Condensed Interim Consolidated Financial Statements as at March 31, 2023 and for the three months ended March 31, 2023 and 2022

(Unaudited)

(In U.S. Dollars)

valeura energy inc.

Condensed Interim Consolidated Statements of Financial Position
(unaudited)

(thousands of US Dollars)	March 31, 2023	December 31, 2022
Assets		
Current Assets		
Cash and cash equivalents *(note 4)*	$ 268,551	$ 17,516
Restricted cash *(note 6)*	2,745	69
Accounts receivable *(note 19a)*	45,802	2,152
Inventory (note 7)	95,561	551
Prepaid expenses and deposits *(note 8)*	26,589	4,057
	439,248	24,345
Non-Current Assets		
Long term non-refundable deposits and other *(note 9)*	7,489	13,489
Prepaid expenses and deposits *(note 8)*	1,334	-
Exploration and evaluation assets *(notes 10)*	6,744	5,956
Property, plant and equipment *(notes 4 & 11)*	354,652	20,220
Right of use asset *(note 12)*	88,129	-
	$ 897,596	$ 64,010
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 172,527	$ 5,198
Income tax payable *(note 4)*	113,185	-
Current portion of lease liabilities *(note 12)*	30,957	-
Current portion of contingent consideration	1,772	-
Current portion of debt *(note 13)*	16,997	5,900
	335,438	11,098
Long-term debt *(note 13)*	32,875	5,190
Lease liabilities *(note 12)*	56,310	-
Contingent consideration *(note 4)*	11,549	4,174
Decommissioning obligations *(note 14)*	183,675	15,091
Provision for employee benefits	9,696	-
Deferred tax liability *(note 4)*	35,322	-
	664,865	35,553
Shareholders' Equity		
Share capital *(note 16)*	201,846	180,116
Contributed surplus	23,453	22,986
Accumulated other comprehensive income	8,697	8,748
Non-controlling interest	-	2,421
Deficit	(1,265)	(185,814)
	232,731	28,457
	$ 897,596	$ 64,010

Subsequent events *(note 22)*

See accompanying notes to the condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
For the three months ended March 31, 2023 and 2022
(unaudited)

(thousands of US Dollars)	March 31, 2023	March 31, 2022 (restated – note 3)
Revenue		
Petroleum and natural gas sales	$ -	$ -
Royalties	-	-
Other income	63	25
	63	25
Expenses and other items		
Operating	4,678	45
General and administrative	3,069	1,590
Transaction costs	829	1,223
Finance costs *(note 15)*	1,910	70
Foreign exchange loss	979	445
Share-based compensation (*note 16*)	572	113
Change in estimate on decommissioning liabilities *(note 14)*	(42)	171
Depletion and depreciation and amortization *(notes 11 & 12)*	109	8
	12,104	3,665
Loss for the period before other items	(12,041)	(3,640)
Bargain purchase gain *(note 4)*	207,620	-
Change in net monetary position due to hyperinflation *(note 5)*	268	-
	207,888	-
Income (loss) for the period before income taxes	195,847	(3,640)
Income taxes		
Deferred tax recovery	871	-
Net income (loss)	196,718	(3,640)
Net income (loss) attributable to:		
Shareholders of Valeura Energy	197,431	-
Non-controlling interest	(713)	-
Currency translation adjustments	(51)	488
Comprehensive income (loss)	$ 196,667	$ (3,152)
Comprehensive income (loss) attributable to:		
Shareholders of Valeura Energy	197,380	-
Non-controlling interest	(713)	-
Net income (loss) per share		
Basic	2.17	(0.04)
Diluted	2.05	-
Net Income (loss) per share attributable to shareholders of Valeura Energy		
Basic	2.17	(0.04)
Diluted	2.05	-
Weighted average number of shares outstanding (thousands) (note 16)		
Basic	90,828	86,585
Diluted	96,075	-

See accompanying notes to the condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Cash Flows
For the three months ended March 31, 2023 and 2022
(unaudited)

