

THIRD QUARTER 2020 RESULTS

Calgary, November 13, 2020: Valeura Energy Inc. (TSX:VLE, LSE:VLU) ("**Valeura**" or the "**Company**"), an upstream oil and natural gas company with assets in the Thrace Basin of Turkey, reports its financial and operating results for the three month and nine month periods ended September 30, 2020.

Highlights

- *Operations* - Return to steady operations throughout Q3 with average production up 10% from Q2 to 615 boe/d, generating petroleum and natural gas sales revenue of US\$1.8 million;
- *Financial position* - A strong financial position, with net working capital surplus of US\$32.2 million at September 30, 2020 (including US\$31.3 million cash), and no debt;
- *Shallow sale* - Announced sale of its producing shallow conventional gas business for cash consideration of US\$15.5 million, plus royalty payments of up to an additional US\$2.5 million;
- *Growth* - Incremental cash from the shallow sale bolsters the Company's ability to execute its inorganic growth strategy; *and*
- *Deep play* - Valeura's interest in its 20 Tcfe unrisks mean prospective resource deep, tight gas play will be unaffected by the sale and the Company retains access to infrastructure with work continuing in the period to secure a partner for the Group's upcoming appraisal campaign.

Sean Guest, President and CEO commented:

"Q3 was a steady quarter with operations conducted safely and with production ramping up to pre-COVID-19 levels. As announced last month, we have agreed to sell our interest in the producing conventional business, with an effective date of July 1, 2020 and anticipate the deal closing in Q1 of next year.

Our efforts have resulted in Valeura being in a very strong financial position, which as of September 30, 2020 included a working capital surplus of US\$32.2 million, with no debt. This balance sheet strength, plus the additional approximately US\$15.5 million in cash to be received shortly from the shallow conventional sale, places us in an opportune position to access opportunities at a time when our industry is cash starved. We are focused on value growth and intent on deploying cash to build a more material near-term and mid-term portfolio. This will complement our longer-term growth opportunity in Turkey, where we retain our full interest in, and control of the deep tight gas appraisal play."

Q3 Financial and Operating Results Summary

	Three Months Ended September 30, 2020	Three Months Ended June 30, 2020	Nine Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Financial (thousands of US\$ except share amounts)					
Petroleum and natural gas revenues	1,843	1,918	6,569	2,166	7,524
Adjusted funds flow ⁽¹⁾	(1,210)	339	(819)	1,032	2,147
Net loss from operations	(2,149)	(1,899)	(4,240)	(166)	(4,079)
Exploration and development capital	295	1,734	3,911	809	8,132
Banarli Farm-in proceeds ⁽²⁾	-	-	-	-	(1,452)
Net working capital surplus	32,182	33,231	32,182	39,867	39,867

Cash	31,297	30,469	31,297	38,486	38,486
Common shares outstanding					
Basic	86,584,989	86,584,989	86,584,989	86,584,989	86,584,989
Diluted	94,463,323	94,988,323	94,463,323	92,406,655	92,406,655
Share trading (CDN\$)					
High	0.38	0.44	0.65	3.60	3.99
Low	0.30	0.23	0.20	1.91	1.91
Close	0.31	0.32	0.31	2.66	2.66
Operations					
Production					
Crude oil (barrels ("bbl")/d)	-	18	12	18	13
Natural Gas (one thousand cubic feet ("Mcf")/d)	3,690	3,260	3,717	3,078	3,917
boe/d	615	561	632	531	666
Average reference price					
Brent (\$ per bbl)	42.91	29.70	41.15	61.98	64.95
BOTAS Reference (\$ per Mcf) ⁽³⁾	5.47	6.37	6.30	7.39	6.93
Average realised price					
Crude oil (\$ per bbl)	-	41.65	53.25	59.87	64.81
Natural gas (\$ per Mcf)	5.43	6.24	6.28	7.30	6.83
Average Operating Netback (\$ per boe) ⁽¹⁾	11.63	15.27	17.73	25.02	23.91

Notes:

- (1) The above table includes non-IFRS measures, which may not be comparable to other companies. Adjusted funds flow is calculated as net income (loss) for the period adjusted for non-cash items in the statement of cash flows. Operating netback is calculated as petroleum and natural gas sales less royalties, production expenses and transportation.
- (2) Proceeds received from Equinor to complete spending commitment for Phase 2 of the Banarli Farm-in. Recorded in the financial statements as a reduction of exploration and evaluation assets.
- (3) BOTAS regularly posts prices and its Level-2 Wholesale Tariff benchmark is shown herein as a reference price. See the Company's AIF filed on SEDAR for further discussion.

Additional information and commentary on the three and nine months ended September 30, 2020 is included in the Company's Management's Discussion and Analysis, which is available on the Company's website and on www.sedar.com.

