Condensed Interim Consolidated Financial Statements as at June 30, 2022 and for the three and six months ended June 30, 2022 and 2021

(Unaudited)

(In U.S. Dollars)

valeura energy inc.

Condensed Interim Consolidated Statements of Financial Position

(thousands of US Dollars, unaudited)	June 30, 2022	December 31, 2021
Assets		
Current Assets		
Cash and cash equivalents	**$ 29,713**	$ 40,826
Restricted cash	**16**	16
Accounts receivable *(note 13)*	**1,269**	586
Royalty receivable *(note 13)*	**407**	2,315
Inventory	**430**	-
Prepaid expenses and deposits	**835**	260
	32,670	44,003
Non-Current Assets		
Long term non-refundable deposits *(note 6)*	**4,200**	-
Exploration and evaluation assets *(notes 4 and 7)*	**4,875**	1,174
Property, plant and equipment *(notes 4 and 8)*	**41,130**	46
	$ 82,875	$ 45,223
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 2,829**	$ 341
	2,829	341
Deferred consideration (note 4)	**4,109**	-
Decommissioning obligation *(notes 4 and 9)*	**35,243**	1,752
	42,181	2,093
Shareholders' Equity		
Share capital *(note 10)*	**179,717**	179,717
Contributed surplus	**22,888**	22,706
Accumulated other comprehensive income	**9,505**	10,146
Non-controlling interest	**1,846**	-
Deficit	**(173,262)**	(169,439)
	40,694	43,130
	$ 82,875	$ 45,223

See accompanying notes to the condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Loss
For the three and six months ended June 30, 2022 and 2021

	Three Months Ended		Six Months Ended	
(thousands of US Dollars, unaudited)	**June 30, 2022**	June 30, 2021	**June 30, 2022**	June 30, 2021
Revenue				
Petroleum and natural gas sales	**$ -**	$ 1,040	**$ -**	$ 3,126
Royalties	**-**	(144)	**-**	(423)
Other Income	**39**	103	**64**	232
	39	999	**64**	2,935
Expenses and other items				
Production	**433**	444	**478**	1,214
General and administrative	**1,207**	989	**2,797**	2,647
Severance	**-**	60	**-**	206
Transaction costs	**793**	25	**2,016**	69
Accretion on decommissioning liabilities (*note 9*)	**130**	189	**209**	466
Foreign exchange (gain) loss	**(1,086)**	(332)	**(641)**	412
Share-based compensation (*note 10*)	**54**	95	**167**	19
Change in estimate on decommissioning liabilities *(note 9)*	**565**	45	**560**	(664)
Depletion and depreciation *(note 8)*	**6**	7	**14**	14
	2,102	1,522	**5,600**	4,383
Loss for the period before other items	**(2,063)**	(523)	**(5,536)**	(1,448)
Bargain purchase gain (note 4)	**2,269**	-	**2,269**	-
Change in net monetary position due to hyperinflation	**127**	-	**127**	-
Gain on sale (note 8)	**-**	6,134	**-**	6,134
Currency translation on subsidiaries disposed (note 8)	**-**	(67,005)	**-**	(67,005)
	2,396	(60,871)	**2,396**	(60,871)
Income (loss) for the period before income taxes	**333**	(61,394)	**(3,140)**	(62,319)
Income taxes				
Current tax expense	**-**	19	**-**	41
Deferred tax expense	**-**	120	**-**	234
Net Income (loss)	**333**	(61,533)	**(3,140)**	(62,594)
Net income (loss) attributable to:				
Shareholders of Valeura Energy	**59**	-	**(3,414)**	-
Non-controlling interest	**274**	-	**274**	-
Other comprehensive income (loss)				
Currency translation on subsidiaries disposed	**-**	67,005	**-**	67,005
Currency translation adjustments	**(1,129)**	(661)	**(641)**	(1,388)
Comprehensive income (loss)	**$ (796)**	$ 4,811	**$ (3,781)**	$ 3,023
Comprehensive income (loss) attributable to:				
Shareholders of Valeura Energy	**(1,070)**	-	**(4,055)**	-
Non-controlling interest	**274**	-	**274**	-
Net Income (loss) per share *(note 10)*				
Basic	**$ 0.00**	$ (0.71)	**$ (0.04)**	$ (0.72)
Diluted	**$ 0.00**	$ (0.71)	**$ (0.04)**	$ (0.72)
Net Income (loss) per share attributable to shareholders of Valeura Energy				
Basic	**$ 0.00**	$ (0.71)	**$ (0.04)**	$ (0.72)
Diluted	**$ 0.00**	$ (0.71)	**$ (0.04)**	$ (0.72)
Weighted average number of shares outstanding (thousands)				
Basic	**86,585**	86,585	**86,585**	86,585
Diluted	**87,877**	86,585	**86,585**	86,585

See accompanying notes to the condensed interim consolidated financial statements.

valeura energy inc.