(thousands of US Dollars)	March 31, 2023	March 31, 2022 (restated – note 3)
Cash was provided by (used in):		
Operating activities:		
Net income (loss) for the period	**$ 196,718**	$ (3,640)
Depletion and depreciation *(note 11 & 12)*	**109**	8
Share-based compensation *(note 16)*	**572**	113
Finance cost *(note 15)*	**1,910**	70
Change in estimate on decommissioning liabilities *(note 14)*	**(42)**	171
Bargain purchase gain *(note 4)*	**(207,620)**	-
Change in net monetary position due to hyperinflation *(note 5)*	**(268)**	-
Unrealised foreign exchange loss	**851**	380
Deferred tax recovery	**(871)**	-
Capitalized depreciation and depletion	**5,734**	-
Change in non-cash working capital *(note 18)*	**(23,197)**	1,155
Cash used in operating activities	**(26,104)**	(1,743)
Financing activities:		
Facility financing, net of costs *(note 13)*	**38,000**	-
Principal payments on lease liability	**(2,872)**	-
Proceeds from financing	**7,436**	-
Share issuance costs	**(627)**	-
Proceeds from stock option exercises	**174**	-
Cash provided by financing activities	**42,111**	-
Investing activities:		
Property and equipment expenditures *(note 11)*	**(3,890)**	(3)
Exploration and evaluation expenditures *(note 10)*	**(554)**	(275)
Cash on acquisition, net (note 4)	**232,058**	-
Long term non-refundable deposit and other	**6,000**	-
Royalty receivable *(note 19a)*	**-**	1,908
Change in restricted cash	**(2,676)**	-
Change in non-cash working capital *(note 18)*	**2,864**	(968)
Cash provided by investing activities	**233,802**	662
Foreign exchange gain on cash held in foreign currencies	**1,226**	30
Net change in cash and cash equivalents	**251,035**	(1,051)
Cash and cash equivalents, beginning of year	**17,516**	40,826
Cash and cash equivalents, end of year	**$ 268,551**	$ 39,775

See accompanying notes to the condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the three months ended March 31, 2023 and 2022
(unaudited)

(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, 2023	**87,148**	**$ 180,116**	**$ 22,986**	**$ 8,748**	**$ (185,814)**	**$ 2,421**	**$ 28,457**
Net income (loss) for the period	-	-	-	-	197,431	(713)	196,718
SPV capital transactions (note 16(b))	9,500	14,590	-	-	(12,882)	(1,708)	-
Shares issued	4,425	7,767	(106)	(51)	-	-	7,610
Share issuance costs	-	(627)	-	-	-	-	(627)
Share-based compensation	-	-	573	-	-	-	573
March 31, 2023	**101,073**	**$ 201,846**	**$ 23,453**	**$ 8,697**	**$ (1,265)**	**$ -**	**$ 232,731**

(thousands of US Dollars and thousands of shares, unaudited)	Number of common shares	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comp. Income/(loss)	Total Shareholders' Equity
Balance, January 1, 2022	86,585	$ 179,717	$ 22,706	$ (169,439)	$ 10,146	$ 43,130
Net loss for the period	-	-	-	(3,640)	-	(3,640)
Currency translation adjustments	-	-	-	-	488	488
Share-based Compensation	-	-	124	-	-	124
March 31, 2022	**86,585**	**$ 179,717**	**$ 22,830**	**$ (173,079)**	**$ 10,634**	**$ 40,102**

See accompanying notes to the condensed interim consolidated financial statements.

1. Reporting Entity

Valeura Energy Inc. ("Valeura" or the "Company") and its subsidiaries (refer to note 2c) are currently engaged in the exploration, 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. Valeura's head office address is 1200, 202 – 6 Avenue SW, Calgary, AB, Canada.

2. Basis of Preparation

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS 34") – Interim Financial Reporting of the International Financial Reporting Standards ("IFRS"). The attached unaudited condensed interim consolidated financial statements should be read in conjunction with Valeura's audited consolidated financial statements and MD&A for the year ended December 31, 2022. The unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS accounting policies and methods of computation as set forth in Valeura's audited consolidated financial statements for the year ended December 31, 2022, with the exception as noted below of certain disclosures that are normally required to be included in annual consolidated financial statements which have been condensed or omitted in the interim statements. In addition, accounting policies first applied during the reporting period have been disclosed under Note 3 Accounting Policy.

Operating, transportation and marketing expenses in profit or loss are presented as a combination of function and nature in conformity with industry practices. Depletion and depreciation and finance expenses are presented in a separate line by their nature, while net administrative expenses are presented on a functional basis. The use of estimates and judgements is also consistent with the December 31, 2022, financial statements.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its ongoing liabilities, obligations and commitments. With the ongoing development of the Company's offshore Thailand properties, the Company has significant commitments and capital expenditure requirements. On this basis, the Company has secured financing arrangements (see note 13). 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 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. The Company maintains and monitors a certain level of cash which is used to finance operating and capital expenditures.

