valeura energy inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months and years ended December 31, 2022 and 2021

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

The following Management's Discussion and Analysis ("MD&A") as provided by the management of Valeura Energy Inc. ("Valeura" or the "Company") is dated as of March 29, 2023 and should be read in conjunction with Valeura's audited consolidated financial statements and related notes for the years ended December 31, 2022 and 2021. Additional information relating to Valeura is available under Valeura's profile on www.sedar.com, including Valeura's Annual Information Form for the year ended December 31, 2022 ("2022 AIF"). The reporting currency is the United States Dollar ("USD") (see the sections titled "Foreign Exchange" and "Currency Translation Adjustment" for discussion on Valeura's functional currencies).

Basis of Presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board 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 of the consolidated financial statements.

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

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

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

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The ability to make reliable estimates is further complicated when the political, economic and security situation is uncertain. Management has based its estimates with respect to the Company's operations on information available up to the date this MD&A which was approved by the board of directors of the Company. Significant changes could occur which could materially impact the assumptions and estimates made in this MD&A.

Accounting Policy

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 utilise 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.

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

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 present 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 Net income (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)

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 realisable value and fair value, so they also are not restated. All other non-monetary assets and liabilities are restated in their functional currency so that all the items presented are equivalent to their current purchasing power at the end of the current reporting period. A non-monetary item once restated, in accordance with the appropriate IFRS's, cannot exceed its recoverable amount.

Non-controlling interest

Where there is a party with a non-controlling interest in a subsidiary that the Company controls, that non-controlling interest is reflected as “non-controlling interest” in the 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 Panthera Resources Pte. Ltd.) (the “SPV”), 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.

On March 21, 2023, the Company acquired the remaining minority interest in the SPV. 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 issued are 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.

The Company

Valeura is a Canada-based public company engaged in the exploration, development and production of petroleum and natural gas in Thailand and in Turkey, and is pursuing further inorganic growth in Southeast Asia. The common shares of the Company ("Common Shares") are listed and posted for trading on the Toronto Stock Exchange under the symbol "VLE". The head office of Valeura is located at Suite 1200, 202 – 6th Avenue SW, Calgary, Alberta, T2P 2R9 and its registered and records office is located at 4600, 525 – 8th Avenue SW, Calgary, Alberta, T2P 1G1. Valeura was incorporated under the ABCA.

Thailand

The Company has been active in Thailand since April 28, 2022, when it announced that it had entered into a sale and purchase agreement to acquire certain offshore Gulf of Thailand assets (the "**Kris Acquisition**"). Upon closing of the Kris Acquisition on June 15, 2022, the Company's 85% owned SPV became the holder of an 89% operated working interest in Licence G10/48 containing the Wassana oil field and a 43% operated working interest in the planned Rossukon oil field development in Licence G6/48. The Company has also agreed to purchase the mobile offshore production unit *Ingenium* (the "MOPU"), on location at the Wassana oil field. On March 21, 2023 the

Company completed the acquisition of the minority shareholders' interest in the SPV, resulting in the SPV becoming a wholly-owned subsidiary of Valeura.

On December 6, 2022, Valeura announced that the SPV 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.

Turkey

The Company has been active in Turkey since its inception across all areas of exploration, development and production. The primary region of the Company's activity in Turkey has been the Thrace Basin, just west of Istanbul where the Company operated its gas production. Between 2017 and 2020, the Company undertook a large exploration and appraisal campaign of a deep, unconventional tight gas play ("Deep Gas Play") in partnership with Equinor Turkey B.V. ("Equinor"). Equinor exited the Deep Gas Play in Q2 2020, and the Company is currently conducting a search for a new partner to progress further appraisal of the Deep Gas Play. In 2021, the Company sold its shallow conventional gas business in Turkey for total cash consideration of $16.85 million, plus royalty payments of $2.5 million (the "Disposition").

Valeura retained all the assets associated with the Deep Gas Play and as at December 31, 2022, the Company held operatorship and deep rights on three exploration licences and three production leases in the Thrace Basin comprising approximately 0.23 million gross acres and 0.19 million net acres. Most of the Company's deep rights land holdings are in the three exploration licences which are in their first extension term and are valid up to June 27, 2023, provided a shallow commitment well with a minimum depth of 1,500 metres is drilled during the current term on each exploration licence. To date, two wells have been drilled and a third well is awaiting government approval of a location licence. There is the opportunity to extend the term of these exploration licences for two additional two-year periods totalling four years on application supported by a proposed work programme for each extension period. These potential extensions would enable the Company to further explore and appraise the Deep Gas Play, before the Company is required to convert the licences into production leases. The Company is currently seeking a partner for the continued appraisal of the Deep Gas Play prior to commencing further deep drilling.