Strategy Update

Valeura is pursuing a three-pronged strategy intended to leverage the Company's assets, financial strength, and differentiated capabilities, toward delivering shareholder value.

Conventional gas production business

Valeura's strategy has been to maximise the near-term value of its producing conventional gas business. Monetising the business via its sale to TBNG Limited, as announced in October, will further bolster cash resources which can be redeployed to the growth-oriented components of the Company's strategy.

The Company's focus is on satisfying the conditions to closing, which include regulatory approvals and governmental authorisations. Initial progress is in line with expectations, and Valeura continues to anticipate closing the deal in Q1 2021.

Inorganic growth

Valeura is actively seeking opportunities to grow its business inorganically. The Company is working with RBC Capital Markets to screen and evaluate deal opportunities, spanning Eastern Europe and the greater Mediterranean region. In all instances, the Company is adhering to strict evaluation criteria,

such that any new asset would add both cash flow in the near term and opportunities for significant follow-on organic growth in the medium term.

With an increasing number of companies facing liquidity constraints and dwindling cash resources, the M&A landscape is increasingly becoming a buyers' market. As such, the Company believes conditions are favourable for inorganic growth to enable a step change in the materiality of its business, while fitting with the team's international upstream expertise.

Deep gas upside

Valeura is continuing to pursue its 20 Tcfe unrisked mean prospective resource deep, tight gas play in the Thrace Basin. The Company has engaged Stellar Energy Advisors Limited, with a mandate to secure a partner with technical and commercial expertise suited to a tight gas appraisal play of this magnitude, and anticipates this process continuing throughout Q4 at least.

Pending the entry of a new partner, Valeura is poised to resume appraisal activities rapidly, including drilling the next appraisal well which will target the best quality reservoir encountered to date at the most optimal depth for hydrocarbon flow encountered to date in the dry gas window. Four appraisal well locations have been submitted for government approval.

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Oil and Gas Advisories

A boe is determined by converting a volume of natural gas to barrels using the ratio of 6 Mcf to one barrel. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 boe is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Further, a conversion ratio of 6 Mcf:1 boe assumes that the gas is very dry without significant natural gas liquids. Given that the value ratio based on the current price of oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilising a conversion on a 6:1 basis may be misleading as an indication of value.

Resources

Resource disclosure in this announcement is based on an independent resources evaluation as at December 31, 2018 conducted by D&M in its report dated March 13, 2019, which was prepared using guidelines outlined in the Canadian Oil and Gas Evaluation Handbook and in accordance with NI 51-101, as adjusted to reflect Equinor's withdrawal in Q1 2020. Prospective resources are those quantities

of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. The unrisks estimates of prospective resources referred to in this announcement have not been risked for either the chance of discovery or the chance of development. There is no certainty that any portion of the prospective resources will be discovered. If a discovery is made, there is no certainty that it will be developed or, if it is developed, there is no certainty as to the timing of such development or that it will be commercially viable to produce any portion of the prospective resources. Additional resources information is included in the Company's annual information form for the year ended December 31, 2018.

Advisory and Caution Regarding Forward-Looking Information

Certain information included in this new release constitutes forward-looking information under applicable securities legislation. Such forward-looking information is for the purpose of explaining management's current expectations and plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes, such as making investment decisions. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "project", "target" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking information in this new release includes, but is not limited to: the completion of the shallow sale, the total cash consideration, the Company's entitlement to contingent payments over a five-year period, the receipt of regulatory approvals and other governmental authorisations, and the anticipated closing time; statements with respect to the Company's conventional gas production business strategy, including its ability to maximise the near-term value of its producing conventional gas business through monetising the business; statements with respect to the Company's inorganic growth strategy, including its ability to identify M&A targets and the geographic area of focus; statements with respect to the Company's deep tight gas play strategy, including management's belief that the play represents a material value proposition for shareholders, the sweet spots of the play, its ability to target these sweet spots with the next appraisal well, its ability to find another partner for the play, the Company's farm-out process for the for the play continuing through Q4, 2020 at least, and its ability to resume appraisal activities rapidly thereafter; and management's belief that its three-pronged strategy above has the potential to deliver shareholder value. In addition, statements related to "resources" are deemed to be forward-looking information as they involve the implied assessment, based on certain estimates and assumptions, that the resources can be discovered and profitably produced in the future.