Condensed Interim Consolidated Statements of Cash Flows
For the three and six months ended June 30, 2022 and 2021

	Three Months Ended		Six Months Ended	
(thousands of US Dollars, unaudited)	**June 30, 2022**	June 30, 2021	**June 30, 2022**	June 30, 2021
Cash was provided by (used in):				
Operating activities:				
Net income (loss) for the period	**$ 333**	**$ (61,533)**	**$ (3,140)**	$ (62,594)
Depletion and depreciation *(note 8)*	**6**	7	**14**	14
Share-based compensation *(note 10)*	**54**	95	**167**	19
Accretion on decommissioning liabilities *(note 9)*	**130**	189	**209**	466
Change in estimate on decommissioning liabilities *(note 9)*	**565**	45	**560**	(664)
Disposition	**-**	60,871	**-**	60,871
Bargain purchase gain (note 4)	**(2,269)**	-	**(2,269)**	-
Change in net monetary position due to hyperinflation (note 5)	**(127)**	-	**(127)**	-
Unrealized exchange loss (gain)	**(1,025)**	(313)	**(645)**	442
Deferred tax expense	**-**	120	**-**	234
Decommissioning costs incurred	**(40)**	-	**(40)**	-
Change in non-cash working capital *(note 12)*	**(324)**	(375)	**831**	(128)
Cash used in operating activities	**(2,697)**	(894)	**(4,440)**	(1,340)
Financing activities:				
Principal payments on lease liability	**-**	-	**-**	(28)
Cash used in financing activities	**-**	-	**-**	(28)
Investing activities:				
Property and equipment expenditures *(note 8)*	**(7)**	(2)	**(10)**	(2)
Exploration and evaluation expenditures *(note 7)*	**(80)**	(86)	**(355)**	(154)
Assets held for sale expenditures	**-**	(91)	**-**	(163)
Cash paid on acquisition (note 4)	**(4,031)**	-	**(4,031)**	-
Net cash received on disposition	**-**	14,358	**-**	14,358
Long term non-refundable deposit (note 6)	**(4,200)**	-	**(4,200)**	-
Royalty receivable *(note 13)*	**-**	-	**1,908**	-
Change in restricted cash	**-**	217	**-**	215
Change in non-cash working capital *(note 12)*	**978**	(412)	**10**	(584)
Cash provided by (used in) investing activities	**(7,340)**	13,984	**(6,678)**	13,670
Foreign exchange gain (loss) on cash held in foreign currencies	**(25)**	152	**5**	181
Net change in cash and cash equivalents	**(10,062)**	13,242	**(11,113)**	12,483
Cash and cash equivalents, beginning of period	**39,775**	29,384	**40,826**	30,143
Cash and cash equivalents, end of period	**$ 29,713**	$ 42,626	**$ 29,713**	$ 42,626

See accompanying notes to the condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the three and six months ended June 30, 2022 and 2021

(thousands of US Dollars and thousands of shares, unaudited)	Number of common shares	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comp. Income/(loss)	Non-Controlling interest	Total Shareholders' Equity
Balance, January 1, 2022	86,585	$ 179,717	$ 22,706	$ (169,439)	$ 10,146	$ -	$ 43,130
Hyperinflation adjustment (note 5)	-	-	-	1,163	-	-	1,163
Net Income (loss) for the period	-	-	-	(3,414)	-	274	(3,140)
SPV capital transactions (note 3(b))	-	-	-	(1,572)	-	1,572	-
Currency translation adjustments	-	-	-	-	(641)	-	(641)
Share-based compensation	-	-	182	-	-	-	182
June 30, 2022	**86,585**	**$ 179,717**	**$ 22,888**	**$ (173,262)**	**$ 9,505**	**$ 1,846**	**$ 40,694**