The unaudited condensed interim consolidated financial statements were authorised for issue by the Board of Directors on May 11, 2023.

(b) Basis of measurement

These unaudited condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial and non-financial assets and liabilities, which have been measured at fair value and except for the application of hyperinflationary accounting for the Company's subsidiary in Turkey. The methods used to measure fair value are consistent with the Company's December 31, 2022 audited consolidated financial statements.

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 unaudited condensed interim consolidated financial statements include the accounts of Valeura and its subsidiaries and are expressed in thousands of US Dollars, unless otherwise stated.

(c) Functional and presentation currency

The unaudited condensed interim 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
Jasmine Venture Limited	United States Dollars
Busrakham Manora Ltd.	United States Dollars
Busrakham Jasmine Ltd.	United States Dollars
Busrakham G11 Ltd.	United States Dollars
Busrakham Nong Yao Ltd.	United States Dollars
Busrakham Oil (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

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The ability to make reliable estimates is further influenced by political and economic factors. Management has based its estimates with respect to the Company's operations in Turkey and Thailand based on information available up to the date these condensed interim consolidated financial statements were approved by the Board of Directors. Contingent consideration is an estimate based on the potential occurrence and timing of future events such as regulatory approvals, licensing, drilling, production, etc. This estimate is based on the information available at the time these financial statements are prepared and is subject to change. Hyperinflation is a judgement based on the characteristics found in the economic environment of the country where the Company's activities are situated. One key indicator is the consumer price index in the country where the Company's activities occur. 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. Significant changes could occur which could materially impact the assumptions and estimates made in these consolidated financial statements. Changes in assumptions are recognised in the financial statements prospectively.

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

3. Accounting Policy

(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 has the following licenses and working interests, those with less than 100% interest have joint venture arrangements:

Name of the joint arrangement	Nature of the relationship with the joint arrangement	Principal place of operation of joint arrangement	Thai License regime	Proportion of participating share
West Thrace Deep Joint Venture	Operator	Turkey		63% (all rights)
G10/48 Concession (1)	Operator	Gulf of Thailand	Thai III	89% (all rights)
G6/48 Concession (2)	Operator	Gulf of Thailand	Thai III	43% (all rights)
B5/27 Concession(3)	Operator	Gulf of Thailand	Thai I	100% (all rights)
G1/48(4)	Operator	Gulf of Thailand	Thai III	70% (all rights)
G11/48(5)	Operator	Gulf of Thailand	Thai III	90% (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.
(3) The Company's interest in the B5/27 Concession is held by Busrakham Jasmine Ltd.
(4) The Company's interest in the G1/48 Concession is held by Busrakham Manora Ltd.
(5) The Company's interest in the G11/48 Concession is held by Busrakham G11 Ltd (67.5%) and Busrakham Nong Yao Ltd. (22.5%)

(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) 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.

Crude oil sales in Thailand are conducted on a tender basis for both domestic and export sales. The reference price generally used for Thai crude oil is Dubai crude oil.

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 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.

(c) Royalties

Royalty arrangements that are based on production or sales are recognised by reference to the underlying arrangement.

Royalties to government in Thailand

Royalties to government are based on sales volumes and are payable in cash in the month following sales. Royalties for Thai I licenses are a flat 12.5%, and for Thai III licenses are a sliding scale between 5% and 15% based on sales volumes.

Royalties to Previous Owner in Thailand

Under the terms of the sales and purchase agreement between the Company and the previous owner of concession B5/27, the Company is required to pay royalties to the previous owner in cash based on sales volumes computed as follows:

1) 6% of gross revenue from certain production area within concession B5/27;
2) USD $2 per barrel of oil produced from certain production area within concession B5/27; and
3) 4% of gross revenue from certain production area other than that mentioned in (i) above within concession B5/27.

Royalties to government in Turkey

Royalties to government for natural gas production are 12% based on production volumes and are payable in the month following production.

(d) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets.