Forward-looking information is based on management's current expectations and assumptions regarding, among other things: the resumption of operations following the COVID-19 pandemic; political stability of the areas in which the Company is operating and completing transactions; continued safety of operations and ability to proceed in a timely manner; continued operations of and approvals forthcoming from the Turkish government in a manner consistent with past conduct; future drilling activity on the required/expected timelines; the prospectivity of the Company's lands, including the deep potential; the continued favourable pricing and operating netbacks in Turkey; future production rates and associated operating netbacks and cash flow; decline rates; future sources of funding; future economic conditions; future currency exchange rates; the ability to meet drilling deadlines and other requirements under licences and leases; the ability to attract a new partner in the deep play; the ability to identify attractive merger and acquisition opportunities to support growth; and the Company's continued ability to obtain and retain qualified staff and equipment in a timely and cost efficient manner. In addition, the Company's work programmes and budgets are in part based upon expected agreement among joint venture partners and associated exploration, development and marketing plans and anticipated costs and sales prices, which are subject to change based on, among other things, the actual results of drilling and related activity, availability of drilling, high-pressure stimulation and other specialised oilfield equipment and service providers, changes in partners' plans and unexpected delays and changes in market conditions. Although the Company believes the expectations and assumptions reflected in such forward-looking information are reasonable, they may prove to be incorrect.

Forward-looking information involves significant known and unknown risks and uncertainties. Exploration, appraisal, and development of oil and natural gas reserves are speculative activities and involve a degree of risk. A number of factors could cause actual results to differ materially from those anticipated by the Company including, but not limited to: the risks of further disruptions from the COVID-19 pandemic; the risks of currency fluctuations; changes in gas prices and netbacks in Turkey; potential changes in joint venture partner strategies and participation in work programmes; uncertainty regarding the contemplated timelines and costs for the deep evaluation; the risks of disruption to operations and access to worksites; potential changes in laws and regulations, the uncertainty regarding government and other approvals; counterparty risk; risks associated with weather delays and natural disasters; and the risk associated with international activity. The forward-looking information included in this new release is expressly qualified in its entirety by this cautionary statement. See the AIF for a detailed discussion of the risk factors.

The forward-looking information contained in this new release is made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless required by applicable securities laws. The forward-looking information contained in this new release is expressly qualified by this cautionary statement.

Additional information relating to Valeura is also available on SEDAR at www.sedar.com.

This Announcement contains inside information as defined in Article 7 of the Market Abuse Regulation No. 596/2014 ("MAR"). Upon the publication of this Announcement, this inside information is now considered to be in the public domain.

This announcement does not constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction, including where such offer would be unlawful. This announcement is not for distribution or release, directly or indirectly, in or into the United States, Ireland, the Republic of South Africa or Japan or any other jurisdiction in which its publication or distribution would be unlawful.

Neither the Toronto Stock Exchange nor its Regulation Services Provider (as that term is defined in the policies of the Toronto Stock Exchange) accepts responsibility for the adequacy or accuracy of this news release.

**Condensed Interim Consolidated Statements of Financial
Position**

(thousands of US Dollars, unaudited)	September 30, 2020	December 31, 2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 31,297	\$ 36,111

Accounts receivable (<i>note 10</i>)	2,773	5,590
Prepaid expenses and deposits	868	1,123
Inventory	204	214
	35,142	43,038
Restricted cash (<i>note 3</i>)	381	258
Right of use lease asset	109	78
Exploration and evaluation assets (<i>note 4</i>)	4,452	4,006
Property, plant and equipment (<i>note 5</i>)	25,135	34,283
	\$ 65,219	\$ 81,663
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 2,960	\$ 5,393
Lease liability	98	69
Decommissioning obligations (<i>note 6</i>)	7,155	8,181
Deferred taxes	1,065	1,702
Shareholders' Equity		
Share capital (<i>note 7</i>)	179,717	179,717
Contributed surplus	21,893	21,229
Accumulated other comprehensive loss	(58,074)	(49,273)
Deficit	(89,595)	(85,355)
Total Shareholders' Equity	53,941	66,318
	\$ 65,219	\$ 81,663

See accompanying notes to the condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and nine months ended September 30, 2020 and
2019

	Three Months Ended		Nine Months Ended	
(thousands of US Dollars, except share and per share amounts, unaudited)	September 30, 2020	September 30, 2019 ⁽¹⁾	September 30, 2020	September 30, 2019 ⁽¹⁾
Revenue (note 8)				
Petroleum and natural gas sales	\$ 1,843	\$ 2,166	\$ 6,569	\$ 7,524
Royalties	(249)	(295)	(885)	(1,012)
Other Income	141	410	510	1,375
	1,735	2,281	6,194	7,887
Expenses and other items				
Production	936	649	2,618	2,182
General and administrative	1,214	374	3,355	1,901
Severance	-	-	450	-
Transaction costs	-	48	-	983
Accretion on decommissioning liabilities (note 6)	212	304	671	1,081
Foreign exchange loss (gain)	335	(423)	(167)	469
Settlement income (note 5)	-	-	(332)	-
Share-based compensation (note 7)	138	396	549	1,440
Depletion and depreciation	1,085	954	3,307	3,580
	3,920	2,302	10,451	11,636
Loss for the period before income taxes	(2,185)	(21)	(4,257)	(3,749)
Income taxes				
Current tax expense (recovery)	207	148	207	163
Deferred tax expense (recovery)	(243)	(3)	(224)	167
Net loss	(2,149)	(166)	(4,240)	(4,079)
Other comprehensive loss				
Currency translation adjustments	(2,720)	239	(8,801)	(1,088)
Comprehensive loss	\$ (4,869)	\$ 73	\$ (13,041)	\$ (5,167)
Net loss per share				
Basic and diluted	\$ (0.02)	\$ (0.00)	\$ (0.05)	\$ (0.05)
Weighted average number of shares outstanding (thousands)	86,585	86,585	86,585	86,554

