Valeura Energy Inc.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Unaudited)*

FOR THE PERIOD ENDED JUNE 30, 2023

Value Through Growth

August 9, 2023

VALEURAENERGY.COM

CONTENTS

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Unaudited)

In US$'000	Unaudited June 30, 2023	December 31, 2022
Assets		
Current Assets		
Cash and cash equivalents	108,078	17,516
Restricted cash *(note 6)*	13,604	69
Accounts receivable *(note 18)*	59,741	2,152
Inventory (*note 7*)	72,867	551
Prepaid expenses and deposits	10,873	4,057
	265,163	**24,345**
Non-Current Assets		
Long term non-refundable deposits and other	-	13,489
Prepaid expenses and deposits	820	-
Exploration and evaluation assets *(notes 8)*	2,371	5,956
Property, plant and equipment *(notes 9)*	352,733	20,220
Right of use assets *(note 10)*	85,055	-
	706,142	**64,010**
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities *(note 11)*	86,544	5,198
Income tax payable	39,302	-
Current portion of lease liabilities *(note 10)*	27,531	-
Current portion of contingent consideration	4,218	-
Current portion of debt *(note 12)*	19,035	5,900
	176,630	**11,098**
Non-Current Liabilities		
Long-term debt *(note 12)*	12,460	5,190
Lease liabilities *(note 10)*	57,106	-
Contingent consideration *(note 4)*	8,490	4,174
Decommissioning obligations *(note 13)*	193,634	15,091
Provision for employee benefits	9,669	-
Deferred tax liability	16,296	-
	474,285	**35,553**
Shareholders' Equity		
Share capital *(note 15)*	202,235	180,116
Contributed surplus	23,490	22,986
Accumulated other comprehensive income	8,930	8,748
Non-controlling interest	-	2,421
Deficit	(2,798)	(185,814)
	231,857	**28,457**
	706,142	**64,010**

See accompanying notes to the condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) (Unaudited)

In US$'000	Three months ended Unaudited June 30, 2023	Three months ended Unaudited June 30, 2022	Six months ended Unaudited June 30, 2023	Six months ended Unaudited June 30, 2022
Revenue				
Oil Revenues	174,196	-	174,196	-
Royalties	(23,309)	-	(23,309)	-
Other income	2,196	39	2,259	64
	153,083	**39**	**153,146**	**64**
Expenses and other items				
Operating	70,616	433	75,294	478
Exploration	361	-	361	-
Special remuneratory benefit (SRB)	4,715	-	4,715	-
General and administrative	6,829	1,207	9,898	2,797
Impairment on E&E asset	4,278	-	4,278	-
Provision for doubtful debt	955	-	955	-
Transaction costs	157	793	986	2,016
Finance costs *(note 14)*	11,251	118	13,161	188
Foreign exchange loss (Gain)	188	(1,086)	1,167	(641)
Share-based compensation	214	54	786	167
Change in estimate on decommissioning liabilities	42	(1,193)	0	(1,022)
Depletion and depreciation *(notes 9 & 10)*	50,092	6	50,201	14
	149,698	**332**	**161,802**	**3,997**
Profit (loss) for the period before other items	***3,385***	***(293)***	***(8,656)***	***(3,933)***
Bargain purchase gain *(note 4)*	-	2,269	207,620	2,269
Change in net monetary position due to hyperinflation *(note 5)*	116	127	384	127
Income (loss) for the period before income taxes	**3,501**	**2,103**	**199,348**	**(1,537)**
Income taxes				
Deferred tax recovery	(19,026)	-	(19,897)	-
Tax expense	24,060	-	24,060	-
Net income (loss)	**(1,533)**	**2,103**	**195,185**	**(1,537)**
Net income (loss) attributable to:				
Shareholders of Valeura Energy	(1,533)	1,829	195,898	(1,811)
Non-controlling interest	-	274	(713)	274
Currency translation adjustments	233	(1,129)	182	(641)
Comprehensive income (loss)	**(1,300)**	**974**	**195,367**	**(2,178)**
Comprehensive income (loss) attributable to:				
Shareholders of Valeura Energy	(1,300)	700	196,080	(2,992)
Non-controlling interest	-	274	(713)	274
Net income (loss) per share (in US$)				
Basic	*(0.02)*	*0.01*	*2.03*	*(0.03)*
Diluted	*(0.02)*	*0.01*	*1.94*	*(0.03)*
Net Income (loss) per share attributable to shareholders (In US$)				
Basic	*(0.02)*	*0.01*	*2.04*	*(0.03)*
Diluted	*(0.02)*	*0.01*	*1.94*	*(0.03)*
Weighted average number of shares outstanding (thousands) *(note 15)*				
Basic	*101,315*	*86,585*	*96,208*	*86,585*
Diluted	*101,315*	*86,585*	*100,870*	*86,585*

