Valeura Energy Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED JUNE 30, 2023

Value Through Growth

August 9, 2023

VALEURAENERGY.COM

CONTENTS

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") focuses on Valeura Energy Inc.'s ("Valeura" or the "Company") results during the three and six months ended June 30, 2023. To better understand this MD&A, it should be read in conjunction with Valeura's unaudited consolidated financial statements for the three and six months ended June 30, 2023, and 2022 (the "Interim Financial Statements"), and also should be read in conjunction with Valeura's audited consolidated financial statements for the years ended December 31, 2022, and 2021 (the "Annual Financial Statements"), and related notes thereto. Additional information relating to Valeura is available on its website at www.valeuraenergy.com and on SEDAR+ at www.sedarplus.ca, including Valeura's annual information form for the year ended December 31, 2022 (the "2022 AIF"). The reporting currency is the United States Dollar ("US$").

NON-IFRS MEASURES

This MD&A includes references to financial measures commonly used in the oil and gas industry such as adjusted EBITDAX, net debt / net cash, outstanding debt, net working capital, adjusted net working capital, adjusted cashflow from operations, opex, and capex which are not generally accepted accounting measures under International Financial Reporting Standards ("IFRS") and do not have any standardised meaning prescribed by IFRS and, therefore, may not be comparable with similar definitions that may be used by other public companies. Management believes that adjusted EBITDAX, net debt / net cash, outstanding debt, working capital, adjusted working capital, adjusted cashflow from operations, opex, and capex are useful supplemental measures that may assist shareholders and investors in assessing the financial performance and position of the Company. Non-IFRS measures should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. The definition and reconciliation of each non-IFRS measure is presented in this MD&A. See "Non-IFRS Measures" on page 15.

BASIS OF PREPARATION

The Interim Condensed Financial Statements have been prepared in accordance with IAS 34 – Interim Financial Reporting of the International Financial Reporting Standards. The Interim Financial Statements should be read in conjunction with the Annual Financial Statements. The Interim Financial Statements have been prepared in accordance with IFRS accounting policies and methods of computation as set forth in the Annual Financial Statements, with the exception of certain disclosures that are normally required to be included in annual consolidated financial statements, which have been condensed or omitted in the Interim Financial Statements, and the new accounting policies applied during the period.

The discussion and analysis of oil production is presented on a working-interest, before royalty basis.

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.

COMPANY PROFILE

Valeura is a Canada-registered public company engaged in the production, development, and exploration of oil and 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", and quoted on the OTCQX in the United States of America under the trading symbol "VLERF". The current head office of Valeura is located at Suite 1200, 202-6th Avenue SW, Calgary, Alberta, Canada T2P 2R9. Valeura's registered and records office is located at 4600, 525 – 8th Avenue SW, Calgary, Alberta, T2P 1G1. Valeura was incorporated under the Business Corporations Act (Alberta).

KEY ASSETS AND WORKING INTERESTS

The Company's material interests are summarised in the following table:

Country	Concession	Key Fields	Location	Life Cycle	Working Interests
Thailand	B5/27	Jasmine/Ban Yen	Offshore	Production	100% Operator
	G11/48	Nong Yao	Offshore	Production	90% Operator
	G1/48	Manora	Offshore	Production	70% Operator
	G10/48 (1) (2)	Wassana	Offshore	Production	100% Operator
Turkey	West Thrace Deep Joint Venture	n.a	Onshore	Appraisal	63% / 100% Operator

(1) The Company also owns the MOPU servicing the Wassana field.
(2) The Company announced on April 28, 2023 that its 11% partner in the G10/48 concession, Palang Sophon Limited ("PSL"), has opted to discontinue its participation in the block. By agreement between PSL and Valeura, PSL transferred its 11% working interest to Valeura.

THAILAND

The Company has been active in Thailand since April 28, 2022, when 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 (the "Kris Acquisition"). The Kris Acquisition closed on June 14, 2022. On December 6, 2022, Valeura announced that Valeura Energy Asia Pte. Ltd. (formerly Panthera Resources Pte. Ltd.) (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 Oil and Gas Ltd (the "Mubadala Acquisition"), effective September 1, 2022. The Mubadala Acquisition closed on March 22, 2023.

TURKEY

The Company has been active in Turkey since its inception. 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 assets. Between 2017 and 2020, the Company undertook a large exploration and appraisal campaign of a deep, unconventional tight gas play (the "Deep Gas Play") in partnership with Equinor Turkey B.V. ("Equinor"). Equinor exited the Deep Gas Play in Q2 2020. In 2021, the Company sold its shallow conventional gas business in Turkey. The Company is currently conducting a search for a new partner to further progress appraisal of the Deep Gas Play.

COMPANY STRATEGY

The Company is a growth-oriented exploration and production company, seeking to establish a material presence in its core region (Southeast Asia). The Company aims to build a balanced portfolio, which includes current and near-term cash flow generating assets that have further upside 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 current portfolio.

HIGHLIGHTS

Q2 2023 Highlights

- No lost time safety incidents:
- Valeura's first full quarter of Gulf of Thailand production operations;
- Oil production of 22,097 bbls/d;
- Oil sales of 2.167 million bbls, generating revenue of US$174.2 million;
- Opex per barrel of US$22.7/bbl(1);
- Capex spending of US$33.6 million(1);
- Adjusted cash flow from operations of US$70.4 million(1);
- Adjusted EBITDAX of US$78.9 million(1); and
- Net cash balance of US$87.6 million(1).

Q2 2023 Key Achievements

- Captured early operational synergies between assets by moving to a one-rig drilling programme, rather than two;
- Drilled eight wells during Q2, including completion of an infill drilling programme on the Jasmine oil field and an infill drilling programme on the Nong Yao oil field;
- Under budget operating and capital cost performance, resulting in a downward revision to spending expectations for the year, and no change to production guidance;
- First production from the Wassana oil field re-start on April 28, 2023;
- Completed the purchase of the Wassana oil field's mobile offshore production unit ("MOPU") and increased working interest in Licence G10/48 to 100%; and
- Divested interest in Licence G6/48 in exchange for a royalty on future production from the undeveloped Rossukon oil field.