⁽¹⁾ Presented in US Dollars to conform with current period presentation (note 2b)

See accompanying notes to the condensed interim consolidated financial statements

Condensed Interim Consolidated Statements of Cash Flows
For the three and nine months ended September 30, 2020 and
2019

	Three Months Ended		Nine Months Ended	
(thousands of US Dollars, unaudited)	September 30, 2020	September 30, 2019 ⁽¹⁾	September 30, 2020	September 30, 2019 ⁽¹⁾
Cash was provided by (used in):				
Operating activities:				
Net loss for the period	\$ (2,149)	\$ (166)	\$ (4,240)	\$ (4,079)
Depletion and depreciation	1,085	954	3,307	3,580
Share-based compensation	138	396	549	1,440
Accretion on decommissioning liabilities (<i>note 6</i>)	212	304	671	1,081
Unrealised foreign exchange gain	(253)	(453)	(882)	(42)
Deferred tax expense (recovery)	(243)	(3)	(224)	167
Decommissioning costs incurred (<i>note 6</i>)	(4)	(298)	(21)	(417)
Change in non-cash working capital (<i>note 9</i>)	101	(134)	1,730	(2,444)
Cash provided by (used in) operating activities	(1,113)	600	890	(714)
Financing activities:				
Payments on lease liability	(17)	(7)	(58)	(53)
Proceeds from stock options exercised	-	-	-	201
Cash provided by (used in) financing activities	(17)	(7)	(58)	148
Investing activities:				267
Exploration and evaluation expenditures (<i>note 4</i>)	(147)	(366)	(1,618)	(5,841)
Property and equipment expenditures (<i>note 5</i>)	(148)	(443)	(2,293)	(2,291)
Banarli Farm-in	-	-	-	1,452
Change in restricted cash	(108)	(8)	(123)	(68)
Change in non-cash working capital (<i>note 9</i>)	2,121	226	(521)	(628)
Cash used in investing activities	1,718	(591)	(4,555)	(7,376)
Foreign exchange translation on cash held in foreign currencies	240	(52)	(1,091)	435
Net change in cash and cash equivalents	828	(50)	(4,814)	(7,507)
Cash and cash equivalents, beginning of period	30,469	38,536	36,111	45,993
Cash and cash equivalents, end of period	\$ 31,297	\$ 38,486	\$ 31,297	\$ 38,486

⁽¹⁾ Presented in US Dollars to conform with current period presentation (note 2b)

See accompanying notes to the condensed interim consolidated financial statements

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the nine months ended September 30, 2020 and
2019

(thousands of US Dollars and thousands of shares or warrants, unaudited)	Number of Shares	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comp. Loss	Total Shareholders' Equity
Balance, January 1, 2020	86,585	\$ 179,717	\$ 21,229	\$ (85,355)	\$ (49,273)	\$ 66,318
Net loss for the period	-	-	-	(4,240)	-	(4,240)
Currency translation adjustments	-	-	-	-	(8,801)	(8,801)
Share-based compensation	-	-	664	-	-	664
September 30, 2020	86,585	\$ 179,717	\$ 21,893	\$ (89,595)	\$ (58,074)	\$ 53,941

(thousands of US Dollars and thousands of shares or warrants, unaudited)	Number of Shares	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comp. Loss	Total Shareholders' Equity
Balance, January 1, 2019	86,233	\$ 179,384	\$ 19,488	\$ (80,540)	\$ (47,389)	\$ 70,943
Net loss for the period	-	-	-	(4,079)	-	(4,079)
Shares issued	352	333	(132)	-	-	201
Currency translation adjustments	-	-	-	-	(1,088)	(1,088)
Share-based compensation	-	-	1,515	-	-	1,515
September 30, 2019 ⁽¹⁾	86,585	\$ 179,717	\$ 20,871	\$ (84,619)	\$ (48,477)	\$ 67,492

⁽¹⁾ Presented in US Dollars to conform with current period presentation (note 2b)

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, development and production of petroleum and natural gas in Turkey. Valeura is incorporated in Alberta, Canada and has subsidiaries in the Netherlands, British Virgin Islands and Turkey. Valeura's shares are traded on the Toronto Stock Exchange ("TSX") under the trading symbol VLE and the Main Market of the London Stock Exchange ("LSE"), 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, 2019. 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, 2019, 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, and the new accounting standard described in (e) below.