(thousands of US Dollars and thousands of shares, unaudited)	Number of common shares	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comp. Loss	Total Shareholders' Equity
Balance, January 1, 2021	86,585	$ 179,717	$ 22,410	$ (104,889)	$ (55,288)	$ 41,950
Net loss for the period	-	-	-	(62,594)	-	(62,594)
Currency translation adjustments	-	-	-	-	65,617	65,617
Share-based compensation	-	-	44	-	-	44
June 30, 2021	**86,585**	**$ 179,717**	**$ 22,454**	**$ (167,483)**	**$ 10,329**	**$ 45,017**

See accompanying notes to the condensed interim consolidated financial statements.

1. Reporting Entity

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

2. Basis of Preparation

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting of the International Financial Reporting Standards ("IFRS"). The attached unaudited condensed interim consolidated financial statements should be read in conjunction with Valeura's audited consolidated financial statements and MD&A for the year ended December 31, 2021. The unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS accounting policies and methods of computation as set forth in Valeura's audited consolidated financial statements for the year ended December 31, 2021, with the exception as noted below of certain disclosures that are normally required to be included in annual consolidated financial statements which have been condensed or omitted in the interim statements. In addition, accounting policies first applied during the reporting period have been disclosed under Note 3 Accounting Policy.

Operating, transportation and marketing expenses in profit or loss are presented as a combination of function and nature in conformity with industry practices. Depletion and depreciation and finance expenses are presented in a separate line by their nature, while net administrative expenses are presented on a functional basis. The use of estimates and judgements is also consistent with the December 31, 2021, financial statements.

The unaudited condensed interim consolidated financial statements were authorised for issue by the Board of Directors on August 4, 2022.

(b) Basis of measurement

These unaudited condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial and non-financial assets and liabilities, which have been measured at fair value and except for the application of hyperinflationary accounting for the Company's subsidiary in Turkey. The methods used to measure fair value are consistent with the Company's December 31, 2021, audited consolidated financial statements.

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

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

(c) Functional and presentation currency

The consolidated financial statements are presented in US Dollars, which is Valeura's reporting currency. Valeura and its foreign subsidiaries transact in currencies other than the US Dollar and have a functional currency of Turkish Lira, US dollars, and Canadian dollars as follows:

Company	**Functional Currency**
Valeura Energy Inc.	Canadian Dollars
Northern Hunter Energy Inc.	Canadian Dollars
Valeura Energy (Netherlands) BV	Turkish Lira
Panthera Resources Pte. Ltd. (Singapore)	United States Dollars
Valeura (BVI) Holdings Ltd.	United States Dollars
Valeura Energy (Thailand) Holdings Ltd. (BVI)	United States Dollars
Valeura Energy (Thailand) Co Ltd.	United States Dollars
Valeura Energy (Gulf of Thailand) Ltd.	United States Dollars

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

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

(d) Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The ability to make reliable estimates is further influenced by political and economic factors. Management has based its estimates with respect to the Company's operations in Turkey and Thailand on information available up to the date these condensed interim consolidated financial statements were approved by the Board of Directors.

Contingent consideration is an estimate based on the potential occurrence and timing of future events such as regulatory approvals, licensing, drilling, production, etc. This estimate is based on the information available at the time these financial statements are prepared and is subject to change.

Hyperinflation is a judgement based on the characteristics found in the economic environment of the country where the Company's activities are situated. One key indicator is the consumer price index in the country where the Company's activities occur.

Business combinations also require judgements, estimates and assumptions in regard to contingent consideration, the date the acquirer obtains control, and fair value estimates on assets purchased and liabilities assumed. Significant changes could occur which could materially impact the assumptions and estimates made in these consolidated financial statements. Changes in assumptions are recognised in the financial statements prospectively.

3. Accounting Policy

(a) Hyperinflation in a subsidiary's functional currency

IAS 29 provides guidance on when a hyperinflation economic environment exists. When hyperinflation is deemed to exist, the subsidiary's financial statements are first restated before being translated into the consolidated financial statements. Comparative amounts are excluded from the restatement requirement when the presentation currency of the ultimate financial statements into which they will be included (USD) is non-hyperinflationary.

