net monetary position due to hyperinflation	3	-	-	-
Cash used in operating activities	-	(3,163)	-	(3,163)

4. Determination of Fair Values

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

(i) Cash, restricted cash, deposits in current assets, accounts receivable, royalty receivable, accounts payable and accrued liabilities:

The fair value of cash, restricted cash, deposits in current assets, accounts receivable, royalty receivable, accounts payable, accrued liabilities and debt are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At December 31, 2022 and December 31, 2021, the fair value of these balances approximated their carrying values due to their short term to maturity.

(ii) Stock options:

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

5. Business Combination

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"), (now known as Valeura Energy (Thailand) Holdings Ltd.) ("VETH") which holds an interest in two operated licences in shallow water offshore Thailand (the "Kris Acquisition"). On June 15, 2022, the Kris Acquisition closed with $4.1 million in consideration paid, including the initial purchase price and maintenance and administrative costs incurred between the effective and closing date. Contingent payments of up to US$7.0 million, based on future development milestones, remain outstanding. The fair value of the contingent payments is discussed further below.

To facilitate the transaction, Valeura, with an 85% interest, and Panthera Thailand Pte. Ltd., ("Panthera"), with a 15% interest, created a Singapore-domiciled special purpose vehicle company ("SPV") Valeura Energy Asia Pte. Ltd., to serve as the entity which completed the acquisition. The relationship between Valeura and Panthera as shareholders of the SPV is governed by a shareholder's agreement which includes, among other things, provisions for the funding of the purchase 100% by Valeura. Under the shareholder agreement, Valeura has control over the SPV. On December 27, 2022, Valeura increased its interest in the SPV to 87.5% and Panthera's share decreased to 12.5%.

The acquisition of VETH has been accounted for as a business combination under IFRS 3. The preliminary purchase price allocation (in United States Dollars), based on the best information available regarding VETH, is as follows:

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

Purchase Price Allocation		
Cash	$	22
Accounts receivable		1,014
Prepaid expenses and deposits		470
Inventory		326
Exploration and evaluation assets		2,375
Property, plant and equipment		26,196
Accounts payable		(1,770)
Decommissioning obligations		(18,879)
Bargain purchase gain		(1,592)
	$	**8,162**

The identifiable assets and liabilities have been measured at their individual fair values on the date of acquisition. Determinations of fair value often require management to make assumptions and estimates about future events. The above preliminary purchase price allocation is based on management's best estimate at the time of the preparation of these financial statements. The purchase price allocation is not final as Valeura is continuing to obtain and verify information required, including those from internal and external specialists, to determine the fair value of certain assets and liabilities including property plant and equipment, exploration and evaluation assets and decommissioning obligations as well as the finalization of working capital adjustments. Upon finalizing the value of the net assets acquired, liabilities assumed and total consideration adjustments including those impacting the bargain purchase gain may be required as values subject to estimate are finalized. As new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, then the accounting for the acquisition will be revised.

The preliminary fair value of property, plant and equipment was determined based on the estimate of proved and probable reserves from an independent third party reserve evaluation prepared as at March 31, 2022. Deferred taxes were calculated by applying the statutory tax rate to the property, plant and equipment fair value less available tax pools. Due to the size of the available tax pools, no deferred tax liability was recorded. The preliminary fair value of decommissioning obligations was determined based on applying a credit adjusted interest 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 specialist reports.

The contingent consideration is made up of two separate payments. Valeura will pay contingent consideration of US$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 US$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 $7.0 million has been reduced to a fair value of $4.1 million as at the acquisition date.

The Company recorded adjustments to the fair value in the fourth quarter of 2022 to the purchase price allocation to reflect facts and circumstances in existence at the date of acquisition. These adjustments related to the decommissioning obligations (increase of $0.6 million) and working capital (decrease of $0.05 million). All measurement period adjustments were offset to the bargain purchase gain on a retrospective basis. A preliminary bargain purchase gain of $1.6 million was recognized primarily related to ongoing commodity price volatility between the effective and closing date of the acquisition with the fair value of the assets purchased exceeding the fair value of the liabilities assumed and consideration paid.

