

Q3

Interim Condensed Consolidated Financial Statements

(Unaudited)



For the Period Ended September 30, 2024
November 13, 2024

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited)

<i>In US\$'000</i>	Note	Unaudited September 30, 2024	December 31, 2023
ASSETS			
Current assets			
Cash and cash equivalents		133,132	133,866
Restricted cash	6	22,811	17,299
Trade and other receivables	20	37,931	66,067
Inventory	7	83,852	65,198
Prepaid expenses and deposits		7,441	11,125
Total current assets		285,167	293,555
Non-current assets			
Exploration and evaluation assets	8	7,874	2,379
Property, plant and equipment	9	302,550	326,569
Right-of-use assets	10	80,849	81,811
Total non-current assets		391,273	410,759
TOTAL ASSETS		676,440	704,314
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	11	90,276	108,498
Current portion of lease liabilities	10	30,129	42,046
Current portion of contingent consideration	4	768	7,000
Income tax payable		27,862	59,914
Total current liabilities		149,035	217,458
Non-current liabilities			
Lease liabilities	10	49,334	31,589
Long-term incentive compensation liability	12	1,131	423
Contingent consideration	4	-	697
Decommissioning obligations	13	138,356	129,464
Provision for employee benefits		10,586	9,319
Deferred tax liability		13,575	31,186
Total non-current liabilities		212,982	202,678
Equity			
Share capital	14	206,626	203,127
Contributed surplus		24,379	24,328
Accumulated other comprehensive income		10,274	10,393
Retained earnings		73,144	46,330
Total Equity		314,423	284,178
TOTAL LIABILITIES AND EQUITY		676,440	704,314

See accompanying notes to the condensed interim consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Unaudited)

In US\$'000	Note	Three months ended		Nine months ended	
		Unaudited September 30, 2024	Unaudited September 30, 2023	Unaudited September 30, 2024	Unaudited September 30, 2023
Revenue and other income					
Oil revenues		139,278	149,352	452,646	323,548
Royalties		(17,218)	(20,528)	(53,804)	(43,837)
Net oil revenues		122,060	128,824	398,842	279,711
Other income	16	1,880	4,099	6,201	5,471
		123,940	132,923	405,043	285,182
Expenses					
Operating		47,318	55,276	130,800	130,570
Exploration		363	295	2,828	656
Special remuneratory benefit (SRB)		3,334	4,116	3,382	8,831
General and administrative		4,462	8,090	15,604	17,987
Impairment on E&E asset		-	-	-	4,278
Provision for doubtful debt		-	-	-	955
Transaction costs		-	(16)	-	970
Finance costs	15	7,107	11,733	20,398	24,487
Foreign exchange (gain) loss		(478)	(850)	161	317
Share-based compensation		781	256	4,377	1,042
Depletion and depreciation	9,10	51,271	49,214	151,766	100,715
		114,158	128,114	329,316	290,808
Profit (loss) for the period before other items		9,782	4,809	75,727	(5,626)
Bargain purchase gain	4	-	-	-	238,143
Change in net monetary position due to hyperinflation	5	232	-	780	384
Profit for the period before income taxes		10,014	4,809	76,507	232,901
Income taxes					
Deferred tax expense (recovery)		3,589	(10,085)	(17,610)	(33,084)
Tax expense		10,338	21,092	67,303	45,152
Net (loss) income		(3,913)	(6,198)	26,814	220,833
Net (loss) income attributable to:					
Shareholders of Valeura Energy		(3,913)	(6,198)	26,814	221,546
Non-controlling interest		-	-	-	(713)
Net (loss) income		(3,913)	(6,198)	26,814	220,833
Other comprehensive (loss) income					
Currency translation adjustments		(40)	31	(119)	213
Comprehensive (loss) income		(3,953)	(6,167)	26,695	221,046
Net (loss) income attributable to:					
Shareholders of Valeura Energy	19	(3,913)	(6,198)	26,814	221,546
Non-controlling interest		-	-	-	(713)
(Loss) Earnings per share					
Basic	19	(0.04)	(0.06)	0.25	2.26
Diluted	19	(0.04)	(0.06)	0.25	2.16

See accompanying notes to the condensed interim consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

In US\$'000	Note	Three months ended		Nine months ended	
		Unaudited	Unaudited	Unaudited	Unaudited
		September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Operating activities:					
Profit for the period before income taxes		10,014	4,809	76,507	232,901
Adjustments for:					
Depletion and depreciation	9, 10	51,271	49,214	151,766	100,715
Share-based compensation		826	256	2,258	1,042
Finance costs	15	7,107	11,733	20,398	24,487
Change in estimate on decommissioning liabilities		-	42	-	-
(Reversal of) write down of inventory to net realisable value		271	(3,774)	(6,855)	968
Provision for impairment of E&E assets		-	-	-	4,278
Provision for employee benefits		459	388	678	729
Provision for inventory obsolescence		(15)	-	(756)	(82)
Allowance for doubtful receivables		-	-	-	955
Bargain purchase gain	4	-	-	-	(238,143)
Change in net monetary position due to hyperinflation	5	(232)	-	(780)	(384)
Unrealised foreign exchange loss (gain)		223	717	607	179
Operating cashflows before movements in working capital		69,924	63,385	243,823	127,645
Change in non-cash working capital	18	8,181	24,689	7,442	(52,838)
Cash generated from (used in) operating activities		78,105	88,074	251,265	74,807
Income taxes paid		(30,191)	(29,023)	(97,110)	(124,673)
Decommissioning cost paid	13	(38)	-	(42)	-
Payments on contingent considerations		-	-	(7,000)	-
Change in restricted cash	6	(5,512)	(2,936)	(5,512)	(16,471)
Net cash from (used in) operating activities		42,364	56,115	141,601	(66,337)
Investing activities:					
Property, plant and equipment expenditures		(37,195)	(36,721)	(118,548)	(79,259)
Exploration and evaluation expenditures		108	-	(4,866)	(453)
Acquisition of subsidiaries	4	-	-	-	238,058
Change in non-cash working capital	18	5,477	2,789	7,362	7,115
Net cash (used in) from investing activities		(31,610)	(33,932)	(116,052)	165,461
Financing activities:					
Facility financing, net of costs		-	-	-	38,000
Repayment of facility		-	(21,192)	-	(39,649)
Interest paid on facility		-	(769)	-	(3,006)
Principal payments on lease liabilities	10	(6,186)	(7,742)	(23,330)	(17,267)
Payments on financing fee	15	(2,157)	(856)	(5,259)	(2,318)
Proceeds on issue of share		-	-	-	6,853
Proceeds from stock option exercises		-	-	1,626	429
Net cash used in financing activities		(8,343)	(30,559)	(26,963)	(16,958)
Foreign exchange gain on cash held in foreign currencies		1,201	300	680	320
Net change in cash and cash equivalents		3,612	(8,076)	(734)	82,486
Cash and cash equivalents, beginning of period		129,520	108,078	133,866	17,516
Total cash and cash equivalents, end of period		133,132	100,002	133,132	100,002