		Three months ended	
		June 30, 2023	**June 30, 2022**
Oil Production	*(bbls /d)*	22,097	-
Oil Volumes Sold	*('000 bbls)*	2,167	-
Oil Revenues	*(US$'000)*	174,196	-
Adjusted EBITDAX (1)	*(US$'000)*	78,958	-
Adjusted Cashflow from Operation (1)	*(US$'000)*	70,444	(1,256)
Opex (1)	*(US$'000)*	45,613	433
Capex (1)	*(US$'000)*	33,649	7
Net earnings/(loss)	*(US$'000)*	(1,300)	974
Weighted average shares outstanding – basic	*#'000*	*101,315*	*86,585*

		June 30, 2023	**March 31, 2023**
Cash & Cash equivalents and Restricted cash	*(US$'000)*	121,682	271,296
Current and Non-Current Debt	*(US$'000)*	31,495	49,872
Adjusted Working Capital Surplus (1)	*(US$'000)*	116,064	134,767
Shareholder's Equity	*(US$'000)*	231,857	232,731

(1) Non-IFRS measure – see "Non-IFRS Measures" section within this MD&A.

During the Q2 2023, the Company paid 2022 PITA tax and SRB expenses of US$178.1 million in aggregate associated with Jasmine/Ban Yen, Manora and Nong Yao.

PERIOD OVERVIEW

Operations Overview

During Q2 2023, the Company had ongoing production operations on its Jasmine/Ban Yen, Nong Yao, and Manora oil fields, and re-started production on the Wassana oil field. Aggregate production averaged 22,097 bbls/d during Q2 2023. One drilling rig was under contract for the duration of the quarter.

		Three months ended		Six months ended	
	Unit	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Company's WI Average Production	**bbls/d**	**22,097**	**-**	**12,176 (1)**	**-**
Jasmine/Ban Yen	*bbls/d*	*9,838*	-	*5,437*	-
Nong Yao	*bbls/d*	*7,486*	-	*4,168*	-
Manora	*bbls/d*	*3,145*	-	*1,753*	-
Wassana	*bbls/d*	*1,628*	-	*818*	-

(1) The Mubadala Acquisition closed on March 22, 2023 resulting in the recording of only 9 days of production in Q1 2023

Jasmine/Ban Yen:
Production from the Jasmine/Ban Yen oil field, in Licence B5/27 (100% Valeura) averaged 9,838 bbls/d during Q2 2023. In May, the Company finished a 10 well infill drilling programme on the asset which commenced earlier in the year, and also attained a key milestone for the field, having produced its 90 millionth barrel of oil. The field has greatly exceeded oil recovery expectations set at its original development sanction in 2004 of approximately seven million barrels. Production operations have continued throughout the remainder of the quarter without incident. Positive ongoing performance of the new Jasmine oil field infill wells has led to the development of a further infill drilling programme for the asset, which is now in the planning phase.

Nong Yao:
Nong Yao oil field production, in Licence G11/48 (90% Valeura working interest) averaged 7,486 bbls/d during Q2 2023 net to Valeura's interest. The field's production was enhanced by two horizontal infill wells drilled during the quarter, which contributed an initial gross rate of approximately 1,350 bbls/d. Also during the quarter, work continued on a new-build mobile offshore production unit to develop the Nong Yao C oil accumulation. The new facility is scheduled to mobilise to the field in late Q4 2023, with development drilling planned thereafter. In preparation for the new facility, during Q2 2023 the Company began installing a three km kilometer pipeline to connect Nong Yao C to the field's existing production facilities. At the same time, the Company is progressing plans for further infill drilling on the already-producing Nong Yao accumulations aimed at enhancing production and minimising the effect of natural declines.

Manora:
Production at the Manora oil field, in Licence G1/48 (70% Valeura working interest) averaged 3,145 bbls/d during Q2 2023 net to Valeura's interest. Following the Nong Yao drilling campaign, the contracted drilling rig mobilised to the Manora oil field to conduct a three well drilling programme, which was underway at the end of the quarter. The campaign concluded in late July 2023 with all wells having met or exceeded their pre-drill volume estimates. The new wells are now all on production and are contributing approximately 1,400 bbls/d (net working interest basis). Importantly, the increased field output includes dry oil contributions from bypassed oil downdip of existing and currently producing wells in one of the field's deeper reservoir intervals, as well as multiple other attic or bypassed accumulations in the shallower reservoirs. The results of these wells indicate the potential for further development opportunities, which are likely to form the basis of further infill drilling campaigns in 2024 and 2025. Accordingly, the Company anticipates that the enhanced volumes from the Manora oil field will result in a further extension to the field's economic life. Valeura foresees at least three further infill drilling targets, with individual investment decisions subject, as always, to favourable economic conditions.

Wassana:
In late April 2023, Valeura restarted production from the Wassana oil field, on Licence G10/48, and also announced an agreement to acquire the remaining working interest from its partner, thereby increasing its interest to 100%. Production rates increased on a gradual basis to approximately 2,400 bbls/d, resulting in average production for the full Q2 2023 of 1,628 bbls/d. Following the Manora oil field drilling campaign, Valeura mobilised its drilling rig to the Wassana oil field where it is currently conducting maintenance work including replacing electric submersible pumps which have reached the end of their useful life. Recently, the Company has conducted a thorough review of the subsurface potential at Wassana and has identified the potential for additional oil accumulations in a downdip portion of a fault block to the north of the main field. For clarity, these targets are in addition to the infill drilling programme planned by the Company since its acquisition of the asset. The Company intends to drill two pilot wells now to assess the potential for additional volumes in the northward extension, but will defer production-oriented infill drilling so as to time activity to coincide with a phase of active production operations. Valeura intends to utilise the contracted drilling rig as fully as possible, including adjusting its drilling programme to accelerate the next phase of infill drilling on both the Jasmine and Nong Yao fields, and now anticipates drilling various wells on these fields in 2023, which were previously planned for 2024.

