FIRST QUARTER 2021 RESULTS

Calgary, May 13, 2021: Valeura Energy Inc. (TSX:VLE, LSE:VLU) (the "**Company**" or "**Valeura**"), an upstream oil and gas company with assets in the Thrace Basin of Turkey, reports its unaudited financial and operating results for the three month period ended March 31, 2021.

Highlights

- *Financial position* – Cash position of US$29.4 million at March 31, 2021, expected to increase to approximately US$44 million, upon completion of the shallow gas business sale;
- *Operations* – Average Q1 production of 684 boe/d;
- *Shallow sale* – All regulatory approvals have been received and currently working on final closing matters;
- *Growth* – Progress on inorganic growth opportunities is expected to increase in the near term with the closing of the sale of the shallow conventional gas business; and
- *Deep play* – Continuing efforts to farm out an interest in the Company's 20 Tcfe unrisked mean prospective resource deep, tight gas play. No material near term cost outlay required to maintain the leases in good standing.

Sean Guest, President and CEO commented:

"Having received all regulatory approvals for the sale of our shallow gas assets, we are now focused on closing matters and we expect the deal to complete in the coming weeks. With the anticipated sale proceeds of US$15.5 million, subject to normal closing adjustments, plus our March 31 cash balance of US$29.4 million, we are in an opportune position to access meaningful inorganic growth opportunities. Importantly, closing of this sale will solidify Valeura's cash position and removes uncertainty in our negotiations with potential counterparties.

"At the same time, our efforts to find a suitable partner for our deep tight gas appraisal play are continuing, and we believe the 20 Tcfe unrisked mean prospective resource in this play will serve to generate value for shareholders in the longer term."

Table 1 Financial and Operating Results Summary

	Three Months Ended March 31, 2021	Three Months Ended December 31, 2020	Three Months Ended March 31, 2020
Financial (thousands of US$ except share amounts)			
Petroleum and natural gas revenues	2,086	1,978	2,808
Adjusted funds flow (used) (1)	(693)	(335)	52
Net loss from operations	(1,061)	(15,294)	(192)
Exploration and development capital	140	934	1,882
Net working capital surplus	39,331	42,190	34,054
Cash	29,384	30,143	32,554
Common shares outstanding			
Basic	86,584,989	86,584,989	86,584,989
Diluted	93,584,322	92,221,822	94,988,323
Share trading (CDN$)			
High	0.64	0.60	0.65
Low	0.47	0.29	0.20
Close	0.56	0.57	0.23
Operations			
Production			
Crude oil (barrels ("**bbl**")/d)	16	16	17
Natural Gas (one thousand cubic feet ("**Mcf**")/d)	4,008	4,145	4,200
boe/d	684	707	716
Average reference price			
Brent ($ per bbl)	61.04	44.32	50.44
BOTAS Reference ($ per Mcf) (3)	5.57	5.07	7.17
Average realised price			
Crude oil ($ per bbl)	68.41	43.48	65.22
Natural gas ($ per Mcf)	5.52	5.02	7.08
Average Operating Netback ($ per boe) (1)	16.86	15.17	24.95

Notes:

See the Company's 2020 Management's Discussion and Analysis for the three months ended March 31, 2021 and 2020 filed on SEDAR for further discussion.

(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 annual information form for the year ended December 31, 2020 filed on SEDAR for further discussion.

Additional information and commentary on the three months ended March 31, 2021 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's strategy is progressing as planned, with the Company pursuing a three-pronged approach described below to leverage the Company's gas assets, financial strength, and differentiated capabilities, toward delivering shareholder value.

Conventional Gas Production Business Sale

The Company is in the final stages of monetising its conventional gas business by its sale to TBNG Limited (the "**Sale Transaction**"). All government consents required to complete the Sale Transaction have now been granted and closing is anticipated within the coming weeks. Upon closing, Valeura will receive cash consideration of US$15.5 million, subject to normal closing adjustments based on the economic effective date of July 1, 2020. Thereafter, Valeura will be entitled to royalty payments over a five-year period, tied to local gas prices, and ranging in total from a minimum of US$1.0 million and a cap of US$2.5 million.