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

<i>In US\$'000</i>	Number of common shares (Share '000)	Share Capital (US\$'000)	Contributed Surplus (US\$'000)	Accumulated Other Comp. Income (US\$'000)	Retained Earnings (US\$'000)	Non-Controlling interest (US\$'000)	Total Shareholders' Equity (US\$'000)
Balance, January 1, 2024	102,955	\$ 203,127	\$ 24,328	\$ 10,393	\$ 46,330	\$ -	\$ 284,178
Net income for the period	-	-	-	-	26,814	-	26,814
Shares issued	4,044	3,499	(1,873)	-	-	-	1,626
Currency translation adjustments	-	-	-	(119)	-	-	(119)
Share-based compensation	-	-	1,924	-	-	-	1,924
September 30, 2024	106,999	\$ 206,626	\$ 24,379	\$ 10,274	\$ 73,144	\$ -	\$ 314,423

<i>In US\$'000</i>	Number of common shares (Share '000)	Share Capital (US\$'000)	Contributed Surplus (US\$'000)	Accumulated Other Comp. Income/(loss) (US\$'000)	(Deficit)/Retained Earnings (US\$'000)	Non-Controlling interest (US\$'000)	Total Shareholders' Equity (US\$'000)
Balance, January 1, 2023	87,148	\$ 180,116	\$ 22,986	\$ 8,748	\$ (185,814)	\$ 2,421	\$ 28,457
Net income for the period	-	-	-	-	221,546	(713)	220,833
SPV capital transactions	9,500	14,590	-	-	(12,882)	(1,708)	-
Shares issued	5,053	8,156	(282)	-	-	-	7,874
Shares issuance costs	-	(627)	-	-	-	-	(627)
Currency translation adjustments	-	-	-	213	-	-	213
Share-based compensation	-	-	1,042	-	-	-	1,042
September 30, 2023	101,701	\$ 202,235	\$ 23,746	\$ 8,961	\$ 22,850	\$ -	\$ 257,792

See accompanying notes to the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – Reporting Entity

Valeura Energy Inc. and its subsidiaries ("Valeura" or the "Company") are currently engaged in the exploration, appraisal, development, and production of petroleum in the Gulf of Thailand and natural gas onshore Türkiye. Valeura is incorporated in Alberta, Canada and has subsidiaries in Canada, Netherlands, Türkiye, Thailand, Singapore, Mauritius, British Virgin Islands, and Cayman Islands. Valeura's shares are traded on the Toronto Stock Exchange ("TSX") under the trading symbol VLE, and quoted on the OTCQX in the United States of America under the trading symbol VLERF. Valeura's head office address is 111 Somerset Road, #09-29/30/31, Singapore 238164. Valeura's registered and records office is 4600, 525 – 8th Avenue SW, Calgary, Alberta, T2P 1G1.

The Board of Directors approved the interim condensed consolidated financial statements for issuance on November 13, 2024.

NOTE 2 – Basis of Preparation

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS 34") – Interim Financial Reporting of the International Financial Reporting Standards ("IFRS Accounting Standards"). The unaudited interim condensed consolidated financial statements should be read in conjunction with Valeura's audited consolidated financial statements and MD&A for the year ended December 31, 2023. The unaudited interim condensed 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, 2023, 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.

Basis of Measurement

The interim condensed 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 Türkiye. The methods used to measure fair value are consistent with the Company's December 31, 2023 consolidated financial statements.

The interim condensed consolidated financial statements include the accounts of Valeura and its subsidiaries and are expressed in thousands of US Dollars ("\$"), unless otherwise stated.

Functional and Presentation Currency

The individual financial statements of each subsidiary of the Company are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The interim condensed consolidated financial statements of Valeura are presented in US Dollars, which is the functional currency of the Company and the presentation currency for the interim condensed consolidated financial statements.

Use of Estimates and Judgements

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

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

The Company has reviewed the current estimates and judgements and determined that they do not have a material change from the estimates and judgements used for the audited consolidated financial statements for the year ended December 31, 2023.

Going Concern

The interim condensed consolidated financial statements for the period ended September 30, 2024, have been prepared on a going concern basis, which assumes that the Company have adequate resources to continue in operational existence for the foreseeable future.

NOTE 3 – Material Accounting Policies

(a) Basis of consolidation

(i) Subsidiaries:

The interim condensed consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company:

- Has the power over the investee
- Is exposed, or has rights, to variable returns from its involvement with the investee
- Has the ability to use its power to affect its returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders
- Potential voting rights held by the Company, other vote holders or other parties
- Rights arising from other contractual arrangements
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Company's accounting policies.