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, 2019 financial statements.

The unaudited condensed interim consolidated financial statements were authorised for issue by the Board of Directors on November 12, 2020.

(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. The methods used to measure fair value are consistent with the Company's December 31, 2019 audited consolidated financial statements.

Effective December 31, 2019, the Company changed its presentation currency from Canadian Dollars to US Dollars to better reflect the Company's business activities, the needs of investors and comparability to peers in the oil and gas industry. All comparative amounts have been presented in US Dollars to conform with current period presentation.

Subsequent to December 31, 2019, the global impact of the COVID-19 pandemic as well as recent declines in spot prices for oil and gas have resulted in significant declines in global stock markets and has created a great deal of uncertainty as to the health of the global economy. As a result, oil and gas companies are subject to liquidity risks from not maintaining their revenues and earnings as well as maintaining ongoing operating expenditure requirements and funding future development expenditures. These factors are likely to have a negative impact on the Company's ability to raise equity, if required, in the near future or on terms favourable to the Company.

Valeura is adhering to advice provided by local and international health authorities regarding social distancing and increased hygiene practices. As a result, most of the Company's production operations were able to proceed normally, however the Company did suspend non-critical field work, including workovers and redevelopment of existing wells, and implemented work-from-home arrangements as needed during Q3 2020. Operations in Turkey have returned for the most part to normal with COVID-19 related restrictions being eased. Any shutdowns requested or mandated by government authorities in response to the outbreak of COVID-19 may

have a material impact to the Company's planned operating activities, however, no mandated shutdowns have affected operations to date.

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 will continue to monitor the situation closely.

Estimates and judgments made by management in the preparation of these condensed interim consolidated financial statements are subject to a higher degree of measurement uncertainty during this volatile period.

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's and its foreign subsidiaries transact in currencies other than the US Dollar and have a functional currency of Turkish Lira and Canadian dollars as follows:

Company	Functional Currency
Valeura Energy Inc.	Canadian Dollars
Valeura Energy (Netherlands) Cooperatief UA	Turkish Lira
Valeura Energy (Netherlands) BV	Turkish Lira
Corporate Resources BV ⁽¹⁾	Turkish Lira
Thrace Basin Natural Gas (Turkiye) Corporation ⁽¹⁾	Turkish Lira

(1) Subsidiaries hold the Company's conventional gas producing business and are part of the Share Purchase Agreement (note 11)

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 based on information available up to the date these condensed interim consolidated financial statements were approved by the Board of Directors. 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.

(e) New accounting standard

The following amendment as issued by the IASB has been adopted by the Company effective January 1, 2020.

IFRS 3 - Business Combinations sets out the principles in accounting for the acquisition of a business. The amendments to this standard include a change in the definition of a business and the addition of an optional concentration test to determine if the acquisition is a business.

The definition of a business under the amendment to IFRS 3 is now that a business consists of inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs. The three elements of a business are defined as follows:

- Input: any economic resource that creates outputs, or has the ability to contribute to the creation of outputs, when one or more processes are applied to it.
- Process: any system, standard, protocol, convention or rule that, when applied to an input or inputs, creates outputs or has the ability to contribute to the creation of outputs.
- Output: the result of inputs and processes applied to those inputs that provide goods or services to customers, generate investment income or generate other income from ordinary activities.

The optional concentration test permits a simplified assessment of whether an acquired set of activities and assets is in fact a business. An entity may elect to apply, or not apply, the test. An entity may make such an election separately for each transaction or other event. If the concentration test is met, the set of activities and assets is determined not be a business and no further assessment is needed.

3. Restricted Cash

The Company has restricted cash in the amount of \$0.4 million (2019 - \$0.3 million) that is securing licence deposits with the General Directorate of Mining and Petroleum Affairs of the Republic of Turkey ("GDMPA"). This restricted cash is held mostly with National Bank of Canada ("NBC") as security, along with the Account Performance Security Guarantee ("APSG") facility described below, for decommissioning or abandonment obligations and ongoing work programmes on the Company's Turkish licences and as security for third party gas purchase, as described in Note 8 - Revenue. As the expected abandonment date and work programmes for these assets is more than one year from September 30, 2020, this restricted cash and deposit have been classified as non-current in the Company's financial statements.