See accompanying notes to the condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Three months ended		Six months ended	
	Unaudited June 30, 2023	Unaudited June 30, 2022 (restated – note 3)	Unaudited June 30, 2023	Unaudited June 30, 2022 (restated – note 3)
Cash was provided by (used in):				
Operating activities:				
Net income (loss) for the period	(1,533)	2,103	195,185	(1,537)
Depletion and depreciation *(note 9 & 10)*	50,092	6	50,201	14
Share-based compensation	214	54	786	167
Finance costs	9,790	118	11,700	188
Change in estimate on decommissioning liabilities	-	(1,193)	(42)	(1,022)
Write down inventory to net realisable value	4,742	-	4,742	-
Change in estimate on contingent consideration	(886)	-	(886)	-
Provision for impairment of E&E assets	4,278	-	4,278	-
Provision for employee benefits	341	-	341	-
Provision for inventory obsolescence	(82)	-	(82)	-
Allowance for doubtful receivables	955	-	955	-
Bargain purchase gain *(note 4)*	-	(2,269)	(207,620)	(2,269)
Change in net monetary position due to hyperinflation *(note 5)*	(116)	(127)	(384)	(127)
Unrealised foreign exchange loss	(1,344)	(1,025)	(494)	(645)
Decommissioning cost incurred	-	(40)	-	(40)
Deferred tax recovery	(19,026)	-	(19,897)	-
Capitalised depreciation and depletion	9,944	-	15,678	-
Change in non-cash working capital *(note 17)*	(141,598)	(324)	(164,795)	831
Cash used in operating activities	(84,229)	(2,697)	(110,334)	(4,440)
Financing activities:				
Facility financing, net of costs *(note 12)*	-	-	38,000	-
Repayment of facility *(note 12)*	(18,457)	-	(18,457)	-
Interest paid on facility *(note 12)*	(2,237)	-	(2,237)	-
Principal payments on lease liability	(6,653)	-	(9,525)	-
Proceeds from financing	-	-	7,436	-
Share issuance costs	(2)	-	(628)	-
Proceeds from stock option exercises	255	-	429	-
Cash (used in) provided by financing activities	(27,094)	-	15,018	-
Investing activities:				
Property and equipment expenditures *(note 9)*	(38,648)	(7)	(42,538)	(10)
Exploration and evaluation expenditures *(note 8)*	101	(80)	(453)	(355)
Cash on acquisition, net *(note 4)*	-	(4,031)	232,058	(4,031)
Long term non-refundable deposit and other	-	(4,200)	6,000	(4,200)
Royalty receivable	-	-	-	1,908
Change in restricted cash	(10,859)	-	(13,535)	-
Change in non-cash working capital *(note 17)*	1,462	978	4,326	10
Cash (used in) provided by investing activities	(47,944)	(7,340)	185,858	(6,678)
Foreign exchange gain on cash held in foreign currencies	(1,206)	(25)	20	5
Net change in cash and cash equivalents	(160,473)	(10,062)	90,562	(11,113)
Cash and cash equivalents, beginning of year	268,551	39,775	17,516	40,826
Cash and cash equivalents, end of year	108,078	29,713	108,078	29,713

See accompanying notes to the condensed interim consolidated financial statements.

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

	Number of common shares (Share#'000)	Share Capital (US$'000)	Contributed Surplus (US$'000)	Accumulated Other Comp. Income/(loss) (US$'000)	Deficit (US$'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 (loss) for the period	-	-	-	-	195,898	(713)	195,185
SPV capital transactions (note 15(b))	9,500	14,590	-	-	(12,882)	(1,708)	-
Shares issued	5,052	8,156	(284)		-	-	7,872
Currency translation adjustments				182			182
Share issuance costs	-	(627)	-	-	-	-	(627)
Share-based compensation	-	-	788	-	-	-	788
June 30, 2023	**101,700**	**202,235**	**23,490**	**8,930**	**(2,798)**	**-**	**231,857**

	Number of common shares (Share#'000)	Share Capital (US$'000)	Contributed Surplus (US$'000)	Accumulated Other Comp. Income/(loss) (US$'000)	Deficit (US$'000)	Non-Controlling interest (US$'000)	Total Shareholders' Equity (US$'000)
Balance, January 1, 2022	86,585	179,717	22,706	10,146	(169,439)	-	43,130
Hyperinflation adjustment (note 5)					1,163		1,163
Net income (loss) for the period	-	-	-	-	(1,811)	274	(1,537)
SPV capital transactions	-	-	-	-	(1,572)	1,572	-
Currency translation adjustments	-	-	-	(641)	-	-	(641)
Share-based compensation	-	-	182	-	-	-	182
June 30, 2022	**86,585**	**179,717**	**22,888**	**9,505**	**(171,659)**	**1,846**	**42,297**

See accompanying notes to the condensed interim 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 Turkey. Valeura is incorporated in Alberta, Canada and has subsidiaries in the Netherlands, Turkey, Thailand, Singapore, British Virgin Islands, and Cayman Islands. Valeura's shares are traded on the Toronto Stock Exchange ("TSX") under the trading symbol VLE, and quoted on the OTCXQX in the United States of America under the trading symbol VLERF. Valeura's head office address is 1200, 202 – 6 Avenue SW, Calgary, AB, Canada.
The Board of Directors approved these interim condensed consolidated financial statements (the "financial statements") for issuance on August 9,, 2023.

NOTE 2 – Basis Of Preparation

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

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

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its ongoing liabilities, obligations and commitments. With the ongoing development of the Company's offshore Thailand properties, the Company has significant commitments and capital expenditure requirements. On this basis, the Company has secured financing arrangements (see note 12). The ability of the Company to draw on its financing requires the Company to meet and maintain certain terms, conditions and covenants of which there is no guarantee that the Company will be able to do so. Any additional financing that may be required is subject to the financial markets, economic conditions for the oil and gas industry, and volatility in the debt and equity markets. These factors have made, and will likely continue to make, it challenging to obtain cost-effective funding. There is no assurance this capital will be available. In the event the Company is not successful in maintaining its financing arrangements, obtaining additional funding or of obtaining funding on terms that are acceptable to the Company, this will significantly impact the Company's ability to develop its oil and gas properties. The Company maintains and monitors a certain level of cash which is used to finance operating and capital expenditures.