Monetary items are not restated because they are already expressed in terms of the monetary unit current at the end of the reporting period. Certain non-monetary items are carried at amounts current at the end of the reporting period, such as net realizable value and fair value, so they also are not restated. All other non-monetary assets and liabilities are restated in their functional currency so that all the items presented are equivalent to their current purchasing power at the end of the current reporting period. A non-monetary item once restated, in accordance with the appropriate IFRS's, cannot exceed its recoverable amount. Further disclosure on hyperinflation and the effects of these adjustments can be found in Note 5. Hyperinflation.

(b) 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 Condensed Interim Consolidated Financial Statements. The non-controlling interests in net income (loss) of consolidated subsidiaries are shown as an allocation of the consolidated net income (loss) and are presented separately in "net income (loss) attributable to non-controlling interest". The only non-controlling interest presented is a 15% ownership of Panthera Resources Pte. Ltd. (a direct Singapore subsidiary of Valeura which owns all of the Q2 2022 purchased Thailand companies). Under the SPV the Company is required to fund the initial $20.0 million in the capital of the entity, for which approximately $8.9 has been funded to June 30, 2022.

4. Business Combination

As announced on April 28, 2022, the Company entered into a Sale and Purchase Agreement (the "SPA") with KrisEnergy (Asia) Ltd to acquire all of the shares of KrisEnergy International (Thailand) Holdings Ltd ("KEITH"), which holds an interest in two operated licenses in shallow water offshore Thailand. On June 15, 2022, the SPA closed with $4.1 million in total cash consideration paid, including the initial purchase price and maintenance and administrative costs incurred between the effective date and closing. Contingent payments of up to $7.0 million based on future development milestones remain outstanding. The fair value of the contingent payments is discussed further below.

As part of the transaction, Valeura, with an 85% interest, and Panthera Thailand Pte. Ltd., ("Panthera"), with a 15% interest, created a Singapore-domiciled special purpose vehicle company ("SPV") Panthera Resources Pte. Ltd., to serve as the entity which completed the acquisition. The relationship between Valeura and Panthera is governed by a shareholders agreement which includes, among other things, provisions for the funding of 100% of the purchase price by Valeura, and the ongoing engagement of certain Panthera individuals as part of the Valeura management team. Under the shareholders agreement, Valeura has control over the SPV.

The SPA has been accounted for as a business combination under IFRS 3. The preliminary purchase price allocation (in United States Dollars), based on the best information available regarding KEITH on June 15, 2022, is as follows:

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

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

Preliminary Purchase Price Allocation		
Cash	$	22
Accounts receivable		505
Prepaid expenses and deposits		470
Inventory		326
Exploration and evaluation assets		2,375
Property, plant and equipment		26,196
Accounts payable		(1,216)
Decommissioning obligations		(18,247)
Bargain purchase gain		(2,269)
	$	**8,162**

The identifiable assets and liabilities have been measured at their individual fair values on the date of closing the acquisition. Determinations of fair value often require management to make assumptions and estimates about future events. Valeura has determined the fair value of assets acquired and liabilities assumed as at the date of acquisition. Valeura has determined that book value equals fair value for the following captions: cash, accounts receivable, prepaid expenses and deposits, inventory, and accounts payable. The fair value of property, plant and equipment was determined based on an independent reserves evaluation of the acquired properties, market comparables, discounted cash flows and consideration of other risks. Deferred taxes were calculated by applying the statutory tax rate to the capital asset fair value less available tax pools. Due to the size of the available tax pools, no deferred tax liability was recorded. The fair value of the decommissioning obligations was determined based on applying a credit adjusted risk free rate (refer to note 8). 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 estimates.

The contingent consideration under the SPA is made up of two separate payments. Valeura will pay contingent consideration of $2.0 million 90 days after first oil has been delivered from the next infill development drilling programme on the Wassana field. Further contingent consideration of $5.0 million will become due 90 days after first production through a permanent production facility on the Rossukon field. Probabilities have been assigned to each payment and after calculating the present value of these potential future payments, the maximum payment of $7 million has been reduced to a fair value of $4.1 million as at the acquisition date on June 15, 2022.

A bargain purchase gain of $2.3 million was recognized with the fair value of the assets purchased exceeding the fair value of the liabilities assumed and consideration paid.