Effective March 17, 2020, the Company renewed its APSG facility with Export Development Canada ("EDC"). The APSG facility, which was issued to NBC allows the Company to use the facility as collateral for certain letters of credit issued by NBC. The facility is effective from March 17, 2020 to May 31, 2021 with a limit of US\$4.5 million and can be renewed on an annual basis. The Company has issued approximately US\$2.9 million in letters of credit under the APSG facility at current exchange rates.

4. Exploration and Evaluation Assets

Cost	Total
Balance, December 31, 2019	\$ 4,006
Additions	1,618
Capitalised share-based compensation	120
Effects of movements in exchange rates	(1,292)
Balance, September 30, 2020	\$ 4,452

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.

In circumstances where the Company has entered into farm-in arrangements whereby the farm-in partner ("partner") will earn a working interest on certain properties through payment of a pre-determined portion of the costs of exploration or development activities, Valeura recognises a disposal of the partner's working interest once the commitment has been met and the difference between the proceeds received and the carrying amount of the asset are recognised as a gain or loss in earnings for Property, Plant and Equipment assets and as a reduction of Exploration and Evaluation Assets for instances where the farm-in is on undeveloped land.

5. Property, Plant and Equipment

Cost	Total
Balance, December 31, 2019	\$ 66,126
Additions	2,293
Change in decommissioning obligations (<i>note 6</i>)	90
Effects of movements in exchange rates	(16,382)
Balance, September 30, 2020	\$ 52,127

Accumulated depletion and depreciation	Total
Balance, December 31, 2019	\$ 31,843
Depletion and depreciation expense	3,158
Effects of movements in exchange rates	(8,009)
Balance, September 30, 2020	\$ 26,992

Net book value	Total
Balance, December 31, 2019	\$ 34,283
Balance, September 30, 2020	\$ 25,135

(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.

(b) Depletion - future development costs

For the purposes of calculating depletion, petroleum and natural gas properties in Turkey include estimated future development costs of \$115.1 million (December 31, 2019 - \$114.6 million) associated with development of the Company's proved plus probable reserves.

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

(c) Equinor Exit

Effective April 2, 2020 the government of Turkey provided notice that it had approved the transfer of Equinor's working interest and rights to Valeura and Pinnacle Turkey ("PTI"). In the Banarli exploration

licences, Valeura now holds a 100% working interest, and in the West Thrace Exploration Licence and production leases, the Company's holdings increase to 63% working interest in the deep rights. Valeura remains operator of all the blocks.

On April 2, 2020, when the licenses and leases reverted back to Valeura an election was made to apply the optional concentration test (note 2e) in relation to the assets acquired from Equinor which resulted in the acquired assets being accounted for as an asset acquisition. The acquisition resulted in an increase in PP&E of approximately \$0.4 million.

In June 2020 Valeura and Equinor negotiated a settlement whereby the Company agreed to release Equinor of their future obligation to fund their share of decommissioning obligations. This settlement resulted in income of approximately US\$0.3 million.

6. Decommissioning Obligations

Cost	Total
Decommissioning obligations, December 31, 2019	\$ 8,181
Acquired - Equinor exit (note 5)	830
Obligations settled	(21)
Change in estimates	(280)
Accretion of decommissioning obligations	671
Effects of movements in exchange rates	(2,226)
Balance, September 30, 2020	\$ 7,155

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

The following significant assumptions were used to estimate the decommissioning obligations:

	September 30, 2019	December 31, 2019
Undiscounted cash flows	\$ 20,554	\$ 23,432
Risk free rate - Turkey	12.9%	12.0%
Inflation rate - Turkey	11.8%	11.8%
Timing of cash flows	1-14 years	1-14 years

7. Share Capital

(a) Issued

Common shares	Number of Shares	Amount
Balance, December 31, 2019 and September 30, 2020	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 and nine months ended September 30, 2020 is 86,584,989 (September 30, 2019 - 86,584,989 and 86,554,070 respectively). The average number of common shares outstanding was not increased for outstanding stock options as the effect would be anti-dilutive.

(c) Stock options

Valeura has options outstanding that entitle officers, directors, and employees to purchase shares in the Company. Options have been granted at the market price of the shares at the date of grant, have a 7 year term and vest over 3 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, 2019	5,836,667	\$ 1.97
Granted	3,045,000	0.27
Expired	(240,000)	1.00
Forfeited	(763,333)	1.66
Balance outstanding, September 30, 2020	7,878,334	1.38
Exercisable at September 30, 2020	3,987,509	\$ 1.55

The following table summarises information about the stock options outstanding and exercisable at September 30, 2020:

Exercise prices (CAD)	Outstanding at September 30, 2020	Weighted average remaining life (years)	Weighted average exercise price (CAD)	Exercisable at September 30, 2020	Weighted average exercise price (CAD)
\$0.25 - \$0.40	2,470,000	6.46	\$ 0.25	-	\$ -
\$0.41 - \$0.66	1,402,500	1.98	0.59	1,152,500	0.60
\$0.67 - \$0.78	1,621,667	3.19	0.74	1,621,667	0.74
\$0.79 - \$3.81	1,485,000	5.26	2.73	595,004	2.41
\$3.82 - \$4.62	899,167	4.51	4.62	618,338	4.62
	7,878,334	4.54	\$ 1.38	3,987,509	\$ 1.55

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

Assumptions	September 30, 2020	December 31, 2019
Risk free interest rate (%)	1.2	1.6
Expected life (years)	4.5	4.5
Expected volatility (%)	99.43	86.09
Forfeiture rate (%)	6.2	4.5
Weighted average fair value per option	\$ 0.20	\$ 1.84

8. Revenue

Under the contracts, the Company is required to deliver a variable volume of natural gas to the contract counter party. Revenue is recognised when a unit of production is delivered to the contract counterparty. The amount of revenue recognised is based on the agreed transaction price, whereby any variability in revenue relates specifically to the Company's efforts to transfer production or the customer's demand for natural gas, and therefore the resulting revenue is allocated to the production delivered in the period during which the variability occurs. As a result, none of the variable revenue is considered constrained.

The Company's contracts have a term of one year or less, whereby delivery takes place throughout the contract period. Revenues are typically collected between the 12th and 25th day of the month following production.

The Company produces a small amount of crude oil that is sold on a spot basis as volumes warrant. Oil is delivered by truck to customers and revenue is recognised in the period in which the delivery occurs.

In addition to selling natural gas that the Company produces, the Company sells natural gas that it purchases from other producers in the area. This purchased natural gas is sold to the same customers, using the same contracts, through the same distribution network as natural gas the Company produces. The Company purchases natural gas from other producers under contracts that are typically one year or less in length at a discount of between 12.5% and 15% to the BOTAS price. These contracts require the Company to deliver the purchased natural gas to customers. The Company does not have the right, nor the ability, to store the purchased natural gas. Since the Company does not have the ability to influence the decision making process for the purchased natural gas volumes or the discretion to set prices, does not experience any inventory risk, does not perform any processing of the product and does not remit royalties to the Turkish government for the product, it considers itself an agent in these transactions. Revenue for this purchased gas is included net of purchase cost in Other income.

Interest and other revenue is comprised mainly of interest on cash in hand.

All of the Company's natural gas is sold in Turkey, in the Thrace Basin, which is the same area in which it is produced.

	Three Months ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Natural Gas	\$ 1,843	\$ 2,066	\$ 6,400	\$ 7,301
Crude Oil	-	100	169	223
Petroleum and natural gas sales	\$ 1,843	2,166	\$ 6,569	\$ 7,524

	Three Months ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Royalties - natural gas	\$ 231	\$ 258	\$ 800	\$ 913
Crude oil	-	15	20	25
Gross overriding royalty	18	21	65	74
Royalties	\$ 249	295	\$ 885	\$ 1,012

	Three Months ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Third party natural gas sales net of costs	\$ 107	\$ 142	\$ 232	\$ 545
Interest and other revenue	34	268	278	830
Other income	\$ 141	410	\$ 510	\$ 1,375

9. Supplemental Cash Flow Information

	Three Months ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Change in non-cash working capital:				
Accounts receivable	\$ 2,492	\$ (4,813)	\$ 3,277	\$ (3,693)
Prepaid expenses and deposits	153	260	255	544
Inventory	-	(19)	10	(62)
Deposits (non-current)	-	(2)	-	7
Accounts payable and accrued liabilities	(768)	4,478	(2,433)	(280)
Movements in exchange rates	345	188	100	412
	\$ 2,222	92	\$ 1,209	\$ (3,072)

The change in non-cash working capital has been allocated to the following activities:

Operating	101	(134)	1,730	(2,444)
Investing	2,121	226	(521)	(628)
	\$ 2,222	\$ 92	\$ 1,209	\$ (3,072)

10. Financial Risk Management

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

- Credit risk
- Market risk
- Liquidity risk

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

The Board of Directors oversees managements' establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by

the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

(a) Credit risk

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

	September 30, 2020	December 31, 2019
Joint venture receivable from partners	\$ 231	\$ 1,334
Revenue receivables from customers	1,538	2,155
Taxes receivable	1,004	2,101
Accounts receivable	\$ 2,773	\$ 5,590

Trade and other receivables:

Substantially all of the Company's petroleum and natural gas production is marketed under standard industry terms. The Company's policy to mitigate credit risk associated with the balances is to establish marketing relationships with credit worthy purchasers. The Company historically has not experienced any collection issues with its petroleum and natural gas purchasers. Joint venture receivables are typically collected within one to three months of the joint venture invoice being issued to the partner. The Company mitigates the risk from joint venture receivables by obtaining partner approval of significant capital expenditures.