West Thrace Deep Gas Play:
The Company had limited operations in Turkey during Q2 2023 as it continued its search for a farm-in partner to pursue the next phase of work on its tight gas appraisal play in the Thrace basin, where it holds interests ranging from 63% to 100%.

Environmental, Social and Governance Overview

Valeura recorded a full quarter of safe operations during Q2 2023, with no lost time incidents or deviations from its safe work practices. The Company actively records key metrics on its environmental, social, and governance performance, and intends to present these metrics as a component of an inaugural sustainability report in due course, along with an articulation of its forward strategy to ensure the sustainability of its business. Subsequent to the end of the quarter the Company implemented a safety-related intervention in production operations at the Wassana oil field in response to a collision between the third-party operated floating storage and offloading vessel and the field's catenary anchor leg mooring buoy. The field remains suspended as the Company formulates a plan for its re-start and ongoing safe operation in keeping with its high standards. In the meantime, Valeura is using production downtime at the Wassana oil field to conduct maintenance work.

Financial Overview

Financial Metrics

In US$'000	Three months ended Unaudited June 30, 2023	Unaudited June 30, 2022	Six months ended Unaudited June 30, 2023	Unaudited June 30, 2022
Revenue				
Oil Revenues	174,196	-	174,196	-
Royalties	(23,309)	-	(23,309)	-
Other income	2,196	39	2,259	64
	153,083	**39**	**153,146**	**64**
Expenses and other items				
Operating	70,616	433	75,294	478
Exploration	361	-	361	-
Special remuneratory benefit ("SRB") expense	4,715	-	4,715	-
General and administrative	6,829	1,207	9,898	2,797
Impairment on Exploration and Evaluation ("E&E") asset	4,278	-	4,278	-
Provision for doubtful debt	955	-	955	-
Transaction costs	157	793	986	2,016
Finance costs	11,251	118	13,161	188
Foreign exchange loss (Gain)	188	(1,086)	1,167	(641)
Share-based compensation	214	54	786	167
Change in estimate on decommissioning liabilities	42	(1,193)	0	**-**
Depletion and depreciation and amortisation	50,092	6	50,201	**50,201**
	149,698	**332**	**161,802**	**3,997**
Profit (loss) for the period before other items	***3,385***	***(293)***	***(8,656)***	***(3,933)***
Bargain purchase gain	-	2,269	207,620	2,269
Change in net monetary position due to hyperinflation	116	127	384	127
Income (loss) for the period before income taxes	**3,501**	**2,103**	**199,348**	**(1,537)**
Income taxes				
Deferred tax recovery	(19,026)	-	(19,897)	-
Tax expense	24,060	-	24,060	-
Net income (loss)	**(1,533)**	**2,103**	**195,185**	**(1,537)**
Net income (loss) attributable to:				
Shareholders	(1,533)	1,829	195,898	(1,811)
Non-controlling interest	-	274	(713)	274
Currency translation adjustments	233	(1,129)	182	(641)
Comprehensive income (loss)	**(1,300)**	**974**	**195,367**	**(2,718)**
Comprehensive income (loss) attributable to:				
Shareholders of Valeura Energy	(1,300)	700	196,080	(2,992)
Non-controlling interest	-	274	(713)	274
Net income (loss) per share (in US$)				
Basic	*(0.02)*	*0.01*	*2.03*	*(0.03)*
Diluted	*(0.02)*	*0.01*	*1.94*	*(0.03)*
Net Income (loss) per share attributable to shareholders (In US$)				
Basic	*(0.02)*	*0.01*	*2.04*	*(0.03)*
Diluted	*(0.02)*	*0.01*	*1.94*	*(0.03)*
Weighted average number of shares outstanding (thousands)				
Basic	*101,315*	*86,585*	*96,208*	*86,585*
Diluted	*101,315*	*86,585*	*100,870*	*86,585*

Oil Revenues

		Three months ended		Six months ended	
		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Oil Volumes Sold	mbbl	**2,167**	**-**	**2,167**	**-**
Jasmine/Ban Yen	*mbbl*	*937*	-	*937*	-
Nong Yao	*mbbl*	*810*	-	*810*	-
Manora	*mbbl*	*420*	-	*420*	-
Wassana	*mbbl*	-	-	-	-

		Three months ended		Six months ended	
		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Brent Average	US$/bbl	78.5	114.0	79.9	107.7
Dubai Average	US$/bbl	77.8	108.1	79.0	101.8
Realised	**US$/bbl**	**80.4**	**-**	**80.4**	**-**
(Discount) / Premium to Brent	*US$/bbl*	*1.9*	*nm*	*0.5*	*nm*
(Discount) / Premium to Dubai	*US$/bbl*	*2.6*	*nm*	*1.3*	*nm*

In Q2 2023, the Company sold approximately 2.2 million barrels from its Jasmine/Ban Yen, Nong Yao and Manora oil fields, which included both crude oil held as inventory as at previous quarter end and production from Q2 2023. Wassana restarted production in Q2 2023 though no lifting occurred during the period. The Company sells its crude oil to both domestic Thai refiners and export buyers.

Beginning Inventory as at March 31, 2023	***mbbl***	**943**
Add: Production	*mbbl*	2,011
Less: Fuel used	*mbbl*	(10)
Available for sale	*mbbl*	2,944
Less: Lifting	*mbbl*	(2,167)
Ending Inventory at June 30, 2023	***mbbl***	**777**

As at June 30, 2023, the Company had 777 mbbl of inventory, as compared to 943 mbbl as at March 31, 2023.