6. 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 which continued through to December 31, 2022. 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'. As required by IAS 29, the Group's consolidated financial statements includes the results and financial position of its Turkish subsidiary, restated in terms of the measuring unit current at the period end date.

For the restatement of results and financial position of its Turkish subsidiary, the Company applied the consumer price index ("CPI") annual inflation rates published by the Turkish Statistical Institute. The indices used are found in the tables below. Average cumulative annual inflation rates were used for 2018 to 2021. Inflation for items purchased in 2018 is greater than those in 2021 due to the cumulative effect of inflation over the additional years. In 2022, monthly inflation rates were used as follows:

Year Purchase	Cumulative Average Annual CPI
2018	165.65
2019	130.72
2020	105.46
2021	71.98

Month	Monthly CPI 2022
Jan	11.10
Feb	4.81
Mar	5.46
Apr	7.25
May	2.98
Jun	4.95
Jul	2.37
Aug	1.46
Sep	3.08
Oct	3.54
Nov	2.88
Dec	1.18

The Company’s subsidiary in Turkey has restated its non-monetary items held at historical cost. The only non-monetary item this applied to was the exploration and evaluation assets, which were converted into their current purchasing power after applying the appropriate CPI rate, based on the year the items were initially recognized. Monetary items and non-monetary items held at current cost were not restated, as they are considered to be expressed in terms of the measuring unit current at the period end date. 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 presented.

7. Prepaid expenses and deposits

The Company’s prepaid expenses and deposits consist of prepayments for the Company’s Gulf of Thailand operations and insurance.

8. Long term deposits

During the year ended December 31, 2022, Valeura entered into an agreement to purchase an onsite Mobile Offshore Production Unit (the “MOPU”) in an asset acquisition transaction, for total cash consideration of $9.2 million, with the final payment of $5.0 million due no later than June 30, 2023. As at December 31, 2022, $4.2 million in cash consideration had been paid. The MOPU’s recertification was not completed until January 2023. Since title does not pass until the final payment of $5.0 million has been made, and the payments are non-refundable, the amounts paid are treated as a long-term non-refundable deposit at December 31, 2022. The balance at December 31, 2022, includes cash considerations paid and costs incurred in relation to the recertification of the MOPU. Upon transfer of title, the costs will be moved to property plant and equipment. The costs are subject to derecognition if the acquisition of the MOPU is not completed.

The long term deposit account also includes a $6 million deposit which was paid upon entering into a sale and purchase agreement with Mubadala Petroleum (Thailand) Holdings Limited on December 6, 2022, to acquire the Thailand upstream oil producing portfolio of Busrakham Oil and Gas Ltd (“Busrakham”), a subsidiary of Mubadala Energy (see note 23).

9. Exploration and Evaluation Assets

Cost		Total
Balance, December 31, 2020	$	1,643
Additions		225
Capitalized share-based compensation		54
Effects of movements in exchange rates		(748)
Balance, December 31, 2021	**$**	**1,174**
Additions		1,510
Acquisitions (note 5)		2,375
Capitalized share-based compensation		17
Hyperinflation adjustments (note 6)		1,267
Effects of movements in exchange rates		(387)
Balance, December 31, 2022	**$**	**5,956**

Exploration and evaluation ("E&E") assets consist of the Company's exploration projects which are pending the determination of proved or probable reserves. Additions represent the Company's share of costs incurred on E&E assets during the period.

Recoverability of exploration and evaluation assets

The Company assesses the recoverability of exploration and evaluation assets, before and at the moment of reclassification to property, plant and equipment, by allocating the E&E assets to appropriate CGUs. At December 31, 2022 and 2021, Valeura determined that no indicators of impairment existed with respect to the Company's E&E assets. Impairment of exploration and evaluation assets is recognized in earnings.