Basis of Measurement

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

The 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.

Functional and Presentation Currency

The unaudited condensed interim consolidated financial statements are presented in US Dollars. Valeura and its foreign subsidiaries transact in currencies other than the US Dollar such as Canadian dollars, Thai baht, and Turkish Lira.

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 based on information available up to the date these condensed interim consolidated financial statements were approved by the Board of Directors. Contingent consideration is an estimate based on the potential occurrence and timing of future events such as oil prices, 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. 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 estimates are recognised in the financial statements prospectively.

NOTE 3 – Material Accounting Policy

The Company has reviewed new and amended standards that have been issued and have become effective on January 1, 2023 or that are not yet effective and determined that they do not have a material impact on the financial statements.

(a) Basis of consolidation

(i) Subsidiaries:

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, substantive potential voting rights are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The acquisition method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised immediately in earnings.

(ii) Jointly controlled operations and jointly controlled assets:

A portion of the Company's exploration and development activities are conducted jointly with others. The joint interests are accounted for on a proportionate consolidation basis and as a result the financial statements reflect only the Company's proportionate share of the assets, liabilities, revenues, expenses and cash flows from these activities.

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

Name of the joint arrangement	Nature of the relationship with the joint arrangement	Principal place of operation of joint arrangement	Thai License regime	Proportion of participating share
West Thrace Deep JV	Operator	Turkey		63% (all rights)
G10/48 Concession (1)	Operator	Gulf of Thailand	Thai III	100% (all rights)
B5/27 Concession(2)	Operator	Gulf of Thailand	Thai I	100% (all rights)
G1/48(3)	Operator	Gulf of Thailand	Thai III	70% (all rights)
G11/48(4)	Operator	Gulf of Thailand	Thai III	90% (all rights)

(1) The Company's interest in the G10/48 Concession is held by Valeura Energy (Thailand) Ltd. and Valeura Energy (Gulf of Thailand) Ltd.
(2) The Company's interest in the B5/27 Concession is held by Busrakham Jasmine Ltd.
(3) The Company's interest in the G1/48 Concession is held by Busrakham Manora Ltd.
(4) The Company's interest in the G11/48 Concession is held by Busrakham G11 Ltd (67.5%) and Busrakham Nong Yao Ltd. (22.5%)

A subsidiary of the Company has divested its working interest of 43% in license G6/48 to its joint venture partner in the license. The Agreement for the Withdrawal from and Transfer of the G6/48 Concession and the Rossukon Exclusive Operation is dated April 27, 2023. As of June 30, 2023, there is no proportion of participating share in the license.
A joint venture partner in license G10/48, Wassana field, has discontinued its participation in the block. The subsidiary of the Company entered into a Deed of Novation and Amendment agreement with the partner on April 20, 2023 to transfer its 11% working interest to the subsidiary. As of June 30, 2023, the proportion of participating share in the license of the Company is 100%.

(iii) Transactions eliminated on consolidation:

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

(b) 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.

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

For natural gas sales in Turkey, pricing is linked to BOTAS benchmark pricing, while crude oil pricing in Turkey is linked to Brent benchmark pricing.

Valeura recognises revenue when it transfers control of the product to the customer, which is generally when legal title passes to the customer and collection is reasonably assured.

Revenue is presented net of Royalty.

(c) Royalties

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

Royalties to government in Thailand

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

Payment to Previous Owner in Thailand

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

Royalties to government in Turkey

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

(d) Leases

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

As a lessee

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

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

(e) Employee benefits

Short-term employee benefits

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

Post-employment benefits

The Company has a provision for employee benefits (the "Provision") and an employee savings plan. The employee savings plan is a plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The cost of the employee savings plan benefit is expensed as earned by employees. These benefits are unfunded and are expensed as the employees provide service.

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

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

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

(f) Inventory

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

(g) Change in accounting policy

Effective December 31, 2022, the Company elected to change its policy for the measurement of decommissioning obligations to utilise a credit adjusted interest rate from a risk-free interest rate. The use of a credit adjusted interest rate results in more reliable and relevant information for the readers of the consolidated financial statements as this methodology provides a more accurate representation of the value at which such liabilities could be transferred to a third party, and provides a better indication of the risk associated with such obligations.

Management applied the voluntary change in accounting policy retrospectively. The tables below present the impact of the change in accounting policy on the June 30, 2022 comparative numbers for the consolidated statements of loss and comprehensive loss and the consolidated statements of cash flows, for each of the line items impacted.