Non-controlling interests in subsidiaries are identified separately from the Company's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Company loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Company had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

(ii) Joint arrangements:

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 licences and working interests:

Name of the joint arrangement	Nature of the relationship with the joint arrangement	Principal place of operation of joint arrangement	Thai Licence regime	Working Interests
G10/48 Concession ^(1,6)	Operator	Gulf of Thailand	Thai III	100%
B5/27 Concession ⁽²⁾	Operator	Gulf of Thailand	Thai I	100%
G1/48 Concession ^(3,6)	Operator	Gulf of Thailand	Thai III	70%
G11/48 Concession ^(4,6)	Operator	Gulf of Thailand	Thai III	90%
West Thrace Deep JV ⁽⁵⁾	Operator	Türkiye	N/A	63% (all rights)
Banarli Deep JV ⁽⁵⁾	Operator	Türkiye	N/A	100% (all rights)

(1) As at September 30, 2024, the Company's interest in the G10/48 Concession were by Valeura Energy (Thailand) Ltd. (64%) and Valeura Energy (Gulf of Thailand) Ltd. (25%). Transfer of the additional 11% working interest from the withdrawing partner to Valeura Energy (Thailand) Ltd is pending government approval.

(2) The Company's interest in the B5/27 Concession is held by Busrakham Jasmine Ltd.

(3) As at September 30, 2024, the Company's interest in the G1/48 Concession was held by Busrakham Manora Ltd.

(4) As at September 30, 2024, the Company's interest in the G11/48 Concession were held by Busrakham G11 Ltd (67.5%) and Busrakham Nong Yao Ltd. (22.5%)

(5) The third extension period of the Banarli and West Thrace Exploration Licences, extending until June 27, 2025 has been successfully completed and officially gazetted.

(6) On November 1, 2024, the Valeura's working interests in all its Thai III fiscal contracts, covering the Nong Yao, Manora and Wassana fields, are now held by Valeura Energy (Thailand) Ltd.

A subsidiary of the Company has divested its working interest of 43% in Licence G6/48. The agreement for the withdrawal from and transfer of the G6/48 interest and the Rossukon exclusive operation is dated April 27, 2023, of which the signing of a

supplementary petroleum concession is pending. As of September 30, 2024, the Company had no proportion of the participating share in the licence.

The partner in Licence G10/48, Wassana field, has discontinued its participation in the licence. The partner transferred its 11% working interest to the subsidiary under the Deed of Novation and Amendment agreement on April 20, 2023. As of September 30, 2024, the proportion of participating share in the licence of the Company is 100%.

On the November 1, 2024, the Valeura's working interests in all its Thai III fiscal contracts, covering the Nong Yao, Manora and Wassana fields, were successfully transferred to Valeura Energy (Thailand) Ltd.

(iii) Transactions eliminated on consolidation:

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

(b) Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred except if related to the issue of debt securities. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value with certain exceptions.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Company in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Company obtains control including control achieved in a business that was joint operation) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

(c) Financial instruments

(i) Non-derivative financial instruments:

a. Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial assets give rise to cash flows on specified dates that are solely payments of principal and interest on principal amounts outstanding.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

b. Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Company, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business

combination, (ii) held for trading or (iii) it is designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Company that are designated by the Company as at FVTPL are recognised in profit or loss.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

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

c. Share capital

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

(d) Inventory

Inventory consists of the Company's unsold Thailand crude oil and spare parts. Inventories are valued at the lower of cost and net realisable value. Cost is determined using the weighted average cost 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. The Company assesses the net realisable value of the inventories at the end of each year and recognises the appropriate write-down 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.

Spare parts are valued at cost net of provision for obsolescence. The provision is provided for spare parts used for exploration production of oil that are obsolete and unserviceable.

(e) Exploration and evaluation assets

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

(f) Property, plant and equipment

(i) Recognition and measurement:

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

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

(ii) Subsequent costs:

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

(iii) Depletion and depreciation:

The net carrying value of oil and gas properties included in property, plant and equipment is depleted by area using the unit of production method by reference to the ratio of production in the year to the related proved and probable reserves (before royalties), taking into account estimated future development costs necessary to bring those proved and probable reserves into production. Future development costs are estimated taking into account the level of development required to produce the proved and probable reserves for each area. These estimates are reviewed by independent reserve engineers at least annually. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Other PP&E are recorded at cost on acquisition and amortised on a straight-line basis. The estimated useful lives for the current and comparative periods are as follows:

Leasehold improvements	5 years
Furniture, fixtures and office equipment	5 years
Computers	5 years

(g) Impairment

(i) **Financial assets:**

Loss allowances are recognised for expected credit losses ("ECLs") on its financial assets measured at amortised cost. Due to the nature of the financial assets, loss allowances are measured at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. The ECLs on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

(ii) **Non-financial assets:**

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

PP&E and E&E assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is the greater of its value-in-use and its fair value less costs of disposal. Fair value less costs of disposal is determined as the amount that would be obtained from the sale of the assets in an arm's length transaction between knowledgeable and willing parties.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. Value-in-use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

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

(h) 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. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options.
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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.

If a lease transfers ownership of the underlying asset or the cost of the right of use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the

commencement date of the lease.

(i) Employee benefits

(i) Short-term employee benefits

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

(ii) Retirement and termination benefit costs

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 provident funds are funded by payments from employees and from the Company which are held in a separate trustee-administered fund. The Company contributes to the funds at a rate of 5% - 15% of the employees' salaries which are charged to the statement of profit or loss in the period the contributions are made.

The provision for employee benefit is for Legal Severance Pay under the Thai Labour Protection Act 1998 (revised 2019) and Retirement Pension Plan. 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 *Employee Benefits*. 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.

The Company's obligation in respect of the retirement benefit plans is calculated by estimating the amount of future benefits that employees will earn in return for their services to the Company in current and future periods. Such benefits are discounted to the present value. The employee benefits obligation is calculated by an independent actuary using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income (loss) in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

(iii) Other long-term benefits

The other provision for employee benefit is long-term benefits based on employees' length of service. The Company calculates the amount of these benefits according to the employees' service period.

The expected obligations of retirement and termination benefit costs and other long-term benefits are calculated by independent actuarial experts and accrued over the period of employment. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions will be recognised in the statement of profit or loss and other comprehensive income in the period in which they arise.

The Company recognises the obligations in respect of employee benefits in the statements of financial position under "Provision for Employee Benefits".

(j) Provisions

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

Decommissioning obligations:

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

(k) Share based payments

(i) Stock options

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

(ii) Performance share units and Restricted share units

The grant date fair value of performance share units ("PSU") and restricted share units ("RSU") granted to certain employees are recognised as compensation expense, with a corresponding increase in contributed surplus over the vesting period. The PSU is subject to certain non-market performance conditions, of which, the impact is estimated at the grant date.