10. Property, Plant and Equipment

Cost		Total
Balance, December 31, 2020	$	15,108
Additions		37
Effects of movements in exchange rates		(6,321)
Balance, December 31, 2021[(1)]	**$**	**8,824**
Additions		43
Acquisitions (note 5)		26,196
Change in decommissioning obligation		(5,990)
Hyperinflation adjustment (note 6)		6,864
Effects of movements in exchange rates		(2,589)
Balance, December 31, 2022	**$**	**33,348**

Accumulated depletion and depreciation		Total
Balance, December 31, 2020	$	14,830
Depletion and depreciation expense		188
Effects of movements in exchange rates		(6,240)
Balance, December 31, 2021[(1)]	**$**	**8,778**
Depreciation expense		38
Hyperinflation adjustment (note 6)		6,864
Effects of movements in exchange rates		(2,552)
Balance, December 31, 2022	**$**	**13,128**

Net book value	Total
Balance, December 31, 2021[(1)]	**$ 46**
Balance, December 31, 2022	**$ 20,220**

(1) Amounts have been restated (note 3).

The Company conducted an assessment of impairment triggers and concluded there were no indicators of impairment with respect to the Company's property plant and equipment as at December 31, 2022.

11. Facility

	December 31, 2022	December 31, 2021
Facility, beginning of year	**$ -**	$ -
Advances	**12,500**	-
Interest and commitment fee accrued	**121**	-
Arrangement fee	**(885)**	-
Financing transaction costs	**(725)**	-
Amortization of financing transaction costs and discount	**79**	-
Facility, end of year	**11,090**	-
Current portion	**5,900**	-
Long-term portion	**$ 5,190**	$ -

On November 11, 2022, subsidiaries of the Company signed agreements with a third party marketer for a Facility, comprised of (i) an agreement for advances in support of Wassana operations and (ii) a commercial contract related to any crude oil production arising from Wassana operations (together, the "Facility"). The Facility provides for advances in discrete tranches, up to an initial maximum capacity of $30 million, subject to the satisfaction of a number of conditions precedent. There is provision to expand the maximum capacity up to $80 million, as may be required to support a potential future acquisition, subject to the satisfaction of certain conditions precedent and the ultimate agreement of the third party marketer. The agreement for advances has a term of two years and bears interest at a margin interest rate of 9.5% per annum on the three-month Secured Overnight Financing Rate as published by the Federal Reserve Bank of New York. The effective yield rate at December 31, 2022, is 21.6%. The Company is required to meet and maintain certain terms, conditions and covenants upon each draw date or at least semi-annually from the first draw date. Financial covenants include a coverage ratio and a liquidity ratio which are further discussed below and the Facility includes a material adverse change clause which would enable the third party marketer to demand repayment of all amounts outstanding if determined to exist. The Facility is secured by the shares of the subsidiaries that have entered into the agreement which encompass the Company's Gulf of Thailand assets and operations as well as certain parent company guarantees.

The financial covenants are as follows:

- The Liquidity Ratio is the ratio of the aggregate of the cash flows available for debt service and the available cash during the relevant test period and the amount of the proposed advance; to the aggregate of the relevant amounts due on the facility, distributions and other expenditures for general corporate purposes during the relevant test period which is the shorter of 12 months or until the maturity date of the facility. The ratio is tested before each advance from the Facility and is required to be equal to or greater than 140%. The last advance from the facility was in December 2022.
- The Coverage Ratio includes both a forward-looking ratio and a backward-looking ratio. The forward-looking ratio is the aggregate of all cargo values delivered and estimated cargo values to be delivered until the date falling two years from the initial first advance from the facility; to the advances and interest accrued on the advances until the date falling two years from the initial advance from the Facility. The backward-looking ratio includes all cargo values in the past six months, to the advances from the facility and the interest payable during the previous six months. The ratio is tested on the first business day of each semi-annual period falling after the date of the agreement. The ratio is to be equal or greater than 300%. This ratio has not yet qualified for testing.