Impacts on the Consolidated Statements of Net income (loss) and Comprehensive income (loss)

For the three months ended March 31, 2023	Three Months June 30, 2022 Previous Policy	Adjustment	Restated	Six Months June 30, 2022 Previous Policy	Adjustment	Restated
Finance costs	130	(12)	118	209	(21)	188
Change in estimate on decommissioning liabilities	565	(1,758)	(1,193)	560	(1,582)	(1,022)
Net loss	1,770	1,770	3,540	(1,703)	1,603	(100)
Comprehensive loss	(796)	1,770	974	(3,781)	1,603	(2,178)

Impacts on the Consolidated Statements of Cash Flows

For the three months ended March 31, 2023	Three Months June 30, 2022 Previous Policy	Adjustment	Restated	Six Months June 30, 2022 Previous Policy	Adjustment	Restated
Net loss	1,770	1,770	3,540	(1,703)	1,603	(100)
Fianance costs	130	(12)	118	209	(21)	188
Change in estimate on decommissioning liabilities	565	(1,758)	(1,193)	560	(1,582)	(1,022)

NOTE 4 – Business Combination

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

The SPA has been accounted for as a business combination under IFRS 3. The preliminary purchase price allocation (in United States Dollars), based on the best information available on March 22, 2023, is as follows:

Consideration		
Cash	$	10,438
Contingent consideration		9,117
Total consideration	**$**	**19,555**
Preliminary Purchase Price Equation		
Cash and cash equivalents	$	242,496
Accounts receivable		54,902
Prepaid and deposits		6,680
Inventory		86,114
Right of use asset		58,382
Property, plant and equipment		336,537
Accounts and other payable		(171,749)
Lease liability		(59,764)
Provision for employee benefits		(9,696)
Income tax payable		(112,019)
Decommissioning obligations		(168,515)
Deferred tax liability		(36,193)
Bargain purchase gain		(207,620)
	$	**19,555**

The identifiable assets and liabilities have been measured at their individual fair values on the date of acquisition. Determinations of fair value often require management to make assumptions and estimates about future events. The above preliminary purchase price allocation is based on management’s best estimate at the time of the preparation of these financial statements. The purchase price allocation is not final as Valeura is continuing to obtain and verify information required, including those from internal and external specialists, to determine the fair value of certain assets and liabilities including property, plant and equipment, exploration and evaluation assets, decommissioning obligations, income taxes payable and the deferred tax liability, as well as the finalisation of working capital adjustments. Upon finalising the value of the net assets acquired, liabilities assumed and total consideration adjustments including those impacting the bargain purchase gain may be required as values subject to estimate are finalised. As new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, then the accounting for the acquisition will be revised.

The preliminary fair value of property, plant and equipment was determined based on the estimate of proved and probable reserves from an independent third party reserve evaluation prepared as at December 31, 2022 and adjusted for production from January 1, 2023 to March 22

2023. Deferred taxes were calculated by applying the statutory tax rate to the property, plant and equipment, right of use assets, decommissioning obligation, and lease liabilities fair values less available tax pools. The preliminary fair value of decommissioning obligations was determined based on applying a credit adjusted interest rate. The purchase price allocation related to the acquisition is preliminary and may be subject to adjustments, which may be material, pending completion of final valuations and specialist reports.

The contingent consideration is payable if the arithmetical average of the daily "close" of all quotations in US dollars for Dubai crude oil in the Platts Crude Oil Marketwire on a $/bbl basis (the "Benchmark") averages over $100 dollars for 2022, 2023 or 2024. No contingent consideration was payable for 2022 as the reference price did not average over US$100. Such contingent consideration is capped at a maximum of US$50 million, and each year is calculated independently of each other year. The contingent consideration is payable in January 2024 for 2023 amounts (if applicable), and January 2025 for any amounts related to 2024. For each of 2023 and 2024, the contingent consideration is calculated as US$1.15 million per $1/bbl increase in the Benchmark over US$100. The Company has used expected future price scenarios from a number of sources and discounted any possible payments at a credit adjusted interest rate. In the second quarter of 2023, the Company has revised the price assumptions for 2024, which resulted in an impact on the expected cash flow to be US$10.4 million and were discounted to US$8.4 million.

A preliminary bargain purchase gain of $208 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 purchased exceeding the fair value of the liabilities assumed and consideration paid.

A gain of $15.4 million was included in the Company's condensed interim consolidated statements of income loss and comprehensive loss for the six months ended June 30, 2023 related to the operations of BOGL between March 22, 2023 to June 30, 2023.

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

To facilitate the transaction, Valeura, with an 85% interest, and Panthera Thailand Pte. Ltd., ("Panthera"), with a 15% interest, created a Singapore-domiciled special purpose vehicle company ("SPV") Valeura Energy Asia Pte. Ltd., to serve as the entity which completed the acquisition. The relationship between Valeura and Panthera as shareholders of the SPV is governed by a shareholders agreement which includes, among other things, provisions for the funding of the purchase 100% by Valeura. Under the shareholder agreement, Valeura has control over the SPV. On December 27, 2022, Valeura increased its interest in the SPV to 87.5% and Panthera's share decreased to 12.5% and on March 21, 2023 Valeura acquired the remaining 12.5% interest (see note 16).