Opex(1)

	Three months ended	
US$'000	June 30, 2023	June 30, 2022
Operating Costs	**70,616**	**433**
Loss of Net Realisable Value (Wassana)	(4,742)	
Cost Of Goods Sold	**65,874**	**433**
Reversal of accounting adjustments related to PPA inventory valuation	(41,035)	
Reversal of capitalised pre-production and pre-sale operating costs	11,448	
Opex (excluding Leases)	**37,318**	**433**
Leases	8,295	
Opex	**45,613**	**433**
Production Volumes during the period (mbbl)	2,011	-
Opex per bbl(1) (US$/bbl)	**22.7**	**n.a**

(1) Non-IFRS measure – see "Non-IFRS Measures" section within this MD&A.

Operating costs as reported under IFRS were US$70.6 million for Q2 2023 (Q2 2022: US$0.4 million). In order to allow for a more meaningful periodic comparison, the following material adjustments were made in order to arrive at the Company's Opex per barrel or often cited as lifting cost per barrel for the period (see "Non-IFRS Measures" section within this MD&A for reconciliation and definition):

(i) Mubadala Acquisition adjustments – this includes inventory adjustments and non-cash items which are not expected to normalise in the following periods.

(ii) Reversal of Wassana operating cost, previously capitalised to inventory and following first production, now expensed to operating cost. Moving forward Wassana operating costs will be expensed, and there is not expected to be any reversal in following periods.

(iii) Reversal of Wassana's net realisable value losses which does not reflect the start-up nature of the field – high costs during start up phase versus production level.

(iv) In accordance with IFRS 16, the Company recognised cost related to its operating leases – attributed to floating storage and offloading ("FSO") / floating and production storage offshore ("FPSO") vessels used at its Jasmine/Ban Yen, Nong Yao, Manora and Wassana oil fields; as well as onshore warehouse facilities costs to its balance sheet and finance cost within the profit and loss statement. In order to report a more relevant lifting cost, the Company has included costs associated with these leases in the adjusted operating cost calculation. This will be a recurring adjustment.

The Company's Opex during the 3 months ending June 30, 2023 was US$45.6 million compared to US$ 0.4 million in the 3 months ending June 30, 2022.

Opex per barrel is calculated as Opex divided by the number of barrels produced in the same period. Opex was largely comprised of bareboat contracts and operation and maintenance expenses associated with the FSO/FPSOs, Logistics expenses, workovers, and fuel, the most material variable component is due to fuel cost and workovers. In Q2 2023, the Group's average Opex per barrel was $22.7/ bbl.

General and Administrative ("G&A") Expenses

	Three months ended	
US$'000	Unaudited June 30, 2023	Unaudited June 30, 2022
Manpower & office running costs	4,708	823
Severance	774	-
Business development, Legal & recoveries	1,347	384
Total G&A expenses	**6,829**	**1,207**
Severance (Non-recurring)	(774)	-
Recurring G&A expenses	**6,055**	**1,207**

General and administrative expenses increased in Q2 2023 when compared to the same period in 2022 due to increased G&A from the incorporation of the Kris Acquisition and Mubadala Acquisition. In the three months period ended June 30, 2023, the Company recorded severance expenses of US$0.8 million which the Company has deemed as non-recurring.

Finance Costs

	Three months ended	
US$'000	Unaudited June 30, 2023	Unaudited June 30, 2022
Interest expense and commitment fee on facility	102	-
Amortisation of financing costs and commitment fee	2,317	-
Accretion on decommissioning liabilities	4,629	118
Accretion on deferred consideration	258	-
Lease liability interest expenses	2,569	-
Financing fee	1,359	-
Other	17	-
Total Finance Costs	**11,251**	**118**

Finance costs in Q2 2023 reflect costs related to accretion of decommissioning liabilities, amortisation of Facility (defined below) costs and interest expenses for leases. In addition, the Company signed agreements with a third-party marketer for Facility which resulted in an increase in interest expense, commitment fees and financing fees. However, in Q2 2022, the only finance costs were related to accretion on decommissioning liabilities in Turkey.

Impairments and Provision for doubtful debt

The Company divested its working interest in Licence G6/48 to its partner Northern Gulf Petroleum ("NGP") by way of the agreement withdrawal from and transfer of G6/48 Concession and the Rossukon exclusive operation dated April 27, 2023. As of June 30, 2023, the outstanding balance of E&E from Licence G6/48 is US$4.28 million, including the reclassification of receivables from NGP to E&E asset. The Company impaired E&E due to the above indicator.

The Company's 11% partner in block G10/48, PSL, a joint venture partner in block G10/48, Wassana oil field, has discontinued its participation in the block. The Company entered into deed of novation and amendment agreement with PSL on April 20, 2023 to transfer PSL's 11% working interest to the Company for no consideration. As of June 30, 2023, the outstanding balance of receivables from PSL from G10/48 block is US$0.96 million. The Company has recognised this provision as doubtful debt.

Depletion and Depreciation

	Three months ended	
US$'000	Unaudited June 30, 2023	Unaudited June 30, 2022
Property, Plant and Equipment ("PP&E")	53,379	6
Right of use assets	6,716	-
Capitalised	(10,003)	-
Depletion and depreciation and amortisation	**50,092**	**6**

Depletion and depreciation expense for Q2 2023 are mostly related to the Company's Thailand assets, in particular to production and PP&E acquired in the Mubadala Acquisition. Most of the depletion and depreciation was capitalised to cost of crude oil as at June 30, 2023. For the same period in 2022, depletion and depreciation expense are related to fixed assets in Turkey only.

Income tax

	Three months ended	
US$'000	**Unaudited June 30, 2023**	**Unaudited June 30, 2022**
Current income tax expense	24,060	-
Deferred income tax expense (recovery)	(19,026)	-
Income tax expense (recovery)	**5,034**	**-**

The Company's Thailand concession holding entities are assessed in accordance with the Thai PITA. Taxable profits are subject to 50% tax rate under PITA. During the Q2 2023 period, the Company registered a recovery of US$19 million related to the unwinding of deferred tax liability arising from the fair value of the Mubadala Acquisition's Purchase Price Allocation ("PPA") recognised in Q1 2023 period.