Right of use assets are initially measured at an amount equal to the lease liability, adjusted by the amount of any prepaid amount. It is subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain re-measurement of the lease liability. Right of use assets for assets related to oil and gas production are depreciated on a unit of production basis. All other leased assets are depreciated based on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment review similar to property, plant and equipment assets.

(d) Employee benefits

Short-term employee benefits

Salaries, annual rewards and related employment welfare are recognised as expenses when incurred.

Post-employment benefits

The Company has a provision for employee benefits (the "Provision") and an employee savings plan.

The employee savings plan is a plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The cost of the employee savings plan benefit is expensed as earned by employees. These benefits are unfunded and are expensed as the employees provide service.

The Provision is for Legal Severance Pay under the Thai Labor Protection Act 1998 (revised 2019) and Retirement Pension Plan, with Long-Service Award. It specifies that an employee will receive a fixed one time payment on retirement, dependent on factors such as age, years of service and compensation. The Provision is accounted for under IAS 19.

The calculation of the Provision is performed annually by a qualified actuary using the projected unit credit method. There are no assets related to the provision.

Re-measurements of the Provision, which comprise actuarial gains and losses, the return on assets (excluding interest) if any, and the effect of the asset ceiling (if any, excluding interest) are recognised immediately in other comprehensive income. The Company determines the net interest expense (income) for the period by applying the discount rate used to measure the Provision at the beginning of the annual period to the then-net Provision during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the Provision are recognised in statement of comprehensive income.

(e) Inventory

Inventory consists of the Company's unsold Thailand crude oil barrels and spare parts. Inventories are valued at the lower of cost and net realisable value. Cost is determined using the weighted average method, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less costs to sell. Costs for unsold crude oil include operating expenses, and depletion associated with the production of crude oil in inventory. Critical spares are capitalised and are part of property, plant and equipment. The Company assesses the net realisable value of the inventories at the end of each year and recognises the appropriate impairment if this value is lower than the carrying amount. When the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed.

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

(f) Change in accounting policy

Effective December 31, 2022, the Company elected to change its policy for the measurement of decommissioning obligations to utilize a credit adjusted interest rate from a risk-free 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 applied the voluntary change in accounting policy retrospectively. The tables below present the impact of the change in accounting policy on the March 31, 2022 comparative numbers for 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 Net income (loss) and Comprehensive income (loss)

For the three months ended March 31, 2023	March 31, 2022		
	Previous Policy	Adjustment	Restated
Finance costs	79	(9)	70
Change in estimate on decommissioning liabilities	(5)	176	171
Net loss	(3,473)	(167)	(3,640)
Comprehensive loss	(2,985)	(167)	(3,152)

Impacts on the Consolidated Statements of Cash Flows

For the three months ended March 31, 2023	March 31, 2022		
	Previous Policy	Adjustment	Restated
Net loss	(3,473)	(167)	(3,640)
Finance costs	79	(9)	70
Change in estimate on decommissioning liabilities	(5)	176	171

4. Business Combination

(a) As announced on December 6, 2022 the Company entered into a Sale and Purchase Agreement (the "SPA") with Mubadala Petroleum (Thailand) Holdings Limited (the "Seller") to acquire all of the shares of Busrakham Oil and Gas Ltd. ("BOGL"). On March 22, 2023, the transaction closed with $10.4 million in consideration paid. Contingent payments of up to US$50.0 million, based on certain upside price scenarios, have been recorded at estimated fair value.

The SPA 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 on March 22, 2023, is as follows:

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

Consideration		
Cash	$	10,438
Contingent consideration		9,117
Total consideration	**$**	**19,555**

Preliminary Purchase Price Equation		
Cash and cash equivalents	$	242,496
Accounts receivable		54,902
Prepaid and deposits		6,680
Inventory		86,114
Right of use asset		58,382
Property, plant and equipment		336,537
Accounts and other payable		(171,749)
Lease liability		(59,764)
Provision for employee benefits		(9,696)
Income tax payable		(112,019)
Decommissioning obligations		(168,515)
Deferred tax liability		(36,193)
Bargain purchase gain		(207,620)
	$	**19,555**