The Company is seeking to continue building a balanced portfolio, which includes near-term cash flowing assets that additionally have further growth potential. In line with this strategy, the Company continues to seek additional mergers and acquisitions ("M&A") in addition to pursuing organic growth opportunities within its Thailand and Turkey assets.

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$10.0 million (the "Offering). The Offering closed on February 8, 2023, and was subject to the Company receiving all necessary regulatory and TSX approvals.

Operations and Outlook

Thailand

Following closing of the Kris Acquisition in Q2 2022, operational activities commenced, with a focus on the restart of production from the Wassana oil field in Licence G10/48 which had been suspended since 2020. The primary scope of work to enable the restart of production included the charter of a suitable floating storage and offloading vessel for the field's crude oil production, and obtaining a re-certification of the MOPU facility.

During the second half of 2022, the Company conducted certain maintenance, inspection works, and minor upgrades to the MOPU *Ingenium*, culminating in a formal notification of its recertification in January 2023.

In November 2022, Valeura entered into an agreement to charter the *MT Jaka Tarub* vessel (previously the *MT Vula*) to store production from the Wassana oil field. Following cleaning and modification work, the vessel was mobilised to the field in March 2023. The vessel is currently moored at the field, but due to the vessel impacting the Catenary Anchor Leg Mooring ("CALM") buoy, the restart of oil production has been delayed. In keeping with Valeura's strict Health, Safety, and Environmental standards, the Company is working collaboratively with Thailand's upstream regulator, the Department of Mineral Fuels, to ensure the safe re-start of production operations, which will now entail a thorough inspection to assess damage and verify the operational integrity of the complete offloading system before startup.

The Company is planning for a five-well infill drilling programme on the Wassana oil field mid-year. Valeura has agreed to charter the *PV Drilling I* jack-up drilling rig, which is expected to mobilise to the Wassana oil field late in the first half of Q3 2023. The Company seeks to increase production rates from the Wassana oil field from an initial target of 3,000 bbls/d to 4,500 bbls/d (net).

Valeura's Thailand interests also include operatorship and a 43% working interest in the undeveloped but fully appraised Rossukon oil field development in Licence G6/48. Following closing of the Kris Acquisition, Valeura's activities have centered around commercial engagement with partners and regulators to align on the development plan which must yield first oil in November 2023. The Company continues to progress these efforts and anticipates making an announcement in Q2 2023 in relation to the project.

At the end of 2022, the Company was working to satisfy the closing conditions of the Mubadala Acquisition, which was subsequently achieved in Q1 2023 resulting in completion of the transaction on March 22, 2023. Valeura's outlook for the assets acquired in the Mubadala Acquisition is to maintain safe, reliable and environmentally responsible ongoing production operations, pursue organic growth opportunities, and to ensure the efficient integration of the acquired business with its pre-existing operations with a view to realising both operational and economic synergies.

In addition, Valeura's corporate strategy remains growth-oriented while continuing to focus on its environment, social and governance priorities, and the Company is continuing to pursue inorganic opportunities within Thailand and the broader Southeast Asia region.

Turkey

The three exploration licences which hold the bulk of the Deep Gas Play opportunity are nearing the end of the first extension period on June 27, 2023. Drilling commitments in the current term have been fulfilled on two of the licences by way of work performed in Q4 2022 by TBNG Limited, the operator of the shallow rights. In accordance with commercial agreements between Valeura and TBNG Limited, the total cost to Valeura to fulfill the commitments was just over $0.4 million. Valeura is awaiting approval of a location licence to permit drilling of a shallow commitment well on the third licence (Banarli East).

The Company continues to believe that securing a partner is the most prudent step before committing significant capital to any further deep appraisal drilling and testing of the Deep Gas Play. A farm down process is underway, with the target of attracting a suitable partner. No acceptable offers have been received to date.

Business Environment

Volatility in benchmark oil and gas prices has a continual impact on companies in the upstream sector. In particular, commodity prices are directly correlated to revenue and accordingly may complicate a company's ability to plan spending and investment decisions. In addition to these ongoing challenges, the extreme volatility in benchmark prices over the past two to three years has challenged the Company's ability to pursue inorganic growth opportunities and significantly increased the time required to negotiate transactions, particularly as regards agreeing transaction effective dates and contingent future payments. In addition, recent high activity levels in the oil and gas industry have created strong inflationary pressure and increased demand for key equipment including marine vessels and materials required to execute projects. Valeura has increased its Southeast Asia commercial efforts, including its management and human capital resources, to position the Company to remain competitive.