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

Consideration		
Cash	$	4,053
Contingent consideration		4,109
Total consideration	**$**	**8,162**
Purchase Price Allocation		
Cash	$	22
Accounts receivable		1,058
Prepaid expenses and deposits		470
Inventory		326
Exploration and evaluation assets		2,375
Property, plant and equipment		26,196
Accounts payable		(1,769)
Decommissioning obligations		(18,247)
Bargain purchase gain		(2,269)
	$	**8,162**

The identifiable assets and liabilities have been measured at their individual fair values on the date of acquisition. Determinations of fair value often require management to make assumptions and estimates about future events. The above purchase price allocation is based on management's best estimate at the time of the preparation of these financial statements. The purchase price allocation is not final as Valeura is continuing to obtain and verify information required, including those from internal and external specialists, to determine the fair value of certain assets and liabilities including property plant and equipment, exploration and evaluation assets and decommissioning obligations as well as the finalisation of working capital adjustments. Upon finalising the value of the net assets acquired, liabilities assumed and total consideration adjustments including those impacting the bargain purchase gain may be required as values subject to estimate are finalised. As new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, then the accounting for the acquisition will be revised.

The fair value of property, plant and equipment was determined based on the estimate of proved and probable reserves from an independent third-party reserve evaluation prepared as at March 31, 2022. Deferred taxes were calculated by applying the statutory tax rate to the property, plant and equipment fair value less available tax pools. Due to the size of the available tax pools, no deferred tax liability was recorded. The fair value of decommissioning obligations was determined based on applying a credit adjusted interest rate. The purchase price allocation related to the acquisition is preliminary and may be subject to adjustments, which may be material, pending completion of final valuations and specialist reports.

The contingent consideration is made up of two separate payments. Valeura will pay contingent consideration of US$2.0 million 90 days after first oil has been delivered from the next infill development drilling programme on the Wassana field. Further contingent consideration of US$5.0 million will become due 90 days after first production through a permanent production facility on the Rossukon field. Probabilities have been assigned to each payment and after calculating the present value of these potential future payments, the maximum payment of $7.0 million has been reduced to a fair value of $4.1 million as at the acquisition date.

The Company recorded adjustments to the fair value in the fourth quarter of 2022 to the purchase price allocation to reflect facts and circumstances in existence at the date of acquisition. These adjustments related to the decommissioning obligations (increase of $0.6 million) and working capital (decrease of $0.05 million). All measurement period adjustments were offset to the bargain purchase gain on a retrospective basis. A preliminary bargain purchase gain of $1.6 million was recognised primarily related to ongoing commodity price volatility between the effective and closing date of the acquisition with the fair value of the assets purchased exceeding the fair value of the liabilities assumed and consideration paid.

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 Q3 2022. Consequently, the Company has concluded that its subsidiary in Turkey, whose functional currency is the Turkish Lira, is currently operating in a hyperinflationary environment. The Company has therefore applied accounting adjustments to the underlying financial results and position of its subsidiary in Turkey as required by IAS 29 'Financial Reporting in Hyperinflationary Economies'. As required by IAS 29, the Company's consolidated financial statements will include the results and financial position of its Turkish subsidiary, restated in terms of the measuring unit current at the period end date.

For the restatement of results and financial positions of its Turkish subsidiary, the Company applied the consumer price index ("CPI") annual inflation rates published by the Turkish Statistical Institute. The indices used are found in the tables below. Average cumulative annual inflation rates were used for 2018 to 2022. Inflation for items purchased in 2018 is greater than those in 2022 due to the cumulative effect of inflation over the additional years. In 2023, monthly inflation rates were used as follows:

Year Purchased	Cumulative Average Annual CPI	Month	Monthly CPI 2023
2018	271.25	Jan	6.65
2019	209.62	Feb	3.15
2020	176.14	Mar	2.29
2021	138.88	Apr	2.39
2022	54.46	May	0.04
		Jun	3.92

The Company's subsidiary in Turkey has restated its non-monetary items held at historical cost. The only non-monetary item this applied to was the exploration and evaluation assets, which were converted into their current purchasing power after applying the appropriate CPI rate, based on the year the items were initially 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. The effect of inflation on the non-monetary position of the Company's Turkish subsidiary is presented in the income statement for changes to items purchased in 2023. For exploration and evaluation assets purchased between 2018 and 2022 the effects of inflation are presented in the opening retained earnings.
For the purpose of consolidation, the results and financial position of the Company's Turkish subsidiary are translated using the closing exchange rates at the period end date. Comparative financial statements are not restated under IFRS when the presentation currency of the ultimate financial statements into which they will be included (US$) is non-hyperinflationary. As a result, there have been no restatements to the comparative financial statements presented.

NOTE 6 – Restricted Cash

The Company has restricted cash in the total amount of $13.6 million as at June 30, 2023 (2022 - $0.1 million). Of the $13.6 million, (i) $10.9 million held with HSBC Thailand Bank is related to securing a financial security issued in accordance with Thailand decommissioning regulation; and (ii) The $2.7 million held with National Bank of Canada is related primarily to financial security securing a letter of credit issued to a drilling rig contractor for Thailand operations in the amount of $2.5 million. The remaining $0.2 million is related to securing licence deposits with the General Directorate of Mining and Petroleum Affairs of the Republic of Turkey ("GDMPA") and for letters of credit lodged with the Thailand Customs department.

NOTE 7 – Inventory

US$'000	**Unaudited June 30, 2023**	**December 31, 2022**
Crude oil (net of write down to NRV)	40,304	-
Spare parts (net of provision for obsolescence)	32,563	511
Inventory Balance	**72,867**	**511**

NOTE 8 – Exploration and Evaluation Assets

Cost (inUS$'000)	**Total**
Balance, December 31, 2022	**5,956**
Additions	453

Capitalised share-based compensation	1
Hyperinflation adjustments (note 5)	424
Effects of movements in exchange rates	(185)
Provision for impairment	(4,278)
Balance, June 30, 2023	**2,371**

Exploration and evaluation ("E&E") assets consist of the Company's exploration projects which are pending the determination of proved or probable reserves. Additions represent the Company's share of costs incurred on E&E assets during the period.