5. Hyperinflation

During the second quarter of 2022, the Turkish Statistical Institute's published consumer price index indicated that cumulative 3-year inflation had exceeded 100 percent. Consequently, the Company has concluded that its subsidiary in Turkey, whose functional currency is the Turkish Lira, is currently operating in a hyperinflationary environment. The Company has therefore applied accounting adjustments to the underlying financial results and position of its subsidiary in Turkey as required by International Accounting Standards ("IAS") 29 'Financial Reporting in Hyperinflationary Economies'.

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

As required by IAS 29, the Group's consolidated financial statements will include the results and financial position of its Turkish subsidiary, restated in terms of the measuring unit current at the period end date.

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

Year Purchased	Cumulative Average Annual CPI
2018	154.43
2019	114.07
2020	91.34
2021	64.39

Month	Monthly CPI 2022
Jan	4.95
Feb	2.98
Mar	7.25
Apr	5.46
May	4.81
Jun	11.10

The Company's subsidiary in Turkey have restated their non-monetary items held at historical cost. The only non-monetary item this applied to were the Exploration and evaluation assets, which were converted into their current purchasing power after applying the appropriate CPI rate, based on the year the items were initially recognized. Monetary items and non-monetary items held at current cost were not restated, as they are considered to be expressed in terms of the measuring unit current at the period end date. The effect of inflation on the non-monetary position of the Company's Turkish subsidiary is presented in the income statement for changes to items purchased in 2022 and resulted in an adjustment of $0.1 million. For exploration and evaluation assets purchased between 2018 and 2021 the effects of inflation are presented in the opening retained earnings and resulted in an adjustment of $1.2 million.

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

6. Long term deposit

Valeura agreed to purchase an onsite Mobile Offshore Production Unit (the "MOPU") in a separate asset acquisition transaction, for cash consideration of $9.2 million, which will be phased over approximately 14 months. As at June 30, 2022, $4.2 million in cash consideration has been paid. Since the MOPU's recertification has yet to be completed and the title does not pass until the final payment of $5.0 million, the MOPU has been treated as a long-term non-refundable deposit at June 30, 2022. The final payment of $5.0 million is due no later than June 30, 2023.

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

7. Exploration and Evaluation Assets

Cost		**Total**
Balance, December 31, 2021	$	1,174
Additions		355
Acquisitions (note 4)		2,375
Capitalised share-based compensation		13
Hyperinflation adjustments (note 5)		1,221
Effects of movements in exchange rates		(263)
Balance, June 30, 2022	**$**	**4,875**

8. Property, Plant and Equipment

Cost		Total
Balance, December 31, 2021	$	8,824
Additions		10
Acquisitions (note 4)		26,196
Change in decommissioning obligation		14,905
Hyperinflation adjustment		6,802
Effects of movements in exchange rates		(1,833)
Balance, June 30, 2022	**$**	**54,904**

Accumulated depletion and depreciation		Total
Balance, December 31, 2021	$	8,778
Depreciation expense		14
Hyperinflation adjustment		6,802
Effects of movements in exchange rates		(1,820)
Balance, June 30, 2022	**$**	**13,774**

Net book value		Total
Balance, December 31, 2021	$	46
Balance, June 30, 2022	**$**	**41,130**

(a) Contingencies

Although the Company believes that it has title to its oil and natural gas properties, it cannot control or completely protect itself against the risk of title disputes or challenges.

The ultimate recovery of property, plant and equipment and exploration and evaluation costs in both Thailand and Turkey is dependent upon the Company obtaining ongoing government approvals, obtaining and maintaining licences in good standing, the existence and commercial exploitation of petroleum and natural gas reserves and undeveloped lands, and other uncertainties.

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

(b) Disposition

On May 26, 2021, the Company closed the sale of its Turkish shallow conventional gas assets for cash consideration (including closing working capital and effective date adjustments) of $16.85 million, and deferred consideration valued at $1.0 million, with an economic effective date of July 1, 2020. The disposition resulted in a gain on disposal of $6.1 million and a currency translation loss of $67.0 million.