(iii) Deferred share units

The grant date fair value of cash-settled deferred share units ("DSU") granted to a member of the board of directors are recognised as compensation expense, with a corresponding increase in compensation liability over the vesting period. Subsequent to initial recognition, the compensation liability and corresponding compensation expense are measured at fair value.

(l) Revenue from contracts with customers

Valeura's petroleum revenues from the sale of crude oil are based on the consideration specified in the contracts with customers. Valeura

recognises revenue when the performance obligation is satisfied by transferring control of the product to the customer, which is generally when legal title passes to the customer and collection is reasonably assured.

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. Revenue is presented net of royalties.

(m) Royalties

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

(i) Royalties to government in Thailand

Royalties paid to the Thai government are based on sales volumes and are payable in cash in each calendar quarter which commences from January, April, July, and October for Thai I licences and in the month following sales for Thai III licences. Royalties for Thai I licences are a flat 12.5%, and for Thai III licences are a sliding scale between 5% and 15% based on sales volumes.

(ii) Payment to previous owner in Thailand

- 1) Under the terms of the sales and purchase agreement between the Company and the previous owner of Licence B5/27, the Company is required to make payments to the previous owner in cash based on sales volumes computed as follows:
- 2) 6% of gross revenue from certain production areas within Licence B5/27;
- 3) \$2 per barrel of oil produced from certain production areas within Licence B5/27; and
- 4) 4% of gross revenue from certain production areas other than that mentioned in 2) above within Licence B5/27.

(iii) Royalties to government in Türkiye

Royalties paid to the government for natural gas production are 12.5% based on production volumes and are payable in the month following production.

(n) Special remuneratory benefit

Special Remuneratory Benefit ("SRB") is a unique form of tax on Windfall Profits or annual additional petroleum profits, arising from substantial increases in the price of petroleum, or very low-cost discoveries under Thailand Petroleum Income Tax Act. SRB is calculated annually on a block-by-block basis and varies from year-to-year, depending on the revenue per one meter of well drilled in the year. SRB will not apply unless capital expenditures have been recovered in full. The SRB will be calculated annually and will be calculated on a block-by-block basis.

If the concessionaire has Petroleum Profit for the Year, calculated based on related annual income per one meter of well, the SRB is calculated at the following rates, subject to a ceiling of 75% of Petroleum Profit for the Year.

Rated Annual Income Per One Meter of Well	SRB
Up to Baht 4,800	Zero
Baht 4,800 to 14,400	1.0% per each Baht 240 increment
Baht 14,400 to 33,600	1.0% per each Baht 960 increment
Over Baht 33,600	1.0% per each Baht 3,840 increment

In order to determine Rated Annual Income per One Meter of Well:

- 1) calculate annual Petroleum Income for the year, and adjust for inflation and exchange rates;
- 2) calculate the accumulated total meters of all wells (exploration wells, appraisal wells, production wells, etc.) drilled during the period of the concession; and Rated Annual Income per One Meter of Well = Adjusted Annual Petroleum Income divided by (Total depth of all wells + GSF)
- 3) GSF means Geological Stability Factor, which shall be fixed for each geological region of Thailand, and shall not be less than 150,000 meters. The number will increase in areas where drilling is more difficult.

(o) Finance costs

Finance costs comprise interest expense on any borrowings, accretion of the discount on provisions and interest expense arising from lease liabilities. Interest expense on borrowings is recognised as it accrues in profit or loss, using the effective interest method.

(p) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

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

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

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

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

(q) Foreign Currency Translation

(i) Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date and foreign exchange currency differences are recognised in the statement of profit or loss and other comprehensive income. Transactions in foreign currencies are translated at exchange rates prevailing at the transaction date. Foreign exchange gains and losses are presented within finance income and costs in the statement of income and comprehensive income.

(ii) Functional and presentation currency

Items included in the financial statements of each of the operational entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company's operational entities are the USD, CAD and TRY. The interim condensed consolidated financial statements are presented in USD which is the Company's presentation currency. The balance sheets and income statements of foreign companies are translated using the current rate method. All assets and liabilities are translated at the balance sheet date rates of exchange, whereas the income statements are translated at average rates of exchange for the year, except for transactions where it is more relevant to use the rate of the day of the transaction, and the translation of assets and liabilities under a hyperinflationary environment disclosed in Note 5. The translation differences which arise are recorded directly in other comprehensive income.

NOTE 4 – Business Combinations

Prior to the Kris Acquisition and the Mubadala Acquisition, the Company articulated its strategy to grow through mergers and acquisitions, with a preference for assets that would add both cash flow in the near term and opportunities for follow-on organic growth.

(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 US\$10.4 million in consideration paid ("Mubadala Acquisition"). Contingent payments of up to US\$50.0 million are based on certain upside price scenarios, have been recorded at estimated fair value. In 2023, net cash flow from the acquisition is the cash and cash equivalents acquired less the cash consideration paid. This includes the offset against the deposit of US\$6.0 million paid in 2022.

The SPA has been accounted for as a business combination under IFRS 3 *Business Combinations*. In 2023, the Company completed Purchase Price Allocation ("PPA") exercise to determine the fair values of the net assets acquired within the stipulated time period of 12 months from the acquisition date of March 22, 2023. The fair values of identifiable assets and liabilities have been reflected in the consolidated statement of financial position as at March 22, 2023 as follows:

In US\$'000	PPA
Cash	10,438
Contingent consideration	3,934
Total consideration	14,372
Purchase Price Allocation	
Cash and cash equivalents	242,496
Accounts receivable	54,902
Inventory	86,114
Prepaid expenses and deposits	6,680
Property, plant and equipment	364,471
Right of use asset	47,193
Accounts payable and accrued liabilities	(172,249)
Lease liability	(48,575)
Provision for employee benefits	(9,696)
Income tax payable	(112,019)
Decommissioning obligations	(144,769)
Deferred tax liability	(62,033)
Total purchase price allocation	252,515
Bargain purchase gain	238,143

The Company chose to pursue the Mubadala Acquisition as a mean to add immediate cash flow by acquiring high working interests in the Jasmine/Ban Yen, Nong Yao, and Manora producing oil fields, and their associated production infrastructure. The Company also foresaw the potential for follow-on growth by continuing to invest into the fields to maintain their long proven history of replacing reserves on a year-on-year basis, in addition to the potential for financial and operating synergies between the Mubadala Acquisition assets and those of the Kris Acquisition.