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, decommissioning obligations, income taxes payable and the deferred tax liability, 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 December 31, 2022 and adjusted for production from January 1, 2023 to March 22 2023. Deferred taxes were calculated by applying the statutory tax rate to the property, plant and equipment, right of use assets, decommissioning obligation, and lease liabilities fair values less available tax pools. 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 payable if the arithmetical average of the daily "close" of all quotations in US dollars for Dubai crude oil in the Platts Crude Oil Marketwire on a $/bbl basis (the "Benchmark") averages over $100 dollars for 2022, 2023 or 2024. No contingent consideration was payable for 2022 as the reference price did not average over $100. Such contingent consideration is capped at a maximum of US$50 million, and each year is calculated independently of each other year. The contingent consideration is payable in January 2024 for 2023 amounts (if applicable), and January 2025 for any amounts related to 2024. For each of 2023 and 2024, the contingent consideration is calculated as $1.15 million per $1/bbl increase in the Benchmark over $100. The Company has used expected future price scenarios from a number of sources and discounted any possible payments at a credit adjusted interest rate. Expected cash flows of $11.5 million for 2024 were discounted to $9.2 million.

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

A preliminary bargain purchase gain of $208 million was recognized primarily related to results of operations 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.

A loss of $1.7 million was included in the Company's condensed interim consolidated statements of income loss and comprehensive loss for the three months ended March 31, 2023 related to the operations of BOGL between March 22, 2023 and March 31, 2023.

(b) As announced on April 28, 2022, the Company entered into a Sale and Purchase Agreement (the "SPA") with KrisEnergy (Asia) Ltd (the "Seller") to acquire all of the shares of KrisEnergy International (Thailand) Holdings Ltd ("VETH"), (now known as Valeura Energy (Thailand) Holdings Ltd.) which holds an interest in two operated licences in shallow water offshore Thailand. On June 15, 2022, the transaction closed with $4.1 million in consideration paid, including the initial purchase price and maintenance and administrative costs incurred between the effective date and closing. 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 shareholders 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% and on March 21, 2023 Valeura acquired the remaining 12.5% interest (see note 16).

The SPA 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 on June 15, 2022, is as follows:

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

Purchase Price Allocation		
Cash	$	22
Accounts receivable		1,058
Prepaid expenses and deposits		470
Inventory		326
Exploration and evaluation assets		2,375
Property, plant and equipment		26,196
Accounts payable		(1,769)
Decommissioning obligations		(18,247)
Bargain purchase gain		(2,269)
	$	**8,162**

The identifiable assets and liabilities have been measured at their individual fair values on the 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.

5. 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 throughout Q3 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 IAS 29 'Financial Reporting in Hyperinflationary Economies'. As required by IAS 29, the Company's consolidated financial statements will include 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 positions 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 2022. Inflation for items purchased in 2018 is greater than those in 2022 due to the cumulative effect of inflation over the additional years. In 2023, monthly inflation rates were used as follows:

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

Year Purchased	Cumulative Average Annual CPI
2018	271.25
2019	209.62
2020	176.14
2021	138.88
2022	54.46

Month	Monthly CPI 2023
Jan	6.65
Feb	3.15
Mar	2.29

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 2023. For exploration and evaluation assets purchased between 2018 and 2022 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.

6. Restricted Cash

The Company has restricted cash in the amount of $2.7 million (2022 - $0.1 million) that is held with National Bank of Canada related primarily to securing a letter of credit for a drilling rig contractor in Thailand in the amount of $2.5 million. The remaining $0.2 million is related to securing licence deposits with the General Directorate of Mining and Petroleum Affairs of the Republic of Turkey ("GDMPA") and for letters of credit lodged with the Thailand Customs department.

7. Inventory

Cost		**Total**
Balance, December 31, 2022	$	551
Crude oil acquired *(note 4)*		56,113
Crude oil produced		8,297
Spare parts acquired *(note 4)*		30,001
Additions		599
Balance, March 31, 2023	**$**	**95,561**

Crude oil acquired cost is fair value at March 22, 2023 (see note 4).

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

Crude oil produced is valued at costs as follows:

Cost		Total
Capitalized operating costs	$	2,563
Capitalized depreciation and depletion		5,734
Balance, March 31, 2023	**$**	**8,297**

8. Prepaid expenses and deposits

The Company's prepaid expenses and deposits consist of prepayments for the Company's Gulf of Thailand operations including a deposit related to security for letters of credit related to the Mubadala acquisition ($19.8 million) as described in Note 13.