Receivables from participants in the petroleum and natural gas sector, and collection of the outstanding balances can be impacted by industry factors such as commodity price fluctuations, limited capital availability and unsuccessful drilling programmes. The Company does not typically obtain collateral from petroleum and natural gas purchasers or joint venture partners; however the Company can cash call for major projects and does have the ability, in most cases, to withhold production from joint venture partners in the event of non-payment, or withhold accounts payable remittances.

(b) Market risk

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

Foreign currency exchange rate risk:

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. Historically, any devaluation in the TL has typically been followed by an increase in the posted BOTAS Reference Price (in TL) for natural gas. However, devaluation of the TL without a corresponding increase in the natural gas reference price will have a negative impact on adjusted funds flow and could affect the ability of the Company to fund its capital programme in the future. Devaluation of the TL will also result in decreases in royalties, and operating expenses, all other things being equal.

The Company's seismic and drilling operations and related contracts in Turkey are predominantly based in USD for Deep Unconventional Gas Play operations. Material increases in the value of the USD against the TL will negatively impact the Company's costs of drilling and completions activities. Future USD/TL exchange rates could accordingly impact the future value of the Company's reserves as determined by independent evaluators.

Changes to the TL/USD exchange rate would have had the following impact on revenues, royalties and production costs for the three and nine months ended September 30, 2020:

	Petroleum and natural gas revenues	Royalties	Production costs
+/- 5 percent change in realised TL/USD exchange rate			
Three months ended September 30, 2020	\$ 97	\$ 12	\$ 44
Nine months ended September 30, 2020	\$ 340	\$ 44	\$ 132

The Company's drilling and seismic operations and related contracts in Turkey are predominantly based in US Dollars. Material changes in the value of the USD against the TL will impact the Company's capital costs.

Changes to the TL/USD exchange rate, would have had the following impact on capital expenditures for the three and nine months ended September 30, 2020:

	Capital expenditures
+/- 5 percent change in realised TL/USD exchange rate, upon conversion to presentation currency	
Three months ended September 30, 2020	\$ 1
Nine months ended September 30, 2020	\$ 79

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 at historic lows. Market interest rates currently affect the present value of the Company's decommissioning liability.

Commodity price risk:

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by the relationship between the United States Dollar and Turkish Lira, global economic events and Turkish government policies.

The natural gas reference price in Turkey (in TL) is in part correlated to contract prices for natural gas imports into Turkey and also government policy with respect to subsidies to consumers. Natural gas sales for Valeura are under direct sales contracts to industrial buyers and power generation companies in the area and each contract is at a negotiated discount or premium to the BOTAS benchmark price.

In the past two years, the government was increasing the BOTAS reference price thereby offsetting the decline in the value of the TL and reflecting the increase in regional gas prices, resulting in five price increases from the beginning of 2018 through mid-2020. Effective July 1, 2020 the Government of Turkey lowered the natural gas reference price by 10% (in TL). The Company's average realised natural gas price in Turkey for the three months ended September 30, 2020 was \$5.43/mcf which represents a 1.0% discount to the BOTAS price.

Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with 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 budgeted and approved operating and capital expenditures.

Capital management:

The Company's objective when managing capital is to maintain a flexible capital structure which allows it to execute its growth strategy through expenditures on exploration 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.

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, lower production volumes and associated revenues or default under the Company's joint operating agreements. Valeura has not utilised bank loans or debt capital to finance capital expenditures to date.

Subsequent to Equinor's withdrawal on April 2, 2020, Valeura retained operatorship and continues to have control and flexibility in planning its capital spend. Equinor's exit also doubles Valeura's interest in the Deep Gas play but may result in operation delays as the Company searches for another partner to participate in the deep unconventional gas appraisal programme.

11. Subsequent Event

On October 20, 2020, the Company announced the execution of a Share Purchase Agreement to sell its shallow conventional gas business for cash consideration of \$15.5 million, deferred cash consideration of \$1.0 million and contingent consideration of up to \$1.5 million (up to a maximum of \$2.5 million total deferred consideration) subject to normal closing adjustments with an economic effective date of July 1, 2020. The transaction is structured as a sale of shares of Thrace Basin Natural Gas (Turkiye) Corporation and Corporate Resources B.V., both wholly owned subsidiaries of Valeura which, following an internal reorganisation completed during Q3 2020, are the entities which collectively hold the Company's conventional gas producing business. Deal completion is subject to regulatory approvals and expected to close in Q1 2021.

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