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 Q2 2023 was US$0.2 million as compared to US$0.05 million for the same period in 2022.

Capital Expenditure / Investing

	Three months ended	
US$'000	**Unaudited June 30, 2023**	**Unaudited June 30, 2022**
Drilling	25,895	-
Brownfield	7,320	-
Other PPE	434	7
Capex(1)	**33,649**	
MOPU final deferred acquisition payment	5,000	-
Total Capital Expenditure	**38,649**	**7**

(1) Non-IFRS measure – see "Non-IFRS Measures" section within this MD&A.

Capex for Q2 2023 is mostly related to Thailand assets operations. For the same period in 2022, capex was related to fixed assets in Turkey only. During the three months ended June 30, 2023, the Company spent US$25.9 million on drilling activities associated with the infill drilling programmes on Jasmine/Ban Yen and Nong Yao.

During Q2 2023, the Company paid the final deferred US$ 5.0 million payment on the Wassana MOPU.

The Mubadala Acquisition

As announced on December 6, 2022, the Company entered into a sale and purchase agreement with the Seller to acquire the Thailand upstream oil producing portfolio of Busrakham Oil and Gas Limited ("BOAGL"), with an effective date of September 1, 2022. On March 22, 2023, the Mubadala Acquisition closed and the Company paid $10.4 million in initial consideration plus contingent consideration of 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 $50 million. Contingent payments have been recorded at estimated fair value.

The Mubadala Acquisition has been accounted for as a business combination under *IFRS 3 Business Combinations.* The preliminary purchase price allocation, based on the best information available on March 22, 2023, is as follows:

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		55,001
Property, plant and equipment		336,537
Accounts and other payable		(171,749)
Lease liability		(56,383)
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 and decommissioning obligations as well as the finalisation of working capital adjustments. Upon finalising 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 finalised. 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 the PP&E 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 PP&E Right of Use (ROU) 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 arithmetic average of the daily "close" of all quotations in USD for Dubai crude oil in the Platts Crude Oil Marketwire on a US$/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 US$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. In the second quarter of 2023, the Company has revised the price assumptions for 2024, which resulted in an impact on the expected cash flow to be US$10.4 million and were discounted to US$8.4 million.

The Kris Acquisition

As announced on April 28, 2022, the Company entered into the Kris SPA 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 US$4.1 million in consideration paid, including the initial purchase price and maintenance and administrative costs incurred between the effective and closing date Contingent payments of up to US$7.0 million, based on future development milestones, remain outstanding. The fair value of the contingent payments is discussed further below.

To facilitate the 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 was 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 had 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 Panthera, 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 purchase price allocation is as follows:

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

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

The identifiable assets and liabilities have been measured at their individual fair values on the date of acquisition. Determinations of fair value often require management to make assumptions and estimates about future events.

Financial Position and Liquidity

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 manage its operations safely and efficiently and execute its growth strategy, while maintaining a strong financial position.

The following provides selected financial information of the Company, which was derived from, and should be read in conjunction with, the Interim Financial Statements:

US$'000		Unaudited June 30, 2023	Audited December 31, 2022
Non-current assets	*US$'000*	440,979	39,665
Current assets	*US$'000*	265,163	24,345
Non-current liabilities	*US$'000*	297,655	24,455
Current liabilities	*US$'000*	176,630	11,098
Shareholders' equity	*US$'000*	231,857	28,457

As at June 30, 2023, the Company had a net working capital balance including cash of US$88.5 million and adjusted net working capital of $116.1 million. Adjusted net working capital is a non-IFRS measure. See "Non-IFRS Measures" section within this MD&A for reconciliation and definition.

	Unaudited June 30, 2023	Audited December 31, 2022
Working Capital	**88,533**	**13,247**
Adjusted Working Capital	**116,064**	**13,247**

As at June 30, 2023, the Company had a net cash balance US$87.6 million which consists of a cash balance of US$121.7 million and outstanding debt of US$34.0 million. Adjusted working capital is a non-IFRS measure. See "Non-IFRS Measures" section within this MD&A for reconciliation and definition.

	Unaudited June 30, 2023	Audited December 31, 2022
Current portion of debt	19,035	5,900
Long-term debt	12,460	5,190
Debt	**31,495**	**11,090**
Reversal of accounting adjustments	2,548	-
Outstanding Debt	**34,043**	**11,090**
Cash & cash equivalents	(108,078)	(17,516)

Restricted cash	(13,604)	(69)
Cash balance	**(121,682)**	**(17,585)**
Net debt (cash)	**(87,639)**	**(6,495)**

Credit facilities and restricted cash

Credit Facilities

US$'000	**Unaudited June 30, 2023**	**Audited December 31, 2022**
Facility, beginning of period	11,090	-
Advances	40,000	12,500
Arrangement fee	(1,000)	(885)
Financing transaction costs	(1,000)	(725)
Repayments	(18,457)	-
Interest and commitment fee paid	(2,237)	-
Interest and commitment accrued		121
Amortisation of financing transaction costs and arrangement fee	3,099	79
Facility, end of period	31,495	**11,090**
Current portion	19,035	5,900
Long-term portion	12,460	5,190

Facility: On November 11, 2022, subsidiaries of the Company signed agreements with a third-party marketer for a tranched secured credit facility up to a maximum capacity of US$80 million. The effective yield rate at June 30, 2023, is 21.5%. 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 industry standard coverage and liquidity ratios, and a material adverse change clause which were disclosed in the Company's previous Quarterly MD&A in details. Draws on the Facility were $52.5 million at March 31, 2023. During the Q2 period, the Company repaid US$18.5 million of the facility. As of June 30, 2023, the outstanding debt is US$31.5 million.