Recoverability of exploration and evaluation assets

The Company assesses the recoverability of exploration and evaluation assets, before and at the moment of reclassification to property, plant and equipment, by allocating the E&E assets to appropriate cash-generating units CGUs. As at June 30, 2023, the Company recognised full impairment provision on G6/48 E&E assets, a result of the Company's subsidiary since Valeura Energy (Gulf of Thailand) Ltd, the Company's subsidiary, having entered into an agreement for the withdrawal from and transfer of the G6/48 Concession and the Rossukon exclusive operation on April 27, 2023. Impairment of exploration and evaluation assets is recognised in earnings.

NOTE 9 – Property, Plant and Equipment

Cost (in US$'000)	Total
Balance, December 31, 2022	**33,348**
Additions	50,028
Acquisitions (note 4)	336,537
Change in decommissioning obligation	4,502
Hyperinflation adjustment	8,110
Effects of movements in exchange rates	(1,072)
Balance, June 30, 2023	**431,453**

Accumulated depletion and depreciation (in US$'000)	Total
Balance, December 31, 2022	**13,128**
Depreciation expense	58,598
Hyperinflation adjustment	8,110
Effects of movements in exchange rates	(1,116)
Balance, June 30, 2023	**78,720**

Net book value (in US$'000)	Total
Balance, December 31, 2022	20,220
Balance, June 30, 2023	**352,733**

The Company conducted an assessment of impairment triggers and concluded there were no indicators of impairment with respect to the Company's property, plant and equipment as at June 30, 2023.

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

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, and warehouses. The Company's obligations under its leases are secured by the lessor's title to the leased assets.

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

	Useful life
FPSO and FSO lease	Unit of production
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 and FSO	Buildings	Total
Balance, December 31, 2022	-	-	-
Acquired	56,310	2,071	58,381
Additions	34,014	-	34,014
Balance, June 30, 2023	**90,324**	**2,071**	**92,395**

Accumulated depletion and depreciation (in US$'000)			
Balance, December 31, 2022	-	-	-
Depreciation expense	7,218	122	7,300
Balance, June 30, 2023	**7,218**	**122**	**7,340**

Net book value (in US$'000)			
Balance, December 31, 2022	-	-	-
Balance, June 30, 2023	**83,106**	**1,949**	**85,055**

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 and FSO	Buildings	Total
Balance, December 31, 2022	$ -	$ -	$ -
Acquired	56,310	2,073	58,383
Additions	35,779		35,779
Accretion	2,673	72	2,745
Lease payments	(12,042)	(228)	(12,270)
Balance, June 30, 2023	**82,720**	**1,917**	**84,637**
Current	**26,916**	**615**	**27,531**
Non-current	**55,804**	**1,302**	**57,106**

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

Lease payment maturity analysis– contractual undiscounted cash flows (In US$'000)	Oil and Gas Assets	Buildings	Total
Less than one year	33,476	828	34,304
Between 2 and 5 years	51,532	1,506	53,038
At June 30, 2023	**85,008**	**2,334**	**87,342**

NOTE 11 – Accounts Payable And Accrued Liabilities

in US$'000	Unaudited June 30, 2023	December 31, 2022
Trade payables	22,549	970
Accruals	51,274	3,540
VAT payables	4,189	-
SRB payables	6,627	-
Others	1,905	688
Balance	**86,544**	**5,198**

NOTE 12 – Facility

in US$'000	Unaudited June 30, 2023
Facility, beginning of period	11,090
Advances	40,000
Arrangement fee	(1,000)
Financing transaction costs	(1,000)
Repayments	(18,457)
Interest paid	(2,237)
Amortisation of financing transaction costs and arrangement fee	3,099
Facility, end of period	**31,495**
Current portion	**19,035**
Non-Current portion	**12,460**

On November 11, 2022, subsidiaries of the Company signed agreements with a third party marketer for a Facility for advances in support of Wassana operations and (ii) a commercial contract related to any crude oil production arising from Wassana operations (the "Facility"). The Facility provided for advances in discrete tranches, up to an initial maximum capacity of $30 million, subject to the satisfaction of a number of conditions precedent. On March 21, 2023 the Facility was expanded to a maximum capacity of $80 million, subject to the satisfaction of a number of conditions precedent, most significant, completion of the Busrakham Acquisition. The Facility has a term of two years and the Company was charged a financing cost of a margin of 8.5%-9.5% per annum on the one-month Secured Overnight Financing Rate. The effective yield rate at June 30, 2023, is 21.5%. The Company is required to meet and maintain financial covenants upon each draw date or at least semi-annually from the first test date. Financial covenants include a coverage ratio and a liquidity ratio which are further discussed below and the Facility includes a material adverse change clause which would enable the third party marketer to demand repayment of all amounts outstanding if determined to exist. The Facility is secured by the shares of the subsidiaries that have entered into the agreement which encompass the Company's Gulf of Thailand assets and operations as well as certain parent company guarantees.