Inorganic Growth

Valeura is in a strong financial position, with US$29.4 million in cash resources at the end of Q1, expected to grow to approximately US$44 million upon completion of the Sale Transaction. Valeura's strong balance sheet, coupled with its internationally experienced management team and board, orients the Company well to grow by way of mergers and acquisitions ("**M&A**"). Valeura and its advisors have observed an improvement in the overall ability to transact inorganic opportunities in 2021, with greater stability returning to the upstream industry. The Company continues to be actively engaged in bidding and negotiating on inorganic growth opportunities, focusing on deals that will generate cash flow in the near term coupled with further growth through reinvestment.

Closing of the Sale Transaction will allow the management team to focus on progressing negotiations with other companies on potential M&A deals. It also clarifies Valeura's value, asset base and ability to fund acquisitions, thereby facilitating negotiations.

Deep Gas Play Farmout

Valeura views its deep, unconventional tight gas play in the Thrace Basin (the "**Deep Gas Play**") as a core constituent of its portfolio and believes this play to be a material source of potential long-term value for shareholders. Its three exploration licences in the core of the Deep Gas Play are valid up to June 27, 2022, and under Turkey's licence terms, the Company has the ability to maintain these assets for up to approximately five more years through work programme commitments, which do not require material near term cost outlays, prior to converting the exploration licences to longer term production leases.

Valeura is pursuing a plan to farm out a portion of its interest in the Deep Gas Play. While as of today, no agreement has been reached, as commodity prices are recovering, the Company anticipates an increase in appetite for opportunities of this type, and believes the Thrace Basin presents an appealing proposition, particularly as more companies are expressing a preference for gas-oriented opportunities and the potential for material upside. In the meantime, Valeura has no significant immediate capital commitments on the Deep Gas Play.

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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 DeGolyer and MacNaughton 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 National Instrument 51-101, *Standards of Disclosure for Oil ang Gas Activities*, 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 unrisked 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 and expected cash position thereafter, the Company's entitlement to royalty payments over a five-year period, the anticipated closing time for the Sale Transaction; statements with respect to the Company's inorganic growth strategy, including its ability to identify M&A targets; 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, its ability to find another partner for the play; 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 hydraulic 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: inability to close the shallow sale; inability to secure a new partner for the deep play and execute potential M&A transactions; 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 EU No. 596/2014, part of UK law by virtue of the European Union (Withdrawal) Act 2018, and is in accordance with the Company's obligations under Article 17 of that Regulation.

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.

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Condensed Interim Consolidated Statements of Financial Position

(thousands of US Dollars, unaudited)	**March 31, 2021**	December 31, 2020
Assets		
Current Assets		
Cash and cash equivalents	**$ 29,384**	$ 30,143
Restricted cash (*note 3*)	**234**	232
Accounts receivable	**87**	199
Prepaid expenses and deposits	**563**	330
Assets held for sale (*note 4*)	**18,607**	22,032
	48,875	52,936
Exploration and evaluation assets *(note 5)*	**1,539**	1,643
Property, plant and equipment *(note 6)*	**264**	278
	$ 50,678	$ 54,857
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 945**	$ 506
Liabilities directly associated with the assets held for sale *(note 4)*	**8,365**	10,240
	9,310	10,746
Decommissioning obligations *(note 7)*	**1,265**	2,161
	10,575	12,907
Shareholders' Equity		
Share capital *(note 8)*	**179,717**	179,717
Contributed surplus	**22,351**	22,410
Accumulated other comprehensive loss	**(56,015)**	(55,288)
Deficit	**(105,950)**	(104,889)
	40,103	41,950
	$ 50,678	$ 54,857

See accompanying notes to the condensed interim consolidated financial statements.

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Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three months ended March 31, 2021 and 2020

(thousands of US Dollars, unaudited)	**March 31, 2021**	March 31, 2020
Revenue ***(note 10)***		
Petroleum and natural gas sales	**$ 2,086**	$ 2,808
Royalties	**(279)**	(378)
Other Income	**129**	268
	1,936	2,698
Expenses		
Production	**770**	801
General and administrative	**1,658**	1,230
Severance	**146**	450
Transaction costs	**44**	-
Accretion on decommissioning liabilities *(notes 4 and 7)*	**277**	218
Foreign exchange (gain) loss	**744**	(1,317)
Share-based compensation *(note 8)*	**(76)**	157
Change in estimate on decommissioning liabilities *(note 7)*	**(709)**	-
Depletion and depreciation *(note 6)*	**7**	1,278
	2,861	2,817
Loss for the period before income taxes	**(925)**	(119)
Income taxes		
Current tax expense	**22**	-
Deferred tax expense	**114**	73
Net loss	**(1,061)**	(192)
Other comprehensive loss		
Currency translation adjustments	**(727)**	(5,845)
Comprehensive loss	**(1,788)**	(6,037)
Net loss per share		
Basic and diluted	**$ (0.01)**	$ (0.00)
Weighted average number of shares outstanding (thousands)	**86,585**	86,585

See accompanying notes to the condensed interim consolidated financial statements.