In addition, the Company acknowledges that over the past three years, the COVID-19 pandemic and its associated government responses have caused material disruption to businesses globally, resulting in an economic slowdown as well as significant volatility and weakness within global equity markets. While COVID-19 measures have been lifted or eased in many jurisdictions, any future resurgence of COVID-19 or other threats to public health could impact the Company further. Valeura intends to remain vigilant with regard to the health and well-being of its personnel and to remain in compliance with measures that may be imposed by governmental authorities.

Geopolitical unrest can have, from time to time, an adverse effect on the upstream oil and gas business environment. This includes the impact of Russia's military operation in Ukraine which began in February 2022 and has been overwhelmingly condemned by Canada and most other nations. The outcome of these events is uncertain at this time and may impact the peace and stability of the region and the world and could affect the global economy including regions and markets in which the Company operates. Any subsequent oil and gas supply shortages or volatile commodity prices could have adverse impacts on the world economy and the Company's business. To date these events have not impacted the Company's ability to carry on business and there have been no security issues affecting the Company's operations, offices, or personnel, nor do the enacted sanctions affect the Company's business. If these events continue to escalate, they could have a material adverse effect on Valeura's business, financial condition or results of operations.

Following consultation with the Financial Conduct Authority ("FCA"), the Company was advised that the Kris Acquisition constituted a reverse takeover for the purposes of the Listing Rules of the FCA. Upon closing of the Kris Acquisition on June 15, 2022, the Company was required to delist the Common Shares from the London Stock Exchange. Interests in the Common Shares purchased on the London Stock Exchange can be transferred from the UK depositary to the Canadian depositary to be traded on the Toronto Stock Exchange. Valeura intends to continue to evaluate the merits of re-listing in London and will update shareholders in due course.

Results of Operations

Operations in Thailand during Q4 2022 included routine maintenance operations at the MOPU on Licence G10/48 in Thailand in addition to facility upgrades in preparation for production restart. Inspection work in relation to the MOPU recertification was conducted during the quarter and minor corrective actions were completed, culminating in the issuance of a class certificate on January 13, 2023, thereby extending the life of the facility. In addition, planning work continued for the infill drilling programme planned for Q2 2023, including procurement of the *PV Drilling I* rig, as announced on October 4, 2022.

Operations in Turkey during Q4 2022 focussed on maintenance of the three well sites related to the Deep Gas Play, while the Company continues its farm-out process to secure a partner to participate in the next phase of activity.

In addition to the costs associated with the above operational activities, general and administrative expenses also reflect activity related to new business conducted during the quarter, including planning for the Rossukon oil field development on Licence G6/48 and evaluation work relating to potential M&A activity.

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

General and Administrative Expenses

	Three months ended		Years ended	
	December 31, 2022	December 31, 2021	**December 31, 2022**	December 31, 2021
General and administrative expenses	**$ 2,763**	$ 1,246	**$ 7,227**	$ 5,116
Business development	**258**	-	**2,230**	-
Recoveries and capitalized general Administrative expenses	**(681)**	(66)	**(1,577)**	(323)
Total general and administrative expenses	**$ 2,340**	$ 1,180	**$ 7,880**	$ 4,793

General and administrative expenses increased in Q4 2022 and the year ended December 31, 2022, when compared to the same periods in 2021 due to increased G&A from the Kris Acquisition and business development costs. The year ended December 31, 2022, includes general and administrative expenses from Thailand of $2.1 million and recoveries of $1.4 million.

Transaction Costs

Transaction costs for Q4 2022 and the year ended December 31, 2022, were $0.8 million and $2.8 million, respectively, compared to $nil and $0.07 million in the same periods in 2021. The 2022 transaction costs relate to legal and due diligence costs associated with the Kris Acquisition and Mubadala Acquisition. The 2021 transaction costs are fees associated with the Disposition.

Operating Costs

Operating costs for Q4 2022 and the year ended December 31, 2022, were $2.9 million and $5.7 million, respectively. This compares to $0.07 million and $1.3 million for the same periods in 2021, which still included operations and production related to the Disposition, which closed in Q2 2021.