12. Decommissioning Obligations

	December 31, 2022	December 31, 2021 (restated)
Decommissioning obligations, beginning of year	$ 3,042	$ 2,025
Acquisition (note 5)	18,879	-
Obligations settled	(120)	-
Change in estimates	(7,273)	1,772
Accretion of decommissioning obligations	1,247	170
Effects of movements in exchange rates	(684)	(925)
Decommissioning obligations, end of year	$ 15,091	$ 3,042

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 and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. As at December 31, 2022 the re-measured decommissioning liability, resulted in a change in estimate decrease of $7.3 million to the Thailand and Turkey decommissioning obligation. This was due to a revision in the cost estimates of the Thailand obligation and a change in the credit adjusted interest rates and inflation rates for abandonment and reclamation.

The change in estimate related to the Turkish decommissioning liabilities has been recorded on the statement of loss and comprehensive loss as the Company has no asset related to the decommissioning liability.

	December 31, 2022	December 31, 2021
Undiscounted cash flows	$ 72,740	$ 5,161
Credit adjusted interest rate	14.0%	10.8%
Inflation rate (Thailand)	8.2%	-
Inflation rate (Turkish Lira)	-	36.1%
Timing of cash flows	4-8 years	4-5 years

13. Finance Costs

	December 31, 2022	December 31, 2021 (restated)
Interest expense and commitment fee on facility	$ 121	$ -
Amortization of financing transaction costs and discount	79	-
Accretion on decommissioning liabilities	1,256	507
Accretion on deferred consideration	65	-
Other	11	-
Finance costs	$ 1,532	$ 507

14. Income Taxes

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

	December 31, 2022	December 31, 2021
Loss before taxes	**$ (13,640)**	$ (64,275)
Combined federal and provincial tax rate	**38%**	23%
Expected income tax recovery	**(5,198)**	(14,783)
Change in tax rates	**91**	(538)
Non-taxable items and other	**(174,126)**	7,104
Foreign tax rate differential	**13**	43
Change in unrecognized deferred tax assets	**179,220**	8,449
Income tax (recovery) expense – current and deferred	**$ -**	$ 275

The Turkish tax rate for 2022 was 23.0 percent (2021 - 25.0 percent). The Thailand tax rate for 2022 was 50.0 percent.

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

	December 31, 2022	December 31, 2021
Property, plant and equipment and exploration and evaluation assets	$ 72,995	$ 6,739
Share issuance costs	65	856
Non-capital losses	338,912	60,160
Foreign Exchange and other	18,150	7,817
	$ 430,122	$ 75,572

The Company has tax assets of approximately $437 million at December 31, 2022 (2021 – $69.0 million) available for deduction against future taxable income. Cumulative non-capital loss carry-forwards in the amount of $339 million at December 31, 2022 (2021 - $60.2 million) expire between 2022 and 2042.

15. Administrative Expenses

The components of administrative expenses are as follows:

For the years ended	**December 31, 2022**	December 31, 2021
Cash:		
Salaries and benefits [1]	**$ 3,197**	$ 2,653
Other [2]	**6,260**	2,669
	9,457	5,322
Capitalized overhead and recoveries [3]	**(1,577)**	(323)
General and administrative	**7,880**	4,999
Non-cash:		
Share-based compensation	**432**	300
Capitalized share-based compensation [3]	**(17)**	(54)
Share-based compensation	**$ 415**	$ 246

(1) Includes salaries, benefits and bonuses earned by all Directors, Officers and employees of the Company.
(2) Includes costs such as rent, professional fees, insurance, travel, office, business development and other business expenses incurred by the Company.
(3) Includes a portion of salaries, benefits, share-based compensation and other G&A directly attributable to the exploration and development activities of the Company.

The Company recorded transaction costs for the year ended December 31, 2022, of $2.8 million, in relation to the transaction described in note 5.