Letter of credit facility: The Company's account performance security guarantee facility ("APSG Facility") with Export Development Canada with an initial limit of US$1.0 million which was raised to US$11.0 million on March 10, 2023 and can be renewed on an annual basis. The APSG Facility is due to expire on August 30, 2023, however the Company has submitted an application to extend. The APSG Facility, which was issued to National Bank of Canada ("NBC"), allows the Company to use the APSG Facility as collateral for certain letters of credit issued by NBC. The Company has issued approximately US$10.4 million in letters of credit under the APSG Facility at current exchange rates. The expiry of the facility will not lead to a cancelation of the letter of credit issued by NBC.

Restricted Cash

The Company has restricted cash in the amount of US$13.7 million (2022 - US$0.1 million) that is held with National Bank of Canada (US$2.7 million) and Hong Kong Shanghai Banking Corporation ("HSBC") (US$10.0 million) related primarily to securing a letter of credit for operational activities and decommissioning security.

Selected Quarterly Information

		Three months ended							
		Jun 30, 2023	**Mar 31, 2023**	**Dec 31, 2022**	**Sep, 30 2022**	**Jun 30, 2022**	**Mar 31, 2022**	**Dec 31, 2021**	**Sep, 30 2021**
Production	*boe/d*	22,097	2,144	-	-	-	-	-	-
Oil Volumes Sold	*mbbl*	2,167	-	-	-	-	-	-	-
Net earnings/(loss) attributable to shareholders	*US$'000*	(1,533)	197,431	(6,888)	(3,612)	333	(3,623)	(3,190)	1,234
Per share: basic & diluted	*US$*	*(0.15)/(0.14)*	*2.17 / 2.05*	*(0.07)/(0.07)*	*(0.04)/(0.04)*	*0.00/0.00*	*(0.04)/0.00*	*(0.04)/0.00*	*0.01/0.01*

Outstanding Share Data

	Unaudited June 30, 2023
Common Shares	101,700,491
Stock options	7,266,664
Fully diluted	**108,967,155**

Off Balance Sheet Arrangements

The Company had no material off-balance sheet arrangements outstanding as at June 30, 2023, 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.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

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

The Company's CEO and CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company is required to disclose herein any change in the Company's internal controls over financial reporting that occurred during the period beginning on April 1, 2023, and ending on June 30, 2023, that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting. No material changes in the Company's internal controls over financial reporting were identified during such period that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

On March 22, 2023, the Company closed the Mubadala Acquisition. As permitted by and in accordance with NI 52-109, the CEO and CFO have limited the scope of our design of DC&P and ICFR to exclude controls, policies, and procedures of BOAGL. This scope limitation is primarily due to the time required to assess the DC&P and ICFR relating to BOAGL in a manner consistent with the Company's other operations. Further integration will take place as systems and processes align.

The Company notes 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.

RECONCILIATION OF NON-IFRS MEASURES

Adjusted EBITDAX: Is a non-IFRS measure which does not have a standardised meaning prescribed by IFRS. This non-IFRS finance measure is included because management uses the information to analyse financial performance of the Company. Adjusted EBITDAX is calculated by subtracting from Oil revenues, royalties, Operating Costs, G&A, and adjusted for non-recurring charges and other non-recuring G&A costs and adding additional expenses the Company incurred as a result of the acquisition for Mubadala and Kris assets in addition to costs associated with redundancies.

	Three months ended	
In US$'000	Unaudited June 30, 2023	Unaudited June 30, 2022
Revenues	174,196	-
Royalties	(23,309)	-
Operating Costs	(70,616)	(433)
Loss on inventory due to decline in net reseal value associate with Wassana	4,742	-
General and administrative	(6,829)	(1,207)
Other non-recurring G&A costs	774	-
Adjusted EBITDAX	**78,958**	**(1,640)**

Opex and Opex per bbl: Are non-IFRS measures which do not have a standardised meaning prescribed by IFRS. These non-IFRS finance measures are included because management uses the information to analyse cash generation and financial performance of the Company. Opex represents the operating cash expenses incurred by the Company during the period including the leases that are associated with operations, such as bareboat contracts for key operating equipment, such as FSOs, FPSOs, and warehouses. Opex is calculated by effectively adjusting non-cash items from the Operating Cost in the financial statements and adding lease costs. Opex is divided by production in the period to arrive at Opex per bbl.

	Three months ended	
US$'000	Unaudited June 30, 2023	Unaudited June 30, 2022
Operating Costs	**70,616**	**433**
Loss of NRV	(4,742)	-
Cost Of Goods Sold	**65,874**	**433**
Reversal of accounting adjustments related to PPA inventory valuation	(40,004)	-
Reversal of capitalized pre-production and pre-sale operating costs	11,448	-
Opex (excluding Leases)	**37,318**	**433**
Leases	8,295	-
Opex	**45,613**	**433**
Production during the period (mbbl)	2,011	-
Opex per bbl (US$/bbl)	**22.7**	**n.a**

Adjusted Cashflow from operations: Is a non-IFRS measure which does not have a standardised meaning prescribed by IFRS. This non-IFRS finance measure is included because management uses the information to analyse cash generation and financial performance of the Company. Adjusted Cashflow from operations is calculated by subtracting from Oil revenues, royalties, Opex, General and administrative costs which are adjusted for non-recurring charges, and accrued PITA tax and SRB expenses.

	Three months ended	
US$'000	Unaudited June 30, 2023	Unaudited June 30, 2022
Revenues	174,196	
Royalties	(23,309)	
Opex	(45,613)	(433)
Recurring G&A costs	(6,055)	(823)
Adjusted Pre Tax Cashflow From Operations	**99,219**	**(1,256)**
Income Tax / PITA tax	(24,060)	
SRB expenses	(4,715)	
Adjusted Cashflow from operations	**70,444**	**(1,256)**
Production during the period	2,011	-
Adjusted Cashflow from operations per bbl (US$/bbl)	**35.0**	**n.a**

Debt & Outstanding Debt & Net Debt / Net cash: Are non-IFRS measures which do not have a standardised meaning prescribed by IFRS. These non-IRFS finance measures are provided because management uses the information to a) analyse financial strength and b) manage the capital structure of the Company. These measures are used to ensure capital is managed effectively in order to support the Company's ongoing operations and needs.