The majority of operating costs during Q4 2022 related to the Company's Thailand business, totaling $2.9 million, comprised primarily of ongoing maintenance, insurance and reactivation costs relating to the Wassana oil field.

Turkey operating costs for Q4 2022 and the year ended December 31, 2022, were $0.03 million and $0.2 million, respectively and relate to ongoing maintenance and insurance.

Foreign Exchange

Foreign exchange (realised and unrealised) for Q4 2022 and the year ended December 31, 2022, was a loss of $0.6 million and a gain of $1.5 million, respectively, compared to a loss of $0.2 million and a gain of $0.4 million, respectively, for the same periods in 2021.

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

Non-cash Expenses

Currency Translation Adjustment

The currency translation adjustment for Q4 2022 and the year ended December 31, 2022, was a loss of $1.8 million and $1.6 million, respectively, compared to a loss of $1.3 million and $2.3 million, respectively, for the same periods in 2021 reflecting the fluctuation in the value of the TL and CAD compared to the USD in the respective periods.

Share-based Compensation

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

Share-based compensation expense for Q4 2022 and the year ended December 31, 2022, was $0.2 million and $0.4 million, respectively, compared to $0.1 million and $0.2 million, respectively, for the same periods in 2021.

Change in Estimate and Accretion on Decommissioning Liabilities

In 2022, the Company recorded a gain of $1.3 million related to the change in estimate on the Company's decommissioning obligations for the wells related to the Deep Gas Play. The total decommissioning obligation is estimated based on the Company's net ownership interest in three deep wells and associated facilities, estimated costs to reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred in future years. The change in estimate reflects the combined effect of a revision in the cost estimates for abandonment and reclamation, changes in inflation rates and the accounting policy change to move to a credit adjusted interest rate in measuring the decommissioning liability. 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.

The Kris Acquisition

As announced on April 28, 2022, the Company entered into a sale and purchase agreement with KrisEnergy (Asia) Ltd to acquire all of the issued and outstanding shares of KrisEnergy International (Thailand) Holdings Ltd , (now known as Valeura Energy (Thailand) Holdings Ltd.) ("VETH"), which holds an interest in two operated licences in shallow water offshore Thailand Licence G10/48 and Licence G6/48. 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 $7.0 million, based on future development milestones, remain outstanding. The fair value of the contingent payments is discussed further below.

To facilitate the Kris Acquisition, Valeura, with an 85% interest, and Panthera Thailand Pte. Ltd., ("Panthera"), with a 15% interest, created the SPV, to serve as the entity which completed the Kris Acquisition. The relationship between Valeura and Panthera as shareholders of the SPV is governed by a shareholder's agreement (the "Shareholders Agreement") which includes, among other things, provisions for the funding of the purchase price entirely by Valeura. Under the Shareholders 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%. On March 21, 2023, Valeura acquired the remaining 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.

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

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

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.

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.

Hyperinflation

During the Q2 2022, the Turkish Statistical Institute's published consumer price index indicated that cumulative three-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'.

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

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

Liquidity, Financing and Capital Resources

The Company's capital structure includes working capital and shareholders' equity and amounts available under the Facility (defined below). 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.

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 Disposition 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 pursuant to the Kris Acquisition. 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. 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. 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.

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

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.

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. 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.

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

- 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.

Credit Facilities

The Company's account performance security guarantee ("APSG") facility with Export Development Canada is effective from June 7, 2022, to August 31, 2023, with a limit of $1.0 million and can be renewed on an annual basis. The APSG facility, which was issued to the National Bank of Canada ("NBC") on the Company's behalf, allows the Company to use the APSG 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.

Selected Quarterly Information

	Three months ended			
	December 31, 2022	**September 30, 2022**	**June 30, 2022**	**March 31, 2022**
Total daily production (boe/d)	-	-	-	-
Petroleum and natural gas sales	-	-	-	-
Cash provided used in operating Activities	(6,916)	(6,437)	(2,697)	(1,743)
Net income (loss)	(6,888)	(3,612)	333	(3,473)
Net income (loss) attributable to:				
Shareholders of Valeura Energy	(6,142)	(2,939)	59	(3,473)
Non-controlling interest	(746)	(673)	274	-
Per share, basic and diluted	$ (0.07)	$ (0.04)	$ 0.00	$ (0.04)