9. Long term deposit

In 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 March 31, 2023, $4.2 million in cash consideration had been paid. The MOPU's recertification was completed in 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 have been treated as a long-term non-refundable deposit at March 31, 2023. The balance at March 31, 2023, includes the initial deposit paid, costs incurred in relation to the recertification of the MOPU and to ready the MOPU for production from the Wassana field. 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.

10. Exploration and Evaluation Assets

Cost		Total
Balance, December 31, 2022	$	5,956
Additions		554
Capitalised share-based compensation		1
Hyperinflation adjustments (note 5)		250
Effects of movements in exchange rates		(17)
Balance, March 31, 2023	**$**	**6,744**

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 March 31,2023, 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.

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

11. Property, Plant and Equipment

Cost		Total
Balance, December 31, 2022	$	33,348
Additions		3,890
Acquisitions (note 4)		336,537
Change in decommissioning obligation		(798)
Hyperinflation adjustment		8,110
Effects of movements in exchange rates		(110)
Balance, March 31, 2023	**$**	**380,977**

Accumulated depletion and depreciation		Total
Balance, December 31, 2022	$	13,128
Depreciation expense		53
Capitalized Depreciation, Depletion and Amortization		5,166
Hyperinflation adjustment		8,110
Effects of movements in exchange rates		(132)
Balance, March 31, 2023	**$**	**26,325**

Net book value		Total
Balance, December 31, 2022	$	20,220
Balance, March 31, 2023	**$**	**354,652**

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 March 31, 2023.

For the purposes of calculating depletion, petroleum and natural gas properties in Thailand include estimated future development costs of $306 million associated with development of the Company's proved plus probable reserves.

12. Right of Use Assets and Lease Liabilities

The Company has lease contracts for various items of vessels and warehouses used in its operations. The Company's obligations under its leases are secured by the lessor's title to the leased assets.

The estimated useful lives of right of use assets for the current and comparative periods are as follows:

	Useful life
FPSO and FSO lease	Unit of production
Warehouse and office lease	2-5 years

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

Right of use assets

Set out below are the carrying amounts of right of use assets recognised and the movements during the period:

Cost	Oil and Gas Assets	Buildings	Total
At January 1, 2023	$ -	$ -	$ -
Acquired	56,310	2,072	58,382
Additions	30,373	-	30,373
Capitalized depreciation	(548)	(20)	(568)
Depreciation	-	(58)	(58)
At March 31, 2023	**$ 86,135**	**$ 1,994**	**$ 88,129**

Lease liabilities

Set out below are the carrying amounts of the lease liabilities and the movements during the period:

Lease Liabilities	Oil and Gas Assets	Buildings	Total
At January 1, 2023	$ -	$ -	$ -
Additions	88,065	2,073	90,138
Accretion	170	7	177
Lease payments	(3,028)	(20)	(3,048)
At March 31, 2023	**$ 85,207**	**$ 2,060**	**$ 87,267**
Current	$ 30,362	$ 595	$ 30,957
Non current	$ 54,845	$ 1,465	$ 56,310

The discount rate used is 13%, reflecting the Company's cost of borrowing. The undiscounted lease payments by maturity are as follows:

Lease payment maturity analysis– contractual undiscounted cash flows	Oil and Gas Assets	Buildings	Total
Less than one year	$ 37,360	$ 849	$ 38,209
Between 2 and 5 years	69,524	2,541	72,065
At March 31, 2023	**$ 106,884**	**$ 3,390**	**$ 110,274**

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

13. Facility

	March 31, 2023
Facility, beginning of period	$ 11,090
Advances	40,000
Interest and commitment fee accrued	587
Arrangement fee	(1,000)
Financing transaction costs	(1,000)
Amortization of financing transaction costs and arrangement fee	195
Facility, end of period	49,872
Current portion	16,997
Long-term portion	$ 32,875

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. On March 21, 2023 the facility was expanded to a maximum capacity of $80 million based on the satisfaction of conditions precedent for the close of the Mubadala Acquisitions. The agreement for advances has a term of two years and bore 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, initially, reducing to 8.5% per annum upon the close of the Mubadala Acquisition. The effective yield rate at March 31, 2023, is 17.8%. 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 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.

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 March 2023.
- 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.