The identifiable assets and liabilities have been measured at their individual fair values on the date of acquisition. The 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 fair value of decommissioning obligations was determined based on applying a credit adjusted interest rate.

The fair value of the accounts receivable acquired (which principally comprised of trade receivables) approximate their carrying values due to the relatively short-term maturity. The total carrying value reflects the gross contractual value of US\$54.9 million and there is no contractual cash flows not expected to be collected based on the best estimate at acquisition date.

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 US\$100 for 2022, 2023 or 2024. No contingent consideration was payable for 2022 as the reference price did not average over US\$100. Such contingent consideration is capped at a maximum of US\$50 million, and each year is calculated independently of each other year. There is no contingent consideration payable in 2023. The contingent consideration is payable in January 2025 for any amounts related to 2024 (if applicable). The valuation methodology for valuing the contingent consideration was based on Monte Carlo simulation of the future expected Dubai crude oil prices. A Monte Carlo simulation was used to model the probability of different outcomes in a process that cannot easily be predicted due to the intervention of random variables. The contingent consideration at date of acquisition was US\$3.9 million. Using the same methodology, at the year end date, the contingent consideration is US\$0.7 million. The contingent consideration has been reduced as a result of shorter remaining time to settlement as time lapses. The contingent consideration payable as at March 22, 2023 covered a remaining time to settlement of approximately 1.78 years, whilst the contingent consideration payable as at December 31, 2023 covered a remaining time to settlement of 1 year. The change in the value of the contingent consideration has been recognised as net change in contingent consideration in the statement of income and comprehensive income. During the period ended September 30, 2024, the change in contingent consideration value pertains to the recognition of accretion expense.

A bargain purchase gain of US\$238 million was recognised primarily related to results of operations between the effective and closing date of the acquisition with the fair value of the assets acquired exceeding the fair value of the liabilities assumed and consideration paid. The Mubadala Acquisition was subject to a closing provision generally known as a ‘locked box’ mechanism whereby the net cash and liabilities accumulated in the business after September 1, 2022 would be assumed by the buyer at closing. The Seller had agreed on a purchase price tied to a valuation that was built on a certain oil price assumptions which, in hindsight, were materially lower than the realised price achieved during the period between September 1, 2022 and closing date of March 22, 2023 (the “Interim Period”). Accordingly, the record high oil price achieved during the Interim Period resulted in a material cash balance at closing.

The bargain purchase gain of US\$238.1 million thus reflects the combination of a broader healthier oil price environment during the Interim Period which resulted in a material cash balance, and have helped lift the value of the net assets beyond what the consideration agreed on may have suggested.

BOGL contributed US\$482.3 million revenue and US\$78.4 million to the Company’s net income for the year between the date of acquisition and December 31, 2023. If the acquisition of BOGL had been completed on the first day of 2023, the Company revenue for the year ended December 31, 2023 would have been increased by US\$106.4 million and the net income would have been increased by US\$37.2 million.

NOTE 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 the year 2023 and 2024. Consequently, the Company has concluded that its subsidiary in Türkiye, 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 Türkiye as required by IAS 29 *Financial Reporting in Hyperinflationary Economies*. As required by IAS 29, the Company’s interim condensed 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.

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 2024 due to the cumulative effect of inflation over the additional years. In 2024, monthly inflation rates were used as follows:

Year Purchased	Cumulative Average Annual CPI	Month	Monthly CPI 2024
2018	303.73	January	6.70
2019	254.59	February	4.53
2020	215.69	March	3.16
2021	163.90	April	3.18
2022	53.44	May	3.37
2023	64.49	June	1.64
		July	3.23
		August	2.47
		September	2.97

The Company’s subsidiary in Türkiye has applied its non-monetary items held at historical cost. The non-monetary items this applied to were the exploration and evaluation assets and property, plant and equipment which were converted into their current purchasing power after applying the appropriate CPI rate, based on the year the items were initially recognised. 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.

NOTE 6 – Restricted Cash

The Company has restricted cash in the total amount of US\$22.8 million as at September 30, 2024 (2023: US\$17.3 million). Of the US\$22.8 million, (i) US\$21.7 million held with banks in Thailand and related to securing a financial security issued in accordance with decommissioning regulation issued by Department of Mineral Fuels for Valeura's Thai licences; and (ii) the US\$1.1 million is related to securing licence deposits with the General Directorate of Mining and Petroleum Affairs of the Republic of Türkiye ("GDMPA") and for letters of credit lodged with the Thai Customs department.

NOTE 7 – Inventory

In US\$'000	Unaudited September 30, 2024	December 31, 2023
Crude oil (net of write down to NRV)	56,359	33,859
Spare parts (net of provision for obsolescence)	27,493	31,339
Total	83,852	65,198

NOTE 8 – Exploration and Evaluation Assets

In US\$'000	Total
Balance, December 31, 2023	2,379
Additions	4,866
Hyperinflation adjustments (Note 5)	780
Effects of movements in exchange rates	(151)
Balance, September 30, 2024	7,874

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

A subsidiary of the Company has divested its working interest of 43% in Licence G6/48. The agreement for the withdrawal from and transfer of the G6/48 interest and the Rossukon exclusive operation is dated April 27, 2023. As of September 30, 2024, the Company has no proportion of the participating share in the licence. The Company recognised full impairment provision on Licence G6/48 E&E assets in the year 2023.