	Three months ended			
	December 31, 2021	**September 30, 2021**	**June 30, 2021**	**March 31, 2021**
Total daily production (boe/d)	-	-	614	684
Petroleum and natural gas sales	-	-	1,040	2,086
Cash provided by (used in) operating Activities	(887)	(1,151)	(677)	(448)
Net loss	(3,190)	1,234	(61,533)	(1,061)
Per share, basic and diluted	$ (0.04)	$ 0.01	$ (0.71)	$ (0.01)

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

- The Company reported net income in Q2 2022, as a result of closing the Kris Acquisition and recording a bargain purchase gain.
- Cash used in operating activities increased in 2022 as a result of transactions costs associated with the Kris Acquisition and business development costs.
- The Company completed the Disposition in Q2 2021, resulting in the transfer of a large currency translation loss from accumulated other comprehensive income to current period earnings in Q2 2021 and no production and sales in Q3 2021.

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

Outstanding Share Data

	December 31, 2022
Common Shares	87,148,489
Stock options	7,981,666
Fully diluted	95,130,155

Selected Annual Information

			Years Ended
	December 31, 2022	December 31, 2021 (restated)	December 31, 2020 (restated)
Petroleum and natural gas sales	$ -	$ 3,126	$ 8,547
Cash provided by (used in) operations	(17,870)	(3,163)	(145)
Net loss	(13,640)	(66,416)	(19,534)
Per share, basic and diluted ($/share)	(0.14)	(0.77)	(0.23)
Net loss attributable to:			
Shareholders of Valeura Energy	(12,495)	-	-
Non-controlling interest	(1,145)	-	-
Cash and cash equivalents	17,516	40,826	30,143
Total assets	64,010	45,223	55,044
Total long-term liabilities	24,455	3,042	2,025

The increase in Valeura's total assets in 2022 was the result of the Kris Acquisition. The increase in cash used in operations in 2022 was the result of increased operating costs associated with the Kris Acquisition. The decrease in cash was the result of increased investing activities and operating costs associated with the Kris Acquisition offset by the Facility financing.

The increase in Valeura's net loss in 2021 was due to a $67 million currency translation loss transferred to earnings from AOCI upon close of the Disposition in Q2 2021. This was partially offset by the $5.6 million gain on disposition related to the Disposition.

Critical Accounting Policies

Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The reader is referred to Valeura's audited consolidated financial statements for the year ended December 31, 2022 for a description of estimates and judgments.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The Company's President and Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") for Valeura. DC&P, as defined in National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), are designed to provide reasonable assurance that information required to be disclosed in reports filed with, or submitted to, securities regulatory authorities is recorded, processed, summarised and reported within the time periods specified under Canadian securities law and include controls and procedures designed to ensure that information required to be so disclosed is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. The CEO and CFO of Valeura evaluated the effectiveness of the design and operation of the Company's DC&P. Based on that evaluation, the CEO and CFO concluded that Valeura's DC&P were effective as at December 31, 2022.

Internal control over financial reporting ("ICFR"), as defined in NI 52-109, includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of the Company; (ii) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Company are being made in accordance with authorisations of management and directors of the Company; and (iii) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

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

The CEO and CFO are responsible for establishing and maintaining ICFR for Valeura. They have, as at the financial year ended December 31, 2022, designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Under the supervision of the CEO and CFO, Valeura conducted an evaluation of the effectiveness of the Company's ICFR as at December 31, 2022 and concluded that as of December 31, 2022, ICFR was effective. The Company uses the Committee of Sponsoring Organizations of the Treadway Commission – Integrated Framework ("2013 Framework"). and designed its internal controls over financial reporting based on the 2013 Framework. It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

Off Balance Sheet Arrangements

The Company had no material off-balance sheet arrangements outstanding as at December 31, 2022, other than those discussed herein.

Financial Instruments

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

Business Risks and Uncertainties

The reader is referred to the 2022 AIF for a more complete description of business risks and uncertainties.

Failure to realise transactions and anticipated benefits related to mergers and acquisitions

Valeura is pursuing a strategy that relies, in part, on growth via mergers and acquisitions in the near to mid-term. The Company will compete with numerous other companies in the search for and acquisition of oil and gas interests, whether through merger with another company or asset acquisition. The Company's competitors may include companies that have more significant financial resources, staff and facilities than those of the Company. The Company's ability to successfully bid on and acquire merger and/or acquisition targets will be dependent on its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment and in the face of potentially rising commodity prices.