	Three months ended	
In US$'000	Unaudited June 30, 2023	Unaudited June 30, 2022
Current portion of debt	19,035	5,900
Long-term debt	12,460	5,190
Debt	**31,495**	**11,090**
Reversal of accounting adjustments	2,548	-
Outstanding Debt	**34,043**	**11,090**
Cash & cash equivalents	(108,078)	(17,516)
Restricted cash	(13,604)	(69)
Cash	**(121,682)**	**(17,585)**
Net debt (cash)	**(87,639)**	**(6,495)**

Adjusted Net Working Capital: Is a non-IFRS measure which does not have a standardised meaning prescribed by IFRS. This non-IFRS finance measure is included because management uses the information to analyse liquidity and financial strength of the Company. Adjusted Working Capital is calculated by adding back current leases liability to the working capital.

	Three months ended	
In US$'000	Unaudited June 30, 2023	Unaudited June 30, 2022
Current assets	265,163	24,345
Current liabilities	(176,630)	(11,098)
Net Working Capital	**88,533**	**13,247**
Current lease liabilities	27,531	-
Adjusted Net Working Capital	**116,064**	**13,247**

BUSINESS RISKS AND UNCERTAINTIES

The reader is referred to Valeura's Annual Financial Statements, and 2022 AIF for a more complete description of risks. As a result of the Mubadala and Kris Acquisitions, the following risk factors were more prevalent as at June 30, 2023: failure to realise transactions and anticipated benefits related to mergers and acquisitions; exploration, development and production risks; acquisitions, dilution and availability of debt; climate change legislation; capital requirements; and price volatility, markets and marketing. In addition, the following risk factors have been modified to include mention of Thailand:

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.

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. 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 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 additional financings will be available. In the event the Company is not successful in maintaining its financing arrangements, obtaining additional funding or of obtaining funding on terms that are acceptable to the Company, this will significantly impact the Company's ability to develop its oil and gas properties and enable them to become producing. The Company maintains and monitors a certain level of cash which is used to finance operating and capital expenditures.

The Company is impacted by rising inflationary pressures

Inflation rates in jurisdictions that the Company operates in increased significantly in 2022, rising above the target inflation rate ranges set by governing central banks and continued to rise throughout Q2 2023. A significant portion of the upward pressure on prices has been attributed to the rising costs of labour, energy, food, motor vehicles and housing, continuing global supply-chain disruptions and the impact of the Russian invasion of Ukraine. Inflation increases may or may not be transitory. However, any sustained upward trajectory in the inflation rate could have an impact on the Company's results by applying upward pressure on the Company's costs in 2023 and future periods. The Company's potential inability to manage costs resulting from inflation may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and funds from operations.

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

Variations in foreign exchange rates and interest rates, and hedging

Foreign exchange rates: The Company's revenue streams in Thailand are in US$ and the Thai Baht ("THB"), while a significant portion of its capital expenditures and many of its operating expenditures are denominated in US$. Payments to governments such as taxes and royalties in both Thailand and Turkey are made mostly in local currencies. The Company's exposure is partially offset by an in a natural match in receipts and expenditure in THB. The Company had no forward exchange contracts in place as at June 30, 2023.

Interest rates: Interest rate risk is the risk to earnings due to uncertain future interest rates on borrowings. The Company will take into account the level of external debt, current interest rates and market expectations in comparison to historic trends and volatility in making the decision to hedge.

A failure to secure the services and equipment necessary to the Company's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on the Company's financial performance and cash flows. The Company's operating costs could escalate and become uncompetitive due to supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs, and input prices, and additional government intervention through stimulus spending or additional regulations. The Company's inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash flows.

Credit Risk

The Company may be exposed to third party credit risk through contractual arrangements with counterparties who buy the Company's hydrocarbon products. The Company's policy is to limit credit risk by only entering into oil and gas sales agreements with reputable and creditworthy oil and gas and trading companies. Where it is determined that there is a credit risk for oil and gas sales, the Company's policy is to require credit enhancement from the purchaser.

The Company's policy on joint venture parties is to rely on the provisions of the underlying joint operating agreements to take possession of the licence or the joint venture partner's share of production for non-payment of cash calls or other amounts due. In addition, cash is to be held and transacted only through major banks.

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

The Company conducts its operations in Thailand and Turkey through a series of wholly owned subsidiaries registered in Singapore, the British Virgin Islands, Cayman Islands and Thailand. The Company's ability to pay dividends on the Common Shares is reliant on the ability of these subsidiaries to generate cash flow and pay dividends or make other distributions to the Company. The ability of subsidiaries to make payments to the Company may be constrained by, among other things: (i) the level of taxation, particularly corporate profits and withholding taxes, in the operating jurisdictions; (ii) the introduction of exchange controls; and (iii) local law requirements in relation to the payments of dividends and distributions.

CRITICAL ACCOUNTING POLICY

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 recognised 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.*

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
G10/48 Concession (1)	Operator	Gulf of Thailand	Thai III	100% (all rights)
B5/27 Concession (2)	Operator	Gulf of Thailand	Thai I	100% (all rights)
G1/48(3)	Operator	Gulf of Thailand	Thai III	70% (all rights)
G11/48(4)	Operator	Gulf of Thailand	Thai III	90% (all rights)
West Thrace Deep Joint Venture	Operator	Turkey	N/A	63% (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 B5/27 Concession is held by Busrakham Jasmine Ltd.*
(3) *The Company's interest in the G1/48 Concession is held by Busrakham Manora Ltd.*
(4) *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 unrealised income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.*

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.

Valeura recognises 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 recognised on a net basis, only reflecting the fee, if any realised by Valeura from the transaction.

Royalties

Royalty arrangements that are based on production or sales are recognized 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.*
- Payments 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 make payments to the previous owner in cash based on sales volumes computed*

as follows: 1) 6% of gross revenue from certain production areas within concession B5/27; 2) $2 per barrel of oil produced from certain production areas within concession B5/27; and 3) 4% of gross revenue from certain production areas 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.*

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.