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Condensed Interim Consolidated Statements of Cash Flows
For the three months ended March 31, 2021 and 2020

(thousands of US Dollars, unaudited)	**March 31, 2021**	March 31, 2020
Cash was provided by (used in):		
Operating activities:		
Net loss for the period	**$ (1,061)**	$ (192)
Depletion and depreciation *(note 6)*	**7**	1,278
Share-based compensation *(note 8)*	**(76)**	157
Accretion on decommissioning liabilities *(note7)*	**277**	218
Change in estimate on decommissioning liabilities *(note7)*	**(709)**	-
Unrealised foreign exchange loss (gain)	**755**	(1,482)
Deferred tax expense	**114**	73
Decommissioning costs incurred	**-**	(16)
Change in restricted cash	**(2)**	-
Change in non-cash working capital *(note 11)*	**247**	775
Cash (used in) provided by operating activities	**(448)**	811
Financing activities:		
Principal payments on lease liability	**(28)**	(24)
Cash used in financing activities	**(28)**	(24)
Investing activities:		
Property and equipment expenditures *(note 6)*	**-**	(1,461)
Exploration and evaluation expenditures *(note 5)*	**(68)**	(421)
Assets held for sale expenditures	**(72)**	-
Change in restricted cash	**-**	(14)
Change in non-cash working capital *(note 11)*	**(172)**	(1,046)
Cash used in investing activities	**(312)**	(2,942)
Foreign exchange gain (loss) on cash held in foreign currencies	**29**	(1,402)
Net change in cash and cash equivalents	**(759)**	(3,557)
Cash and cash equivalents, beginning of period	**30,143**	36,111
Cash and cash equivalents, end of period	**$ 29,384**	$ 32,554

See accompanying notes to the condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the three months ended March 31, 2021 and 2020

(thousands of US Dollars and thousands of shares, unaudited)	Number of common shares	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comp. Loss	Total Shareholders' Equity
Balance, January 1, 2021	86,585	$ 179,717	$ 22,410	$ (104,889)	$ (55,288)	$ 41,950
Net loss for the period	-	-	-	(1,061)	-	(1,061)
Currency translation adjustments	-	-	-	-	(727)	(727)
Share-based Compensation	-	-	(59)	-	-	(59)
March 31, 2021	**86,585**	**$ 179,717**	**$ 22,351**	**$ (105,950)**	**$ (56,015)**	**$ 40,103**

(thousands of US Dollars and thousands of shares, unaudited)	Number of common shares	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comp. Loss	Total Shareholders' Equity
Balance, January 1, 2020	86,585	$ 179,717	$ 21,229	$ (85,355)	$ (49,273)	$ 66,318
Net loss for the period	-	-	-	(192)	-	(192)
Currency translation adjustments	-	-	-	-	(5,845)	(5,845)
Share-based Compensation	-	-	186	-	-	186
March 31, 2020	**86,585**	**$ 179,717**	**$ 21,415**	**$ (85,547)**	**$ (55,118)**	**$ 60,467**

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, 2020. 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, 2020, 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.

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, 2020 financial statements.

The unaudited condensed interim consolidated financial statements were authorised for issue by the Board of Directors on May 12, 2021.

(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, 2020 audited consolidated financial statements.

The COVID-19 pandemic over the past year has had a significant impact on the global economy, reducing the near term demand for oil and gas and increasing volatility in oil and gas prices. As a result, oil and gas companies could be subject to increased liquidity risks given the impact on revenues and challenges in funding ongoing operating expenditure requirements and 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.

In Q1 2021, the Company was able to maintain its gas production and serve its customers in Turkey during the period of lockdowns and curfews related to COVID-19. Staffing levels and locations of work were adjusted and additional safety and health measures were introduced across all operations. These measures were successful, and the Company experienced no COVID outbreaks in any of its operations.