Acquisitions of oil and natural gas properties or companies are based in large part on engineering, environmental and economic assessments made by the acquirer, independent engineers and consultants. These assessments include a series of assumptions regarding such factors as recoverability and marketability of oil and natural gas, environmental restrictions and prohibitions regarding releases and emissions of various substances, future prices of oil and natural gas and operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the control of the Company. All such assessments involve a measure of geologic, engineering, facility operations, environmental and regulatory uncertainty that could result in lower production and reserves or higher operating or capital expenditures than anticipated.

Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as Valeura's ability to realise the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Company. The integration of acquired businesses may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services.

Management of growth

Valeura may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Valeura to manage growth effectively and other acquired assets or companies, will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The potential inability of Valeura to deal with this growth could have a material adverse impact on its business, operations and prospects, particularly since Valeura has announced a strategy of growing through mergers and acquisitions in the near to mid-term. This strategy may involve mergers and/or acquisitions in a different country than the Company operates in, which would present further risks, including but not limited to risks regarding finding key personnel and establishing relationships with regulators, government officials and other key stakeholders.

Acquisitions, dilution and availability of debt

Valeura has announced a strategy to grow in the near to mid term through mergers and acquisitions, of either assets or shares of other entities. These mergers and/or acquisitions may require Valeura to enter into financings or other transactions involving the issuance of securities of Valeura which may be dilutive.

Valeura may have difficulty accessing any debt needed to acquire and develop international oil and gas properties. This may result in the inability of Valeura to complete certain acquisitions or drilling activities. Future acquisitions may be financed partially or wholly with debt, which may increase debt levels above industry standards. Depending on future exploration and development plans, Valeura may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. Neither Valeura's articles nor its by-laws limit the amount of indebtedness that it may incur. The level of Valeura's indebtedness from time to time could impair its ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Capital requirements

Valeura may in future require capital expenditures beyond its current cash position. Valeura's cash flow from its assets may not be sufficient to fund its ongoing activities at all times. If Valeura's revenues decrease as a result of lower oil and natural gas prices or otherwise, it will affect Valeura's ability to expend the necessary capital to replace its reserves or to maintain its production, and it may have limited ability to acquire or expend the capital necessary to undertake or complete future drilling programmes.

From time to time, Valeura may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause Valeura to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If cash flow from operations is not sufficient for Valeura to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on terms acceptable to Valeura. There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Valeura. The potential inability of Valeura to access sufficient capital for its operations could have a material adverse effect on Valeura's financial condition, results of operations or prospects.

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 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. 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. 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.

Exploration, development and production risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of Valeura will depend on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves Valeura may have at any particular time and the production therefrom will naturally decline over time as such existing reserves are produced and depleted. A future increase in Valeura's reserves will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. No assurance can be given that Valeura will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, Valeura may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by Valeura.

While diligent well supervision and effective maintenance operations can contribute to maximising production rates over time, natural declines as reserves are depleted and production or sales delays cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees. Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or in personal injury. In accordance with industry practice, Valeura will not be fully insured against all of these risks, nor are all such risks insurable. Although Valeura will maintain liability insurance in an amount that it considers consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event Valeura could incur significant costs that could have a material adverse effect upon its financial condition. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations.

Offshore operational risks relating to Thailand

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

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

The Company is dependent on its directors, senior management team and employees with relevant experience

The Company is reliant on a number of key personnel. International exploration and development activities such as those the Company is engaged in require specialised skills and knowledge in the areas of petroleum engineering, geology, geophysics and drilling. In addition, specific knowledge and expertise relating to local laws (including regulations relating to land tenure, exploration, development, production, marketing, transportation, the environment, royalties and taxation) and market conditions is required to compete with other international oil and gas entities.

The success of Valeura will depend in large measure on certain key personnel and management. The Company also relies on certain key personnel in-country with the ability to work in the local language and report to management in Canada. The loss of the services of such key personnel could have a material adverse effect on Valeura. Valeura does not have key person insurance in effect for members of management. The competition for qualified personnel in the oil and natural gas industry, particularly the international oil and gas industry in which Valeura operates, can be intense and there can be no assurance that Valeura will be able to attract and retain all personnel necessary for the development and operation of its business.

The loss of one or more of its key personnel could have an adverse impact on the business of the Company. Furthermore, it may be particularly difficult for the Company to attract and retain suitably qualified and experienced people, given the competition from other industry participants and the relative size of the Company.

In addition, the success of the Company's merger and acquisition strategy relies in part on the expertise of the directors and senior management in assessing new business and new country entry, which is specialised knowledge. The business relationships of directors and management can be helpful in pursuing this strategy.