The Company drew an additional $40 million from the Facility at closing of the Busrakham Acquisition, for the purchase price, working capital needs, and a refundable deposit in the amount of $19.8 million provided to the seller in relation to replacing certain letters of credit associated with operations of the Busrakham Acquisition. As at June 30, 2023, the Company has been refunded $18.1 million of the deposit.

The financial covenants are as follows:

- The Liquidity Ratio is the ratio of the aggregate of the cash flows available for debt service and the available cash during the relevant test period and the amount of the proposed advance; to the aggregate of the relevant amounts due on the facility, distributions and other expenditures for general corporate purposes during the relevant test period which is the shorter of 12 months or until the maturity date of the facility. The ratio is tested before each advance from the Facility and is required to be equal to or greater than 140%. The last advance from the facility was in March 2023.
- The Coverage Ratio includes both a forward-looking ratio and a backward-looking ratio. The forward-looking ratio is the aggregate of all cargo values delivered and estimated cargo values to be delivered until the date falling two years from the initial first advance from the facility; to the advances and interest accrued on the advances until the date falling two years from the initial advance from the Facility. The backward-looking ratio includes all cargo values in the past six months, to the advances from the facility and the interest payable during the previous six months. The ratio is tested on the first business day of each semi-annual period falling after the date of the agreement. The ratio is to be equal or greater than 300%. This ratio has not yet qualified for testing as at June 30, 2023, instead was qualified on July 1, 2023, and was passed.

NOTE 13 – Decommissioning Obligations

in US$'000	**Unaudited June 30, 2023**
Decommissioning obligations, beginning of period	15,091
Acquisition (note 4)	168,515
Change in estimates	4,464
Accretion of decommissioning obligations	5,569
Effects of movements in exchange rates	(5)
Balance, June 30, 2023	**193,634**

The Company's decommissioning obligations result from its ownership interest in oil and natural gas assets. The total decommissioning obligation is estimated based on the Company's net ownership interest in all wells, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years.

The Company used a credit adjusted interest rate of 10.00% and an inflation rate of 4.98% when measuring the present value of its decommissioning obligation.

NOTE 14 – Finance Costs

in US$'000	**Unaudited June 30, 2023**
Interest expense and commitment fee on facility	102
Amortisation of financing transaction costs and commitment fees	3,099
Accretion on decommissioning liabilities	5,569
Accretion on deferred consideration	258
Lease Liability interest expenses	2,745
Financing fee	1,359
Other	29
Finance costs	**13,161**

NOTE 15 – 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

The Company announced on January 31, 2023, that it had entered into an agreement for a bought deal basis, private placement of 3,937,000 common shares at a price of C$2.54 per common share for aggregate gross proceeds to the Company of approximately C$10 million (the "Offering). The Offering closed on February 8, 2023, and was subject to the Company receiving all necessary regulatory and TSX approvals. Net proceeds were approximately $6.8 million net of underwriters fees of $0.49 million and share issuance costs of $0.14 million.

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

is the entity that holds all of its assets in Thailand. Through a Share Exchange Agreement ("SEA"), Valeura acquired the 12.5% ownership stake held by the SPV's minority owners, resulting in the SPV becoming a wholly owned subsidiary of Valeura, and thereby increasing its effective interest in its entire Thailand portfolio. As consideration, the Company has issued to the minority shareholders an aggregate of 9.5 million common shares in Valeura. The shares were valued based on the closing price on March 20, 2023 of C$2.10. Under the terms of the SEA, 50% of the shares to be issued will be prohibited from being sold for a period of four months, with the remaining 50% restricted from sale for a period of nine months, without otherwise obtaining consent from Valeura.
The non-controlling interest (NCI) carrying value at the transaction date was $1.7 million. The difference between the fair value of shares issued and the NCI carrying value was $12.9 million, which was booked to retained earnings.

Common shares	Number of Shares	Amount (US$'000)
Balance, December 31, 2022	87,148,489	180,116
Shares issued pursuant to equity financing, net of share issue costs	3,937,000	6,853
Shares issued pursuant to stock options exercises	1,115,002	676
Shares issued pursuant to SPV NCI acquisition	9,500,000	14,590
Balance, June 30, 2023	**101,700,491**	**202,235**

(c) Per share amounts

Per share amounts have been calculated using the weighted average number of common shares outstanding. The weighted average number of common shares outstanding for the six months ended June 30, 2023 is 96,207,720 (December 31, 2022 – 86,609,690). The Company recorded net income for the six months ended June 30, 2023, and the average number of common shares outstanding was increased by 4,662,167 for the outstanding in the money stock options which resulted in a diluted weighted average number of common shares outstanding of 100,869,887.

(d) Stock options

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

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

	Number of Options	Weighted average exercise price (CAD)
Balance outstanding, December 31, 2022	7,981,666	0.73
Granted	400,000	2.27
Exercised	(1,115,002)	0.52
Balance outstanding, June 30, 2023	**7,266,664**	**0.85**
Exercisable at June 30, 2023	**4,844,181**	**0.59**

The following table summarises information about the stock options outstanding at June 30, 2023:

Exercise prices (CAD)	Outstanding at June 30, 2023	Weighted average remaining life (years)	Weighted average exercise price (CAD)	Exercisable at June 30, 2023	Weighted average exercise price (CAD)
$0.25 - $0.37	1,745,000	3.7	$ 0.25	1,745,000	$ 0.25
$0.38 - $0.53	2,004,165	4.7	0.52	1,233,338	0.52
$0.54 - $0.78	1,178,333	1.4	0.70	1,178,333	0.70
$0.79 - $1.89	1,939,166	5.4	1.52	687,510	1.43
$1.90 - $2.32	400,000	6.7	2.27	-	-
	7,266,664	**4.2**	**$ 0.85**	**4,844,181**	**$ 0.59**