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

14. Decommissioning Obligations

	March 31, 2023
Decommissioning obligations, beginning of period	**$ 15,091**
Acquisition (note 4)	**168,515**
Change in estimates	**(839)**
Accretion of decommissioning obligations	**908**
Effects of movements in exchange rates	**-**
Balance, March 31, 2023	**$ 183,675**

The Company's decommissioning obligations result from its ownership interest in oil and natural gas assets. The total decommissioning obligation is estimated based on the Company's net ownership interest in all wells, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The Company used a credit adjusted interest rate of 10.00% and an inflation rate of 4.98% when measuring the present value of its decommissioning obligation.

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.

15. Finance Costs

	March 31, 2023	March 31, 2022
Interest expense and commitment fee on facility	**$ 587**	$ -
Amortization of financing transaction costs and commitment fees	**195**	-
Accretion on decommissioning liabilities	**909**	70
Accretion on deferred consideration	**30**	-
Lease Liability interest expenses	**177**	-
Other	**12**	-
Finance costs	**$ 1,910**	$ 70

16. Share Capital

(a) Authorized

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

(b) Issued

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. Net proceeds were approximately $6.8 million net of underwriters fees of $0.49 million and share issuance costs of $0.14 million.

On March 21, 2023, the Company acquired the remaining minority interest in its special purpose vehicle subsidiary company, 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

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

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. The shares were valued based on the closing price on March 20, 2023 of C$2.10. 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.

The non-controlling interest (NCI) carrying value at the transaction date was $1.7 million. The difference between the fair value of shares issued and the NCI carrying value was $12.9 million, which was booked to retained earnings.

Common shares	Number of Shares	Amount
Balance, December 31, 2022	87,148,489	$ 180,116
Shares issued pursuant to equity financing, net of share issue costs	3,937,000	6,852
Shares issued pursuant to stock options exercises	488,334	288
Shares issued pursuant to SPV NCI acquisition	9,500,000	14,590
Balance, March 31, 2023	**101,073,823**	**$ 201,846**

(c) Per share amounts

Per share amounts have been calculated using the weighted average number of common shares outstanding. The weighted average number of common shares outstanding for the three months ended March 31, 2023 is 90,827,641 (March 31, 2022 – 86,584,989 and December 31, 2022 – 86,609,690). The Company recorded net income for the three months ended March 31, 2022, and the average number of common shares outstanding was increased by 5,247,271 for the outstanding in the money stock options which resulted in a diluted weighted average number of common shares outstanding of 96,074,912.

(d) Stock options

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

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

	Number of Options	Weighted average exercise price (CAD)
Balance outstanding, December 31, 2022	7,981,666	$ 0.73
Granted	250,000	2.32
Exercised	(488,334)	0.48
Balance outstanding, March 31, 2023	**7,743,332**	**0.80**
Exercisable at March 31, 2023	**5,470,849**	**$ 0.59**

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

The following table summarises information about the stock options outstanding at March 31, 2023:

Exercise prices (CAD)	Outstanding at March 31, 2023	Weighted average remaining life (years)	Weighted average exercise price (CAD)	Exercisable at March 31, 2023	Weighted average exercise price (CAD)
$0.25 - $0.37	2,043,333	4.0	$ 0.25	2,043,333	$ 0.25
$0.38 - $0.53	2,220,833	5.0	0.52	1,450,006	0.52
$0.54 - $0.78	1,201,666	1.6	0.70	1,201,666	0.70
$0.79 - $1.95	2,027,500	5.6	1.52	775,844	1.43
$1.96 - $2.32	250,000	6.9	2.32	-	-
	7,743,332	4.4	$ 0.80	5,470,849	$ 0.59

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	**March 31, 2023**	December 31, 2022
Risk free interest rate (%)	**3.3**	3.3
Expected life (years)	**4.5**	3.8
Expected volatility (%)	**96**	96
Forfeiture rate (%)	**11**	10
Weighted average fair value per option	**1.66**	$ 1.06

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 an initial limit of $1.0 million which was raised to $11.0 million on March 10, 2023 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 $10.4 million in letters of credit under the APSG facility at current exchange rates.

18. Supplemental Cash Flow Information

Three months ended	**March 31, 2023**	March 31, 2022
Change in non-cash working capital:		
Accounts receivable	**$ 11,252**	$ 3
Prepaid expenses and deposits	**(17,185)**	(1,265)
Inventory	**(8,896)**	-
Accounts payable and accrued liabilities	**(4,420)**	1,437
Income tax payable	**1,167**	-
Movements in exchange rates	**(2,251)**	12
	$ (20,333)	$ 187
The change in non-cash working capital has been allocated to the following activities:		
Operating	**(23,197)**	1,155
Investing	**2,864**	(968)
	$ (20,333)	$ 187

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

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.