There is no assurance that the Company will successfully continue to retain existing specialised personnel and senior management or attract additional experienced and qualified senior management and/or oil and gas personnel required to successfully execute and implement the Company's business plan, which will be particularly important as the Company expands. Competition for such personnel is intense. The loss of such personnel and the failure to successfully recruit replacements in a timely manner, or at all, would have a material adverse effect on its business, prospects, financial condition and results of operations.

The Company's operations may be harmful to the environment and the Company may be subject to compliance, clean-up and other costs

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. In addition, all of the Company's near-term production operations in Thailand are offshore, and hence, considered an environmentally sensitive setting. Further, many areas of the Thrace Basin in Turkey are designated as prime agricultural land requiring land use approvals from both Agricultural and Energy and Natural Resources Ministries in Turkey. Currently, there are no restrictions on the hydraulic stimulation of wells in either jurisdiction. However, a number of global jurisdictions have temporarily or permanently banned hydraulic fracturing, a form of high-pressure stimulation, of wells and there is a risk that these restrictions may spread to other jurisdictions. High pressure stimulation is a normal oil field practice, and in the case of tight gas formations (such as those in the Deep Gas Play), is critical to achieving commercial production. Any future restrictions could have a material adverse effect on Valeura's business.

The legislation in Turkey and Thailand also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require Valeura to incur costs to remedy such discharge. Although Valeura believes it is in material compliance with current applicable environmental and land use regulations, no assurance can be given that environmental laws or agricultural land use requirements will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect Valeura’s financial condition, results of operations or prospects.

The Company's projects are subject to various environmental laws. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws.

Forward-looking Statements

Certain information included in this MD&A constitutes forward-looking information under applicable securities legislation. Such forward-looking information is for the purpose of explaining management's current expectations and plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes, such as making investment decisions. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "project", "target" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking information in this MD&A includes, but is not limited to: the total cash consideration and quantum for any contingent consideration in respect of the Mubadala Acquisition; the Company’s outlook for the assets acquired in the Mubadala Acquisition; Valeura’s contingent resources attributed to Licence G10/48; certain contingent payments of up to a further $7.0 million under the Kris Acquisition relating to further development milestones; potential adjustments to the purchase price allocations for the purchase of VETH; statements regarding the Company’s forward guidance expectations for 2023; the expectation that the PV Drilling I jack-up drilling rig is expected to Mobilise to the Wassana field late in Q2 2023; the purchase price of an onsite MOPU being phased over approximately 14 months; title passing from the seller to the Company; the intention to resume at the Wassana field upon arrival of the MT Jaka Tarub vessel; planning for a five-well infill drilling programme on the Wassana field starting in Q3 2023 and additional procurement work in support of such; the goal to increase production rates from the Wassana field from an initial target of 3,000 bbls/d to 4,500 bbls/d; the Company’s farm-out process for the Deep Gas Play continuing; working to secure a partner in connection with the Deep Gas Play; commercial engagement with partners and regulators relating to refining the FDP in advance of the final investment decision with respect to the Rossukon Oil Field; decommissioning obligations; the ability to extend the Thrace Basin exploration licences for up to a further five years; the search for additional M&A opportunities and pursuit of organic growth opportunities; the potential of a Deep Gas Play in the Thrace Basin; Valeura’s business strategy and outlook; the required level of capital spending and requirements; the ability to meet and maintain certain terms, conditions and covenants of the Facility; future economic conditions; the ability to renew the APSG facility; assessing the DC&P and ICFR relating to VETH; Valeura’s plan to report energy consumed across its operations; the Company’s continued ability to work with the Thai Navy to minimize impact to commercial and security operations in the Gulf of Thailand; evaluating the merits of re-listing on the London Stock Exchange; future currency exchange rates and inflation; demand for key equipment including marine vessels and materials required to execute projects; and future liquidity.