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

Assumptions	June 30, 2023	December 31, 2022
Risk free interest rate (%)	3.4	3.3
Expected life (years)	4.2	3.8
Expected volatility (%)	95	96
Forfeiture rate (%)	10	10
Weighted average fair value per option (US$)	1.62	1.06

NOTE 16 – Credit Facility

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

NOTE 17 – Supplemental Statement Of Cash Flow

The significant variance in the change in non-cash working capital for the six months ended June 30, 2023 compared to the same period in 2022 was due to the inclusion of the operating business following the Mubadala Acquisition.

Accounts payable and accrued liabilities include SRB payables. The SRB payables as of June 30 and March 31, 2023 are US$ 6.8 million and US$ 88.4 million respectively. The decrease in SRB payables is US$ 81.5 million.

The major changes to the working capital for three months and six months ended as of June 30, 2023 was attributed to the payment of the 2022 SRB and PITA tax due and paid on May 31, 2023. The half-year petroleum income tax for the year 2023 is due in August 2023 while the remaining full-year petroleum income tax will be due in May 2024. SRB for 2023 will also be due in May 2024.

	Three months ended		Six months ended	
	Unaudited June 30, 2023	Unaudited June 30, 2022	Unaudited June 30, 2023	Unaudited June 30, 2022
Change in non-cash working capital:				
Accounts receivable	(13,939)	(181)	(2,687)	(178)
Prepaid expenses and deposits	15,716	1,160	(1,469)	(105)
Inventory	17,952	(104)	9,056	(104)
Accounts payable and accrued liabilities	(85,982)	(165)	(90,402)	1,272
Income tax payable	(73,883)		(72,716)	
Movements in exchange rates		(56)	(2,251)	(44)
Balance, June 30, 2023	**(140,136)**	**654**	**(160,469)**	**841**
Changes in non-working capital has been allocated the following activities:				
Operating	(141,598)	(324)	(164,795)	831
Investing	1,462	978	4,326	10
Balance, June 30, 2023	**(140,136)**	**654**	**(160,469)**	**841**

NOTE 18 – 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 joint venture partners. The maximum exposure to credit risk is as follows:

in US$'000	Unaudited June 30, 2023	December 31, 2022
Trade receivable	51,376	-
Joint venture receivable from partners	-	812
Taxes receivable	6,758	1,304
Other	1,607	36
Accounts receivable	**59,741**	**2,152**

A joint venture partner in License G10/48, Wassana field, has discontinued its participation in the block. The subsidiary of the Company entered into Deed of Novation and Amendment agreement with the partner on April 20, 2023 to transfer its 11% working interest to the subsidiary. As of June 30, 2023, the proportion of participating share in the License of the Company is 100%. As of June 30, 2023, the Company recognised provision for doubtful receivables from the partner in the License amount of US$0.96 million.

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

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

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

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

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

At 30 June 2023	**Movement %**	**Strengthening**	**Weakening**
Impact to profit or loss (Thai Baht)	10	6,502	(6,502)

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

Interest rate risk:
Interest rate risk is the risk that future cash flows or valuations of assets or liabilities will fluctuate as a result of changes in market interest rates. The Company is now exposed to interest rate risk with the current Facility (see note 12) which includes some variability in its interest rate.A 1% increase or decrease is used when management assesses changes in interest rate risk internally. The following table summarises the impact to net loss if interest rates had been 1% higher and lower, with all other variables held constant.

in US$'000	**Unaudited June 30, 2023**	**December 31, 2022**
Increase in 1%	198	-
Decrease in 1%	(198)	-

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, taxes payable and amounts due under the Facility. Accounts payable consists of invoices payable to trade suppliers for office, field operating activities and capital expenditures. The Company processes invoices within a normal payment period. Accounts payable have contractual maturities of less than one year. The Company maintains and monitors a certain level of cash which is used to finance all operating and capital expenditures. Amounts due under the Facility consist of advances drawn plus accumulated interest and commitment fees.

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 June 30, 2023, the Company had working capital of US$88 million which included cash and cash equivalents and restricted cash of $122 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.

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

NOTE 19 – Geographic Segmented Information

in US$'000	Unaudited 6 Month to June 30, 2023
Net income	
Thailand	203,438
Turkey	270
Corporate	(8,523)
Total	**195,185**
Total non-current assets	
Thailand	438,211
Turkey	967
Corporate	1,801
Total	**440,979**
Total assets	
Thailand	693,776
Turkey	1,262
Corporate	11,104
Total	**706,142**

NOTE 20 – Commitments

Production Bonus
Production bonuses payable by the concessions are to the Thai Ministry of Finance are as follows:

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

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

Service Agreements Commitments

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

in US$'000	Unaudited June 30, 2023
Within one year	31,923
After one year but within five years	72,324
Total	**104,247**

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

in US$'000	Unaudited June 30, 2023
Within one year	18,725
After one year but within five years	4,979
Total	**23,704**

Included in the within one year component is US$3 million due to the cancelation of the PetroVietnam Drilling rig contract.

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