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

For the years ended	December 31, 2022	December 31, 2021
Salaries and benefits [(1)]	$ 1,256	$ 1,089
Share-based compensation [(2)]	334	250
Executive Officers and Directors compensation	$ 1,590	$ 1,339

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

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

16. Share Capital

(a) Authorized

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

(b) Per share amounts

Per share amounts have been calculated using the weighted average number of common shares outstanding. The weighted average number of common shares outstanding for the year ended December 31, 2022 is 86,609,690, (2021 – 86,584,989). As a result of the company incurring a net loss during each of the last two years, the average number of common shares outstanding was not increased for outstanding stock options as the effect would be anti-dilutive.

(c) Stock options

Valeura has an option program that entitles officers, directors, and employees to purchase shares in the Company. Options are granted at the market price of the shares at the date of grant, have a 7 year term and vest over 3 years.

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

	Number of Options	Weighted average exercise price (CAD)
Balance, December 31, 2020	5,636,833	$ 0.57
Granted	2,312,500	0.52
Expired	(373,334)	0.63
Forfeited	(908,333)	1.06
Balance, December 31, 2021	**6,667,666**	**$ 0.48**
Granted	1,877,500	1.58
Exercised	(563,500)	0.59
Balance, December 31, 2022	**7,981,666**	**$ 0.73**
Exercisable at December 31, 2022	**3,725,845**	**$ 0.49**

The following table summarizes information about the stock options outstanding at December 31, 2022:

Exercise prices (CAD)	Outstanding at December 31, 2022	Weighted average remaining life (years)	Weighted average exercise price (CAD)	Exercisable at December 31, 2022	Weighted average exercise price (CAD)
$0.25 - $0.37	2,260,000	4.2	$ 0.25	1,506,671	$ 0.25
$0.38 - $0.53	2,312,500	5.2	0.52	770,841	0.52
$0.54 - $1.19	1,531,666	1.6	0.72	1,448,333	0.72
$1.20 - $1.58	1,877,500	6.2	1.58	-	-
	7,981,666	4.5	$ 0.73	3,725,845	$ 0.49

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

Assumptions	December 31, 2022	December 31, 2021
Risk free interest rate (%)	**3.3**	0.8
Expected life (years)	**3.8**	4.5
Expected volatility (%)	**96**	99.0
Forfeiture rate (%)	**10**	11.0
Weighted average fair value of options granted (CAD)	**$ 1.06**	$ 0.37

17. Credit Facilities

The Company's Account Performance Security Guarantee ("APSG") facility with Export Development Canada ("EDC") 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 National Bank of Canada ("NBC") allows the Company to use the facility as collateral for certain letters of credit issued by NBC. The Company has issued approximately $0.9 million in letters of credit under the APSG facility at current exchange rates.

18. Supplemental Cash Flow Information

	December 31, 2022	December 31, 2021
Change in non-cash working capital:		
Accounts receivable	**$ (552)**	$ (387)
Prepaid expenses and deposits	**(3,327)**	70
Inventory	**(225)**	-
Accounts payable and accrued liabilities	**3,088**	165
Movements in exchange rates	**(94)**	(167)
	(1,110)	(319)
The change in non-cash working capital has been allocated to the following activities:		
Operating	**(1,502)**	(37)
Investing	**392**	(282)
	$ (1,110)	$ (319)

19. Financial Risk Management

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

- Credit risk
- Market risk
- Liquidity risk

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

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

(a) Credit risk

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

	December 31, 2022	December 31, 2021
Joint venture receivable from partners	**$ 812**	$ 25
Retention receivable	**-**	310
Taxes receivable	**1,304**	205
Other	**36**	46
Accounts receivable	**$ 2,152**	$ 586
Royalty receivable	**$ -**	$ 2,315

Trade and other receivables:

The Company's accounts receivables consist of taxes receivable from the Turkish and Thailand governments (VAT receivable) and receivables from partners related to the Company's joint ventures in Thailand and Turkey.

Royalty receivable:

As at December 31, 2022, the full $2.5 million royalty receivable relating to the disposition of the shallow conventional gas assets in Turkey in May 2021, had been collected (see note 22).

(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 is now exposed to interest rate risk with the current Facility (see note 11) which includes some variability in its interest rate. A 1% increase or decrease is used when management assesses changes in interest rate risk internally. The following table summarizes the impact to net loss if interest rates had been 1% higher and lower, with all other variables held constant.