9. Decommissioning Obligations

	June 30, 2022
Decommissioning obligations, beginning of period	$ 1,752
Acquisition (note 4)	18,247
Change in estimates	15,466
Accretion of decommissioning obligations	194
Obligations settled	(40)
Effects of movements in exchange rates	(376)
Balance, June 30, 2022	**$ 35,243**

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. As at the acquisition date on June 15, 2022, the Company used a credit adjusted risk free rate of 11% to value the acquired Thailand decommissioning liability. The day following the acquisition, the Company re-measured the decommissioning obligation based on Valeura's IFRS accounting policies which is to apply a risk-free rate. The re-measured decommissioning liability, using a risk-free rate of 2.9%, resulted in a change in estimate increase of $15.2 million to the Thailand decommissioning obligation.

The Company also recorded a change in estimate of $0.6 million related to the Company's Turkish decommissioning obligations. This was due to a revision in the cost estimates and a change in the risk free and inflation rates for abandonment and reclamation. The change in estimate related to the Turkish decommissioning liabilities has been recorded on the statement of loss and comprehensive loss as the Company has no asset related to the decommissioning liability.

10. Share Capital

(a) Issued

Common shares	Number of Shares	Amount
Balance, June 30, 2022 and December 31, 2021	**86,584,989**	**$ 179,717**

(b) Per share amounts

Per share amounts have been calculated using the weighted average number of common shares outstanding. The weighted average number of common shares outstanding for the three months and six months ended June 30, 2022 is 86,584,989 (June 30, 2021 and December 31, 2021 – 86,584,989). The Company recorded net income for the three months ended June 30, 2022, and the average number of common shares outstanding was increased by 1,291,521 for the outstanding in the money stock options which resulted in a diluted weighted average number of common shares outstanding of 87,876,510. The weighted average number of common shares outstanding was not increased for the six months ended June 30, 2022, for outstanding stock options, as the effect would be anti-dilutive.

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

(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:

	Number of Options	Weighted average exercise price (CAD)
Balance outstanding, December 31, 2021	6,667,666	$ 0.48
Balance outstanding, June 30, 2022	**6,667,666**	**0.48**
Exercisable at June 30, 2022	**4,289,345**	**$ 0.50**

The following table summarises information about the stock options outstanding at June 30, 2022:

Exercise prices (CAD)	Outstanding at June 30, 2022	Weighted average remaining life (years)	Weighted average exercise price (CAD)	Exercisable at June 30, 2022	Weighted average exercise price (CAD)
$0.25 - $0.37	2,260,000	4.7	$ 0.26	1,506,671	$ 0.25
$0.38 - $0.53	2,312,500	5.7	0.52	770,841	0.52
$0.54 - $0.74	1,141,833	1.5	0.62	1,058,500	0.62
$0.75 - $0.80	953,333	1.6	0.76	953,333	0.76
	6,667,666	4.1	$ 0.48	4,289,345	$ 0.50

No options were granted during 2022. In 2021, the fair value, at the grant date, of the stock options issued was estimated using the Black-Scholes model with the following weighted average inputs (weighted average fair value per option in CAD):

Assumptions	**June 30, 2022**	December 31, 2021
Risk free interest rate (%)	-	0.8
Expected life (years)	-	4.5
Expected volatility (%)	-	99.0
Forfeiture rate (%)	-	11.0
Weighted average fair value per option	-	$ 0.37

11. Credit Facilities

The Company's APSG facility with Export Development Canada ("EDC") is effective from June 7, 2022 to August 31, 2023 with a limit of $1.0 million and can be renewed on an annual basis. The APSG facility, which was issued to National Bank of Canada ("NBC") allows the Company to use the facility as collateral for certain letters of credit issued by NBC, with a limit of $1.0 million and can be renewed on an annual basis. The Company has issued approximately $0.15 million in letters of credit under the APSG facility at current exchange rates.