Forward-looking information is based on management's current expectations and assumptions regarding, among other things: the ability of the Company to fund the Mubadala and Kris Acquisitions from cash on hand and future cash flow; the Company’s ability to integrate the assets from the Mubadala and Kris Acquisitions; the ability to successfully restart production from the Wassana field; the ability to achieve a materially lower cost base for the Wassana field through the MOPU purchase and other new facility leasing contracts; the ability to achieve oil sales from Wassana and generate net cashflows at current commodity prices; the ability to fully identify and execute infill drilling opportunities in the Wassana field; the ability to achieve regulatory and partner approvals to refine the FDP in the Rossukon field; the ability to successfully pursue further opportunities in Thailand and achieve synergies; the ability to extend the Thrace Basin exploration licences for up to a further five years; the ability to identify attractive

M&A opportunities to support growth; the continuation of operations following the COVID-19 pandemic; continued safety of operations and ability to proceed in a timely manner; the ability to satisfy the conditions precedent under the Facility; the ability to meet and maintain certain terms, conditions and covenants under the Facility; future sources of funding; future economic conditions; the ability to manage costs related to inflation; the ability of the Company to execute its strategy; the Company's ability to effectively manage growth; political stability of the areas in which Valeura is operating and completing transactions; the success of the Deep Gas Play; the ability of the Company to satisfy the drilling and other requirements under its licences and leases; continued operations of and approvals forthcoming from the governments and regulators in a manner consistent with past conduct; future seismic and drilling activity on the required/expected timelines; the prospectivity of the Company's lands; the continued favourable pricing and operating netbacks across its business; future production rates and associated operating netbacks and cash flow; the ability to reach agreement with partners; the ability of the Company to maintain its directors, senior management team and employees with relevant experience; the ability of the Company to successfully manage the political and economic risks inherent in pursuing oil and gas opportunities in Thailand and Turkey; field production rates and decline rates; the ability of the Company to secure adequate product transportation; the impact of increasing competition in or near the Company's plays; the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner to develop its business and execute work programmes; the Company's ability to operate the properties in a safe, environmentally responsible, efficient and effective manner; the ability to meet drilling deadlines and other requirements under licences and leases; the timing and costs of pipeline, storage and facility construction and expansion; future oil and natural gas prices; currency, exchange rates; interest rates; the ability of the Company to maintain effective ICFR; the regulatory framework regarding royalties, taxes and environmental matters; the ability of the Company to successfully market its oil and natural gas products; the continued minimal effect on the Company's ability to operate from various geopolitical unrest; the state of the capital markets; and the ability of the Company to obtain financing on acceptable terms.

Forward-looking information involves significant known and unknown risks and uncertainties. Exploration, appraisal, and development of oil and natural gas reserves are speculative activities and involve a degree of risk. A number of factors could cause actual results to differ materially from those anticipated by the Company including, but not limited to: the risks associated with the oil and gas industry (e.g. operational risks in exploration, inherent uncertainties in interpreting geological data, and changes in plans with respect to exploration or capital expenditures, the uncertainty of estimates and projections in relation to costs and expenses, and health, safety, environmental risks and climate change risks); the ability of management to execute its business plan or realise anticipated benefits from the Mubadala Acquisition and Kris Acquisition; competition for specialised equipment and human resources; disruption in supply chains; the risks of currency fluctuations; changes in oil and gas prices and netbacks in Thailand and Turkey; potential changes in joint venture partner strategies and participation in work programmes; potential assertions of pre-emptive rights by a partner or potential disputes with a partner in connection with the Kris Acquisition; the ability to maintain effective internal controls over financial reporting; the ability to secure a new partner for Deep Gas Play; the ability to execute potential M&A opportunities; the risk that the conditions precedent under the Facility will not be satisfied and that other financing may not be available; the risks of further disruptions from the COVID-19 pandemic; liquidity risk; uncertainty regarding the sustainability of initial production rates and decline rates thereafter; uncertainty regarding the contemplated timelines for further testing and production activities; uncertainty regarding the state of capital markets and the availability of future financings; the risk of being unable to meet drilling deadlines and the requirements under licences and leases; uncertainty regarding the contemplated timelines and costs for offshore development plans in Thailand and the Deep Gas Play evaluation in Turkey; the risks of disruption to operations and access to worksites, threats to security and safety of personnel and potential property damage related to political issues, terrorist attacks, insurgencies or civil unrest; the risks of increased costs and delays in timing related to protecting the safety and security of Valeura's personnel and property; political stability in Turkey; the risk of changing commodity prices and BOTAS Reference Prices (priced in TL); the risk of foreign exchange rate fluctuations, particularly the TL; the uncertainty associated with negotiating with third parties in Turkey; the risk of partners having different views on work programmes and potential disputes among partners; counterparty risks; the uncertainty regarding government and other approvals (potential changes in laws and regulations); the risks associated with weather delays and natural disasters; and the risk associated with international activity. The forward-looking information included in this MD&A is expressly qualified in its entirety by this cautionary statement. See the 2022 AIF for a detailed discussion of the risk factors.

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