	December 31, 2022	December 31, 2021
Increase in 1%	**$ 9**	$ -
Decrease in 1%	**(9)**	-

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 and amounts due under the Facility. 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. Amounts due under the Facility consist of advances drawn plus accumulated interest and commitment fees.

Capital management:

The Company's capital structure includes working capital and shareholders' equity and amounts available under the Facility. 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 property, plant and equipment and exploration and development activities while maintaining a strong financial position. Currently, total capital resources available include working capital and debt (see note 11).

As at December 31, 2022, the Company had working capital of $13.2 million which included cash and cash equivalents of $17.5 million. Since the sale of the Company's producing assets in Turkey in May 2021, the Company has been in the exploration, evaluation and acquisition stage and therefore ceased generating any oil and gas revenues. In June 2022 the Company acquired non-producing offshore oil and gas properties (see note 5). The offshore properties require significant capital spending to enable them to become capable of production. The level of capital spending required significantly exceeds the Company's existing capital availability and as such, the Company has secured financing arrangements (see notes 11 and 23). The ability of the Company to draw on its Facility requires the Company to meet and maintain certain terms, conditions and covenants of which there is no guarantee that the Company will be able to do so. Failure to do so will put this funding in jeopardy. In the event the Company is not successful in maintaining this debt funding, there could be a significant impact on the Company's ability to develop its oil and gas properties.

The current challenging economic climate may lead to further adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Company's operating results and financial position. These and other factors may adversely affect the Company's liquidity and the Company's ability to generate profits and cash flows in the future. In light of the current volatility in oil and gas prices the preparation of financial forecasts is challenging.

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, accounts payable, accrued liabilities and debt approximate their carrying amounts due to their short terms to maturity.

20. Geographic Segmented Information

	December 31, 2022
Net income (loss)	
Thailand	$ (5,906)
Turkey	745
Corporate	(8,479)
	(13,640)
Total non-current assets	
Thailand	31,429
Turkey	2,058
Corporate	6,178
	$ 39,665
Total assets	
Thailand	38,885
Turkey	2,682
Corporate	22,443
	$ 64,010

21. Commitments

On October 4, 2022, the Company entered in a contract with Petrovietnam Drilling and Well Service Corporation to charter the PV Drilling I jack-up drilling rig to support its Gulf of Thailand operations in 2023. The Company can terminate the agreement at any time, however prior to mobilization of the rig a termination fee of $10.6 million would be payable. The Company has an additional $1.2 million in offshore equipment commitments in 2023 at December 31, 2022.

22. Disposition

On May 26, 2021, the Company closed the sale of its shallow conventional gas assets for cash consideration (including closing working capital and effective date adjustments) of $16.85 million, and deferred consideration initially valued at $1.0 million, with an economic effective date of July 1, 2020 (“the Disposition”). The Disposition was structured as a sale of shares of Thrace Basin Natural Gas (Turkiye) Corporation (“TBNG”) and Corporate Resources B.V. (“CRBV”), both of which were wholly owned subsidiaries of Valeura. The deferred consideration was in the form of a cash royalty payable over 5 years, referenced to local Turkish gas prices, with a minimum payment of $1 million and a maximum of $2.5 million. Upon closing of the Disposition, the Company estimated the deferred consideration to be approximately $1.0 million. Subsequent to the closing of the sale and during the year ended December 31, 2021 the Company recorded a gain on the deferred consideration of $1.5 million as the maximum payment of $2.5 million was now expected to be received due to overall increases in Turkish natural gas prices. The total payment was received during the year ended December 31, 2022. Upon closing of the Disposition, $0.3 million of the purchase price was being held in escrow for a period of one year from the closing date of the Disposition. This amount was recorded within accounts receivable. The disposition resulted in a gain on disposal of $6.1 million and a currency translation loss of $67.0 million. Accumulated other comprehensive income or loss in disposed subsidiaries, due to currency translation losses, must be transferred to retained earnings through the statement of profit and loss. As at January 1, 2021, the disposed assets were classified as assets held for sale.