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

12. Supplemental Cash Flow Information

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	**June 30, 2022**	June 30, 2021
Change in non-cash working capital:				
Accounts receivable	**$ (181)**	$ (638)	**$ (178)**	$ (526)
Prepaid expenses and deposits	**1,160**	(33)	**(105)**	(266)
Inventory	**(104)**	-	**(104)**	-
Accounts payable and accrued liabilities	**(165)**	(431)	**1,272**	8
Movements in exchange rates	**(56)**	315	**(44)**	72
	$ 654	$ (787)	**$ 841**	$ (712)
The change in non-cash working capital has been allocated to the following activities:				
Operating	**(324)**	(375)	**831**	(128)
Investing	**978**	(412)	**10**	(584)
	$ 654	$ (787)	**$ 841**	$ (712)

13. Financial Risk Management

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

- Credit risk
- Market risk
- Liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

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

(a) Credit risk

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

	June 30, 2022	**December 31, 2021**
Joint venture receivable from partners	**$ 405**	**$ 25**
Retention receivable	**310**	**310**
Taxes receivable	**539**	**205**
Other	**15**	**46**
Accounts receivable	**$ 1,269**	**$ 586**
Royalty receivable	**$ 407**	**$ 2,315**

Trade and other receivables:

The Company's accounts receivables consist of a retention receivable amount related to the 2021 Disposition which is a portion of the purchase price held in escrow for one year, taxes receivable from the Turkish and Thailand governments (VAT receivable) and receivables from partners related to the Company's joint ventures in Thailand and Turkey.

As at June 30, 2022, $2.1 million of the $2.5 million royalty receivable has been collected.

(b) Market risk

Market risk is the risk that changes in market conditions, such as commodity prices, foreign exchange rates and interest rates will affect the Company's income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximising the Company's return.

Interest rate risk:

Interest rate risk is the risk that future cash flows or valuations of assets or liabilities will fluctuate as a result of changes in market interest rates. The Company currently has limited exposure to interest rate risk as it has no debt and interest rates on cash balances are low. Market interest rates currently affect the present value of the Company's decommissioning liability.

(c) Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with the financial liabilities. The Company's financial liabilities consist of accounts payable. Accounts payable consists of invoices payable to trade suppliers for office, field operating activities and capital expenditures. The Company processes invoices within a normal payment period. Accounts payable have contractual maturities of less than one year. The Company maintains and monitors a certain level of cash which is used to finance all operating and capital expenditures.

Capital management:

The Company's *capital structure* includes working capital and shareholders' equity. Currently, total capital resources available are working capital and the Company has a significant cash and cash equivalents balance of $29.7 million at June 30, 2022. 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 and development activities while maintaining a strong financial position. The Company's capital structure includes working capital and shareholders' equity. Currently, total capital resources available include working capital and funds flow from operations.

The Company's capital expenditures include expenditures in oil and gas activities which may or may not be successful. The Company makes adjustments to the capital structure in light of changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas assets. In order to maintain or adjust the capital structure, the Company may, from time to time, issue shares, adjust its capital spending or issue debt instruments. The Company is not currently subject to any externally imposed capital requirements as it maintains operatorship over all of its lands in the Thrace Basin and in the Gulf of Thailand.

The successful future operations of the Company are dependent on the ability of the Company to secure sufficient funds through operations, bank financing, equity offerings or other sources and there are no assurances that such funding will be available when needed. Failure to obtain such funding on a timely basis could cause the Company to reduce capital spending and could lead to the loss of exploration licences due to failure to meet drilling deadlines. Valeura has not utilised bank loans or debt capital to finance capital expenditures to date.

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

Fair value of financial assets and liabilities:

The Company's fair value measurements are classified as one of the following levels of the fair value hierarchy:

Level 1 – inputs represent unadjusted quoted prices in active markets for identical assets and liabilities. An active market is characterized by a high volume of transactions that provides pricing information on an ongoing basis.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These valuations are based on inputs that can be observed or corroborated in the marketplace, such as market interest rates or forecasted commodity prices.

Level 3 – inputs for the asset or liability are not based on observable market data.

The Company aims to maximise the use of observable inputs when preparing calculations of fair value. Classification of each measurement into the fair value hierarchy is based on the lowest level of input that is significant to the fair value calculation.

The fair value of cash and cash equivalents, accounts receivable, royalty receivable, and accounts payable and accrued liabilities approximate their carrying amounts due to their short terms to maturity.

14. Segmented Information

	Three months ended	Six months ended
	June 30, 2022	**June 30, 2022**
Net income (loss)		
Thailand	$ 1,827	$ 1,827
Turkey	(68)	(232)
Corporate	(1,426)	(4,735)
	333	(3,140)
Total assets		
Thailand	49,438	49,438
Turkey	2,962	2,962
Corporate	30,475	30,475
	$ 82,875	$ 82,875