NOTE 9 – Property, Plant and Equipment

Cost (In US\$'000)	Oil and gas properties	Other PPE	Total
Balance, December 31, 2023	439,428	34,247	473,675
Additions	99,341	22,209	121,550
Disposal	-	(887)	(887)
Hyperinflation adjustments	-	5,684	5,684
Effects of movements in exchange rates	-	12	12
Balance, September 30, 2024	538,769	61,265	600,034

Accumulated depletion and depreciation (In US\$'000)	Oil and gas properties	Other PPE	Total
Balance, December 31, 2023	129,341	17,765	147,106
Depreciation expense	140,304	5,245	145,549
Disposal	-	(886)	(886)
Hyperinflation adjustments	-	5,684	5,684
Effects of movements in exchange rates	-	31	31
Balance, September 30, 2024	269,645	27,839	297,484

Net book value (In US\$'000)			Total
Balance, December 31, 2023	310,087	16,482	326,569
Balance, September 30, 2024	269,124	33,426	302,550

For the purposes of calculating depletion, oil and gas properties in Thailand include estimated (as at December 31, 2023) future development costs of US\$632 million associated with development of the Company's proved and probable reserves. The depreciation expense includes the depreciation capitalisation of US\$13.6 million. Such depreciation is capitalised as cost of crude oil inventory.

The Company conducted an impairment assessment and concluded that there were no indicators of impairment with respect to the Company's property, plant and equipment and right of use assets as at September 30, 2024.

NOTE 10 – Right-of-Use Assets and Lease Liabilities

The Company has lease contracts for various items used in its operations, including Floating Production Storage and Offloading (FPSO) vessels, Floating Storage and Offloading (FSO) vessels, Mobile Offshore Production Unit (MOPU) and warehouses. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Lease terms are between 2 and 5 years.

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

	Useful life
FPSO, FSO and MOPU lease	Unit of production
Buildings (warehouse and office lease)	2-5 years

Right-of-use assets

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

Cost (In US\$'000)	FPSO, FSO and MOPU	Buildings	Total
Balance, December 31, 2023	93,525	2,550	96,075
Additions	42,023	-	42,023
Derecognition from purchase option exercised	(28,112)	-	(28,112)
Balance, September 30, 2024	107,436	2,550	109,986
Accumulated depletion and depreciation (in US\$'000)			
Balance, December 31, 2023	13,691	573	14,264
Depreciation expense	20,388	594	20,982
Derecognition from purchase option exercised	(6,109)	-	(6,109)
Balance, September 30, 2024	27,970	1,167	29,137
Net book value (In US\$'000)			
Balance, December 31, 2023	79,834	1,977	81,811
Balance, September 30, 2024	79,466	1,383	80,849

The depreciation expense includes the depreciation capitalisation of US\$1.2 million. Such depreciation is capitalised as cost of crude oil inventory.

Lease liabilities

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

Lease Liabilities (In US\$'000)	FPSO, FSO and MOPU	Buildings	Total
Balance, December 31, 2023	71,559	2,076	73,635
Additions	42,023	-	42,023
Interest expenses on lease liabilities (Note 15)	5,957	177	6,134
Lease payments	(41,566)	(763)	(42,329)
Purchase option exercised	-	-	-
Balance, September 30, 2024	77,973	1,490	79,463
Current	29,325	804	30,129
Non-current	48,648	686	49,334

The discount rate used is 9.6% – 13.0%, reflecting the Company's incremental borrowing rate. The undiscounted lease payments by maturity are as follows:

Lease payment maturity analysis – Contractual undiscounted cash flows (In US\$'000)	FPSO, FSO and MOPU	Buildings	Total
Less than one year	32,908	679	33,587
Between 2 and 5 years	56,491	879	57,370
As at September 30, 2024	89,399	1,558	90,957

On December 7, 2023, the Company sent Notice of exercise of option to purchase the Nong Yao FSO system from the FSO owner and the FSO owner acknowledged receipt of the Company's notice on January 15, 2024. The Company has entered into an agreement dated February 3, 2024 to purchase the FSO. On June 11, 2024, ownership of the Nong Yao FSO system has been completely transferred to the Company.

NOTE 11 – Accounts Payable and Accrued Liabilities

In US\$'000	Unaudited September 30, 2024	December 31, 2023
Trade payables	23,356	21,868
Accruals	58,573	61,152
VAT payables	3,253	5,069
SRB payables	3,617	17,625
Others	1,477	2,784
Total	90,276	108,498

Trade payables are normally settled within 30-60 days terms (2023: 30 – 60 days term).

NOTE 12 – Long-term Incentive Compensation Liability

The Company granted deferred share units (“DSU”) to non-executive members of the board. Subject to meeting certain conditions as set out in the DSU plan, the grantee of a DSU is entitled to receive cash settlement of its DSU upon redemption. Cash settlement of DSUs are calculated based on the selected average share price of the Company at the redemption date. The compensation liability was measured at fair value on Level 1 fair value measurement based on the quoted market price available on the stock exchange. The number of outstanding DSU as at September 30, 2024 are as follows:

	Number of DSU
Balance, December 31, 2023	208,391
Granted	177,343
Settled	-
Balance, September 30, 2024	385,734

NOTE 13 – Decommissioning Obligations

In US\$'000	Unaudited September 30, 2024
Decommissioning obligations, beginning of the year	129,464
Accretion of decommissioning obligations (Note 15)	8,934
Settled during the period	(42)
Balance, September 30, 2024	138,356

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.

NOTE 14 – Share Capital**(a) Authorised**

The Company has authorised an unlimited number of common shares and an unlimited number of preferred shares, issuable in series.