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

Net assets disposed	(restated – note 3)
Cash and cash equivalents	$ 2,185
Accounts receivable	2,418
Inventory	117
Prepaid expenses and deposits	273
Right of use asset	340
Exploration and evaluation assets	1,232
Property and equipment	17,703
Accounts payable and accrued liabilities	(2,096)
Lease liability	(279)
Deferred income taxes	(589)
Asset retirement obligation	(8,998)
Total net assets disposed	**$ 12,306**

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

Gain on disposition	**$ 5,588**
Currency translation loss on subsidiaries disposed	**(66,754)**
Total loss on disposition	**$ (61,166)**

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

During the year ended December 31, 2022, the royalty receivable and retention receivable were collected in full.

23. Subsequent events

Private Placement

The Company announced on January 31, 2023, that it had entered into an agreement for a bought deal basis, private placement of 3,937,000 common shares at a price of C$2.54 per common share for aggregate gross proceeds to the Company of approximately C$10 million (the "**Offering)**. The Offering closed on February 8, 2023, and was subject to the Company receiving all necessary regulatory and TSX approvals.

Acquisition of SPV interests

On March 21, 2023, the Company acquired the remaining minority interest in its special purpose vehicle subsidiary company, Valeura Energy Asia Pte. Ltd (the "SPV"), which is the entity that holds all of its assets in Thailand. Through a Share Exchange Agreement ("SEA"), Valeura acquired the 12.5% ownership stake held by the SPV's minority owners, resulting in the SPV becoming a wholly owned subsidiary of Valeura, and thereby increasing its effective interest in its entire Thailand portfolio. As consideration, the Company has issued to the minority shareholders an aggregate of 9.5 million common shares in Valeura. Under the terms of the SEA, 50% of the shares to be issued will be prohibited from being sold for a period of four months, with the remaining 50% restricted from sale for a period of nine months, without otherwise obtaining consent from Valeura.

Mubadala Acquisition

On December 6, 2022, Valeura Energy Asia Pte. Ltd. (the “SPV”), a special purpose vehicle and a subsidiary of the Company, had entered into a Sale and Purchase Agreement with Mubadala Petroleum (Thailand) Holdings Limited (the “Seller”) to acquire the Thailand upstream oil producing portfolio of Busrakham (the “Mubadala Acquisition”). The Mubadala Acquisition closed on March 22, 2023.

As a result of the Mubadala Acquisition, Valeura became the holder of a 100% operated interest in Licence B5/27 containing the Jasmine and Ban Yen oil fields, a 90% operated working interest in Licence G11/48 containing the Nong Yao oil field, and a 70% operated working interest in Licence G1/48 containing the Manora oil field, all of which are offshore in the Gulf of Thailand.

The purchase consideration for the Mubadala Acquisition was US$10.4 million plus up to an additional US$50 million, contingent upon certain upside benchmark oil price scenarios in 2022, 2023, and 2024. Such contingent consideration is capped at a maximum of US$50 million. No contingent consideration is due for 2022.

The Mubadala Acquisition has an effective date of September 1, 2022 and was subject to customary closing conditions including lodging a Valeura parent company guarantee, in place of the Seller’s guarantee with the Thailand regulator.

Expansion of Facility

As discussed in note 11, within the Facility there is a provision to expand the maximum capacity to support the Mubadala Acquisition, subject to certain conditions precedent and the ultimate agreement of the third-party marketer. With the completion of the Acquisition and satisfaction of conditions precedent, the Facility was expanded from its original maximum capacity of $30 million to $80 million. The Company drew an additional $40 million from the Facility at closing of the Mubadala Acquisition, for the purchase price, working capital needs, and a deposit in the amount of $19.8 million provided to the seller in relation to replacing certain letters of credit associated with the acquired Company. . The deposit is to be contractually returned when the letters of credit are replaced in a form acceptable to the seller.