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 both defined benefit and defined contribution schemes. A defined contribution 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 defined contribution benefits is expensed as earned by employees. These benefits are unfunded and are expensed as the employees provide service.*

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) 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) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in statement of comprehensive income.

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 crude oil barrels. Critical spares are capitalised and are part of PP&E. 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.

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 Interim 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 relates to ownership of 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 the SPV 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 (the "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 issued to the minority shareholders of the SPV an aggregate of 9.5 million Common 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.

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, and the March 31, 2023, condensed interim consolidated statements for a description of estimates and judgments. The reader is also referred to the June 30, 2022, condensed interim consolidated statements of loss and comprehensive loss for new accounting policies during the period.

ACRONYMS

bbl/d	barrels of oil per day
CAD	Canadian Dollar
Concessions	concessions and other similar agreements entered into with a host government providing for petroleum operations in a defined area
DD&A	Depreciation, Depletion and Amortisation
E&E	Exploration and Evaluation
EBITDAX	Earnings before interest, tax, depreciation, depletion & amortization and exploration expense
FPSO	Floating Production,Storage and Offloading
FSO	Floating Storage and Offloading.
MD&A	Management's Discussion and Analysis.
mbbl	one thousand barrels
mmbbl	one million barrels
NI 52-109	National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings and the companion policies and forms thereto, as amended from time to time.
PITA	Petroleum Income Tax Act.
SRB	Special remuneratory benefit
US	United States of America
US$	US dollars
WI	Working Interest

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 and guidance for the assets acquired in the Mubadala Acquisition; certain contingent payments of up to a further US$7.0 million under the Kris Acquisition relating to further development milestones; anticipated 2023 operating costs and capital expenditures; certain contingent payments of up to a further US$50.0 million under the Mubadala Acquisition relating to future price scenarios; statements regarding the Company's forward guidance expectations for 2023; the expectation that a MOPU is expected to be hooked up/installed to the Nong Yao C accumulation field area in Q4 2023, followed by development drilling; the Company's farm down process for the Deep Gas Play continuing; working to secure a partner in connection with the Deep Gas Play; decommissioning obligations; the search for additional M&A opportunities and pursuit of organic growth opportunities; the potential of the Deep Gas Play in the Thrace Basin; Valeura's operations 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; expectations regarding the drilling programme continuing on the Jasmine/Ban Yen oil field; expectations regarding infill drilling on the Nong Yao oil field; the intention to conduct infill drilling on the Manora oil field; planning and timing for the expected development of the Nong Yao C accumulation; intention to re-invest assets and develop organic growth opportunities; continued pursuit of inorganic opportunities within the Thailand and broader Southeast Asia region; and future liquidity.

Forward-looking information is based on management's current expectations and assumptions regarding, among other things: the Company's ability to integrate assets and employees from the Mubadala Acquisition and Kris Acquisition; the ability to successfully increase production from the Wassana oil field and the timing; the ability to achieve oil sales from Wassana and generate net cash flows at current commodity prices; the ability to fully identify and execute infill drilling opportunities in the Wassana oil field; the ability to continue ongoing production operations at the Jasmine/Ban Yen, Manora, and Nong Yao fields; the ability to successfully pursue further opportunities in Thailand; the ability to identify attractive M&A opportunities to support growth; the continuation of operations following the COVID-19 pandemic; continued safe, reliable and environmentally responsible 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 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 impact of increasing competition; 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 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 internal controls over financial reporting; 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; future commodity prices; the impact of the Russian invasion of Ukraine; royalty rates and taxes; future capital and other expenditures; the success obtained in drilling new wells and working over existing wellbores; the performance of wells and facilities; the availability of the required capital to funds its exploration, development and other operations, and the ability of the Company to meet its commitments and financial obligations; the ability of the Company to secure adequate processing, transportation, fractionation and storage capacity on acceptable terms; the capacity and reliability of facilities; the application of regulatory requirements respecting abandonment and reclamation; the recoverability of the Company's reserves and contingent resources; future growth; the sufficiency of budgeted capital expenditures in carrying out planned activities; global energy policies going forward; future debt levels; and the ability of the Company to obtain financing on acceptable terms. In addition, the Company's work programmes and budgets are in part based upon expected agreement among joint venture partners and associated exploration, development and marketing plans and anticipated costs and sales prices, which are subject to change based on, among other things, the actual results of drilling and related activity, availability of drilling, offshore storage and offloading facilities and other specialised oilfield equipment and service providers, changes in partners' plans and unexpected delays and changes in market conditions. Although the Company believes the expectations and assumptions reflected in such forward-looking information are reasonable, they may prove to be incorrect.

Forward-looking information involves significant known and unknown risks and uncertainties. Exploration, appraisal, and development of oil and natural gas reserves and resources 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: offshore operation risks relating to Thailand; use of foreign subsidies risks; 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; the Company's ability to manage growth; the Company's ability to manage the costs related to inflation; disruption in supply chains; the risks of currency fluctuations; changes in interest rates, oil and gas prices and netbacks; 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 the countries in which it operates; the risk of changing commodity prices; the risk of foreign exchange rate fluctuations; 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.

Certain forward-looking information in this MD&A may also constitute the "financial outlook" within the meaning of applicable securities legislation. Financial outlook involves statements about Valeura's prospective financial performance or position and is based on and subject to the assumptions and risk factors described above in respect of forward-looking information generally as well as any other specific assumptions and risk factors in relation to such financial outlook noted in this MD&A. Such assumptions are based on management's assessment of the relevant information currently available, and any financial outlook included in this MD&A is made as of the date hereof and provided for the purpose of helping readers understand Valeura's current expectations and plans for the future. Readers are cautioned that reliance on any financial outlook may not be appropriate for other purposes or in other circumstances and that the risk factors described above or other factors may cause actual results to differ materially from any financial outlook.

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.

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