The Board of Directors oversees managements' 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 analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

(a) Credit risk

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

	March 31, 2023	December 31, 2022
Trade receivable	**$ 36,191**	$ -
Joint venture receivable from partners	**472**	812
Taxes receivable	**8,753**	1,304
Other	**386**	36
Accounts receivable	**$ 45,802**	$ 2,152

(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.

Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk in changes in foreign exchange rates relates primarily to the Company's operating activities and the Company's net investments in foreign subsidiaries and joint ventures. The Company's transactions are principally denominated in United States Dollars. However, payments to governments such as royalties and taxes are paid in local currency in both Turkey and Thailand.

The Company incurs foreign currency risk on transactions and balances that are denominated in currencies other than the United States Dollar.

Sensitivity analysis#

The following table details the sensitivity to a certain percentage increase and decrease in sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their transition at the period end for a certain percentage change in foreign currency rates.

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

If the relevant foreign currency strengthens by 10% against the functional currency of each group entity, the Group's profit for the financial year will increase by:

At 31 March 2023	Movement %	Strengthening	Weakening
Impact to profit or loss (THB)	10	11,317	(11,317)

Commodity price risk:

The Company has exposure to price risk in its exploration and production of oil business. The Company has not used derivative financial instruments to hedge exposure to oil price fluctuations. The results of operations and cash flows of oil production can vary significantly with fluctuations in the market prices of hydrocarbons. These are affected by factors outside the Company's control, including market forces of supply and demand and regulatory and political actions of governments.

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 13) 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.

	March 31, 2023	December 31, 2022
Increase in 1%	**$ 51**	$ -
Decrease in 1%	**(51)**	-

(c) 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, taxes 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.

(d) 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 13).

As at March 31, 2023, the Company had working capital of $104 million which included cash and cash equivalents of $269 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 4). In March 2023, the Company acquired producing assets with significant cash flow. However, the offshore properties for both acquisitions have significant commitments and require significant capital spending. In order to fund the acquisitions and ensure the ability to meet all commitments and capital spending requirements in a volatile oil price environment, the Company has secured financing arrangements (see notes 13). 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.

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

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

20. Geographic Segmented Information

	March 31, 2023
Net income	
Thailand	$ 202,082
Turkey	156
Corporate	(5,520)
	$ 196,718
Total non-current assets	
Thailand	455,440
Turkey	2,298
Corporate	610
	$ 458,348
Total assets	
Thailand	843,509
Turkey	2,902
Corporate	51,185
	$ 897,596

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

21. Commitments

Production Bonus

Production bonus payable by the concession are to the Ministry of Finance are as follows:

Contracted area	Bonus	Gross	Net
G11/48	Payable when Daily crude oil production exceeds 20,000 bopd for a period of 30 consecutive days	$500	$450

Currently, the crude production volume of G11/48 has not exceeded the level that may trigger the above production bonus.

Service Agreements Commitments

Offshore Production Vessel
Future minimum lease payments under non-cancellable service agreement

	March 31, 2023
Within one year	$ 31,785
After one year but within five years	84,488
	$ 116,273

Other Service Agreements
Future minimum lease payments under non-cancellable service agreements

	March 31, 2023
Within one year	$ 17,110
After one year but within five years	7,743
	$ 24,853

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 March 31, 2023.

22. Subsequent events

Increase in Wassana (Licence G10/48) Working Interest

Valeura's 11% partner in Licence G10/48, Palang Sophon Limited ("PSL"), has opted to discontinue its participation in the licence. By agreement between PSL and Valeura, PSL will transfer its 11% working interest to Valeura. In consideration, Valeura has agreed to discharge PSL of outstanding liabilities owed in connection with joint operations on the licence as well as any future liabilities associated with its past involvement in the licence.

Rossukon (Licence G6/48) Working Interest

Valeura has opted to divest its working interest in Licence G6/48 to its partner Northern Gulf Petroleum ("NGP") for a contingent cash consideration of US$5 million, payable at first oil from the Rossukon oil field, and a further 4.65% overriding royalty associated with the Company's 43% working interest (2% of gross production) from the field thereafter.