(b) Issued

	Number of Shares	Amount (US\$'000)
Balance, December 31, 2023	102,954,826	203,127
Shares issued pursuant to stock options exercises	3,973,942	3,387
Shares issued pursuant to RSU vested	70,245	112
Balance, September 30, 2024	106,999,013	206,626

(c) 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:

Stock Options	Number of Options	Weighted average exercise price (CAD)
Balance, December 31, 2023	6,038,164	0.92
Exercised	(3,973,942)	0.71
Forfeited	(122,558)	0.46
Balance, September 30, 2024	1,941,664	1.40
Exercisable at September 30, 2024	1,013,337	1.00

The following table summarises information about the stock options outstanding at September 30, 2024:

Exercise prices (CAD)	Outstanding at September 30, 2024	Weighted average remaining life (years)	Weighted average exercise price (CAD)	Exercisable at September 30, 2024	Weighted average exercise price (CAD)
\$0.25 - \$0.39	130,000	2.5	0.25	130,000	0.25
\$0.40 - \$0.53	383,333	3.5	0.52	383,333	0.52
\$0.54 - \$1.06	100,000	2.3	0.54	100,000	0.54
\$1.07 - \$1.84	828,332	4.5	1.58	266,670	1.58
\$1.85 - \$2.15	99,999	5.5	2.10	-	-
\$2.16 - \$2.26	150,000	5.6	2.19	50,000	2.19
\$2.27 - \$2.32	250,000	5.3	2.32	83,334	2.32
	1,941,664	4.29	1.40	1,013,337	1.00

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

Assumptions	September 30, 2024	December 31, 2023
Risk free interest rate (%)	3.0	3.9
Expected life (years)	3.8	4.3
Expected volatility (%)	88	93
Forfeiture rate (%)	10	10
Weighted average fair value per option (CAD)	1.57	1.57

(d) Performance share units and restricted share units

The Company has a share-based compensation programme of performance share units ("PSU") and restricted share units ("RSU") granted to certain employees of the Company. The vesting of PSU and RSU are subject to vesting date and certain employment conditions. The PSU is also subject to certain performance conditions. The following table summarises information about the PSU & RSU outstanding at September 30, 2024:

	RSU (US\$'000)	PSU (US\$'000)
Balance outstanding, December 31, 2023	292	394
Amortised	744	1,107
Vested	(261)	(185)
Balance, September 30, 2024	775	1,316

The number of outstanding PSU & RSU as at September 30, 2024 are as follows:

	Number of RSU	Number of PSU
Balance, December 31, 2023	532,909	966,524
Granted	373,250	672,563
Vested	(168,926)	(322,174)
Balance, September 30, 2024	737,233	1,316,913

NOTE 15 – Finance Costs

In US\$'000	Nine months ended	
	Unaudited September 30, 2024	Unaudited September 30, 2023
Interest expense and commitment fee on facility	-	189
Amortisation of financing transaction costs	-	6,346
Accretion on decommissioning obligations (Note 13)	8,934	10,572
Accretion on contingent consideration	71	337
Interest expenses on lease liabilities (Note 10)	6,134	4,914
Financing fee	5,259	2,129
Total	20,398	24,487

NOTE 16 – Other Income

In US\$'000	Nine months ended	
	Unaudited September 30, 2024	Unaudited September 30, 2023
Interest income	2,038	1,218
Reversal of provision	1,000	-
Others	3,163	4,253
Total	6,201	5,471

NOTE 17 – Credit Facility

The Company's account performance security guarantee facility ("APSG Facility") with Export Development Canada with a limit of US\$4.0 million (2023: US\$ 11.0 million) was renewed to December 31, 2025. 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. Following completion of the Company's acquisition of the Nong Yao FSO vessel in June 2024, the \$7.2million letter of credit was released in July 2024. As at September 30, 2024, there was approximately US\$3.0 million in letters of credit issued under the APSG Facility (2023: US\$10.2 million).

NOTE 18 – Supplemental Statement of Cash Flow

Accounts payable and accrued liabilities include SRB payables. The SRB payables as of September 30 and June 30, 2024 are US\$3.6 million and nil respectively.

	Three months ended		Nine months ended	
	Unaudited September 30, 2024	Unaudited September 30, 2023	Unaudited September 30, 2024	Unaudited September 30, 2023
Change in non-cash working capital:				
Accounts receivable	6,185	(4,207)	28,136	(6,894)
Prepaid expenses and deposits	1,124	4,704	3,684	3,236
Inventory	1,150	1,176	2,741	25,094
Accounts payable and accrued liabilities	5,199	25,805	(19,757)	(67,159)
Balance, September 30	13,658	27,478	14,804	(45,723)
Operating	8,181	24,689	7,442	(52,838)
Investing ⁽¹⁾	5,477	2,789	7,362	7,115
Balance, September 30	13,658	27,478	14,804	(45,723)

(1) Accruals of capital expenditure which are development drilling and facility accruals.

NOTE 19 – Earnings per Share

Basic (loss) earnings per share are based on net (loss) income attributable to the common shareholders and is calculated based upon the weighted -average number of common shares outstanding during the periods presented.

	Three months ended		Nine months ended	
	Unaudited September 30, 2024	Unaudited September 30, 2023	Unaudited September 30, 2024	Unaudited September 30, 2023
Net loss(income) attributable to shareholders of the Company (In US\$ '000)	(3,913)	(6,198)	26,814	221,546
Weighted average number of ordinary shares for the purposes of basic earnings per share (in thousands unit)	106,982	101,701	105,383	98,073
(Loss) earnings for the purposes of basic earnings per share (in US\$)	(0.04)	(0.06)	0.25	2.26
Weighted average number of ordinary shares for the purposes of diluted earnings per share (in thousands unit)	106,982 ⁽¹⁾	101,701 ⁽¹⁾	108,776	102,743
(Loss) earnings for the purposes of diluted earnings per share (in US\$)	(0.04)	(0.06)	0.25	2.16

(1) Effect of anti-dilutive.

NOTE 20 – 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 management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and 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. In light of the significant increase in complexity and scope of the business following the Mubadala and Kris Acquisitions, management and the board will continue to reassess the Company's risk management framework and policies to ensure of their appropriateness.

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 oil and natural gas marketers and partners. The maximum exposure to credit risk is as follows:

In US\$'000	Unaudited September 30, 2024	December 31, 2023
Trade receivables	13,282	49,463
Reimbursement of Licence G6/48 contingent payment, including VAT	-	5,350
Others	1,331	900
Financial assets included in trade and other receivables	14,613	55,713
Tax receivable	23,318	10,354
Total trade and other receivables	37,931	66,067

Trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company's trade receivables balance is primarily attributable to sale of hydrocarbons. The management has assessed there is no exposure on the recovery of such debts, based on its experience of past dealing with these customers.

Trade receivables are non-interest bearing and are generally on 30 days (2023: 30 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Tax receivable

Included in the carrying amount is an allowance of US\$4.1 million (2023: US\$4.3 million) on withholding tax receivable, which management assessed to be unrecoverable following a tax audit on one of the Company's subsidiaries.

Reimbursement of Licence G6/48 contingent payment, including VAT

Account receivable derived from the second consideration payment of US\$5.0 million due 90 days after first production through a permanent production facility on the Rossukon field which commenced in November 2023. The receivable was fully received in January 2024.

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 arrangements. The Company's transactions are principally denominated in US\$. However, payments to governments such as royalties, taxes and SRB payments, and to local contractors are paid in local currency in Canada, Türkiye 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.

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

At September 30, 2024 (In US\$'000)	Movement %	Strengthening	Weakening
Impact to profit or loss			
Thai Baht	10	1,154	(1,154)
Canadian Dollar	10	56	(56)
Turkish Lira	10	3	(3)

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. A 1% increase or decrease is used when management assesses changes in interest rate risk internally. No sensitivity analysis is prepared as the Company does not expect any material effect on the Company's profit or loss and equity arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the reporting period.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's financial liabilities consist of accounts payable. Accounts payable consists of invoices payable to trade suppliers for field operating activities, capital expenditures and office expenses. 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.

Capital management

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 exploration, development, and acquisition activities while maintaining a strong financial position. As at September 30, 2024, the Company had working capital of US\$136.1 million which included cash and cash equivalents and restricted cash of US\$155.9 million. Management will continuously monitor and manage the Company's capital and liquidity position in order to assess the requirement for changes to the capital structure to meet the objectives and to maintain flexibility. The Company's overall strategy remains unchanged from 2023.

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 characterised 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, accounts payable and accrued liabilities approximate their carrying amounts due to their short terms to maturity. There were no transfers between Level 1 and 2 during the current or prior year.

Contingent consideration of US\$0.8 million represents the contingent consideration payable in January 2025 in connection with the Mubadala acquisition. It 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 for 2024.

The contingent consideration was measured at fair value Level 2. The valuation technique for valuing the contingent consideration is Monte Carlo simulation of the future expected Dubai crude oil price. There is no significant unobservable inputs for fair value measurement.

NOTE 21 – Geographic Segmented Information

Information reported to the Company's Chief Executive (the Chief Operating Decision Maker ("CODM")) for the purposes of resource allocation and assessment of segment performance is focused on the category of geography and each type of activity. The Company's CODM monitors the segment performances by type of activity which are producing assets, non-producing assets and corporate business. The current producing assets are ongoing production operations on oil fields in Thailand. The non-producing assets are exploration in Türkiye. The following is an analysis of the Company's revenue and results by reportable segment in 2024 and 2023:

In US\$'000	Producing and exploration assets Thailand	Exploration and evaluation assets Türkiye	Corporate	Total
9 Months to September 30, 2024				
Revenue and other income	404,765	65	213	405,043
Expenses				
Operating	130,800	-	-	130,800
Exploration	2,828	-	-	2,828
Special remuneratory benefit (SRB)	3,382	-	-	3,382
General and administrative	7,746	211	7,647	15,604
Finance costs	14,988	85	5,325	20,398
Foreign exchange loss (gain)	70	134	(43)	161
Share-based compensation	-	-	4,377	4,377
Depletion and depreciation	151,512	1	253	151,766
Profit (loss) before other items and tax	93,439	(366)	(17,346)	75,727
Change in net monetary position due to hyperinflation	-	780	-	780
Profit (loss) for the period before income taxes	93,439	414	(17,346)	76,507
Deferred tax recovery	(17,358)	-	(252)	(17,610)
Tax expense	66,937	-	366	67,303
Net income (loss)	43,860	414	(17,460)	26,814
Non-current assets ⁽¹⁾	387,247⁽²⁾	3,061	965	391,273

(1) Non-current assets consist of PPE, right-of-use assets and E&E assets.

(2) Includes exploration and evaluation assets of US\$4.9 million.

In US\$'000	Producing assets Thailand	Exploration and evaluation assets Türkiye	Corporate	Total
9 Months to September 30, 2023				
Revenue and other income	284,856	-	326	285,182
Expenses				
Operating	130,570	-	-	130,570
Exploration	656	-	-	656
Special remuneratory benefit (SRB)	8,831	-	-	8,831
General and administrative	6,863	244	10,880	17,987
Impairment on E&E asset	4,278	-	-	4,278
Impairment loss on receivable	955	-	-	955
Transaction costs	-	-	970	970
Finance costs	24,409	78	-	24,487
Foreign exchange loss (gain)	(129)	351	95	317
Share-based compensation	-	-	1,042	1,042
Depletion and depreciation	100,664	1	50	100,715
Profit (loss) before other items and tax	7,759	(674)	(12,711)	(5,626)
Bargain purchase gain	238,143	-	-	238,143
Change in net monetary position due to hyperinflation	-	384	-	384
Profit (loss) for the period before income taxes	245,902	(290)	(12,711)	232,901
Deferred tax recovery	(33,084)	-	-	(33,084)
Tax expense	45,152	-	-	45,152
Net income (loss)	233,834	(290)	(12,711)	220,833
Non-current assets ⁽¹⁾	432,888	2,374	322	435,584

(1) Non-current assets for Thailand assets consist of PPE, E&E assets and long-term non-refundable deposits.

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales in the current period (2023: nil)

Information about major customers

Included in revenues arising from producing assets in Thailand are revenues of approximately US\$215.3 million (2023: US\$192.3 million) which arose from sales to the Company's largest customer. There were other two customers contributed 17% and 15% to the Company's revenue in 2024. (2023: No other single customers contributed 10 per cent or more to the Company's revenue).

NOTE 22 – Commitments**Commitments to supplier contracts***Offshore Production Vessel*

Future minimum payments under non-cancellable supplier contracts:

In US\$'000	Unaudited September 30, 2024
Within one year	24,030
After one year but within five years	59,931
After five years	-
Total	83,961

Other supplier contracts

Future minimum payments under non-cancellable supplier contracts:

In US\$'000	Unaudited September 30, 2024
Within one year	4,582
After one year but within five years	3,131
Total	7,713