Any restrictions 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 lockdowns have affected operations to date. Valeura is adhering to advice provided by local and international health authorities regarding social distancing and increased hygiene practices.

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.

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	Turkish Lira
Thrace Basin Natural Gas Turkiye Corporation	Turkish Lira

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 realized 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.

3. Restricted Cash

The Company has restricted cash in the amount of $0.2 million (2020 - $0.2 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 in Note 9, 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 10 - Revenue.

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

4. Assets Held for Sale

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 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 ("TBNG") and Corporate Resources B.V. ("CRBV"), both wholly owned subsidiaries of Valeura which, following an internal reorganisation completed during Q3 2020, are the entities which collectively hold the Company's shallow conventional gas producing business.

In a subsequent development, regulatory approvals for the transaction were received in early May 2021 and the transaction is now expected to close Q2 2021.

As at March 31, 2021, assets and liabilities held for sale include the current and non-current assets and liabilities of TBNG and CRBV as a disposal group. The following table summarizes the major classes:

Assets held for Sale	**March 31, 2021**	December 31, 2020
Accounts receivable	**$ 2,696**	$ 2,826
Inventory	**120**	179
Prepaid expenses and deposits	**243**	245
Right of use asset	**340**	90
Exploration and evaluation assets	**1,194**	1,339
Property and Equipment	**14,014**	17,353
Balance, March 31, 2021	**$ 18,607**	$ 22,032

Liabilities directly associated with the assets held for sale	**March 31, 2021**	December 31, 2020
Accounts payable and accrued liabilities	**2,102**	2,189
Lease liability	**279**	87
Deferred income taxes	**483**	430
Asset retirement obligation	**5,501**	7,534
Balance, March 31, 2021	**$ 8,365**	$ 10,240

The decrease in the assets held for sale and the liabilities associated with the assets held for sale is due primarily to the weakening of the TL compared to the USD and downward revisions to the decommissioning obligations as a result of a change in estimates and an increased discount rate.

5. Exploration and Evaluation Assets

Cost	**Total**
Balance, December 31, 2020	$ 1,643
Additions	68
Capitalised share-based compensation	18
Effects of movements in exchange rates	(190)
Balance, March 31, 2021	**$ 1,539**

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

6. Property, Plant and Equipment

Cost	Total
Balance, December 31, 2020	$ 15,108
Effects of movements in exchange rates	(1,697)
Balance, March 31, 2021	**$ 13,411**

Accumulated depletion and depreciation	Total
Balance, December 31, 2020	$ 14,830
Depreciation expense	7
Effects of movements in exchange rates	(1,690)
Balance, March 31, 2021	**$ 13,147**

Net book value	Total
Balance, December 31, 2020	$ 278
Balance, March 31, 2021	**$ 264**

The depreciation expense recorded in Q1 2021 relates to the Company's corporate assets.

(a) Contingencies

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

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

7. Decommissioning Obligations

	March 31, 2021
Decommissioning obligations, beginning of period	$ 2,161
Change in estimates	(709)
Accretion of decommissioning obligations	59
Effects of movements in exchange rates	(246)
Balance, March 31, 2021	**$ 1,265**

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 change in estimate is mainly due to a revision in the cost estimates for abandonment and reclamation, an increase in the risk-free interest rate in Turkey (March 31, 2021 – 18.08%; December 31, 2020 – 12.5%) and an increase in the inflation rate in Turkey (March 31, 2021 – 16.19%; December 31, 2020 – 14.6%). The change in estimate has been recorded on the statement of loss and comprehensive loss as the Company has no asset related to the decommissioning liability.

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

8. Share Capital

(a) Issued

Common shares	Number of Shares	Amount
Balance, March 31, 2021 and December 31, 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 months ended March 31, 2021 is 86,584,989 (March 31, 2020 and December 31, 2020 – 86,584,989). 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 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 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, 2020	5,636,833	$ 0.57
Granted	2,262,500	0.52
Expired	(360,000)	0.64
Forfeited/cancelled	(540,000)	0.98
Balance outstanding, March 31, 2021	**6,999,333**	**0.52**
Exercisable at March 31, 2021	**2,873,510**	**$ 0.66**

The following table summarises information about the stock options outstanding and exercisable at March 31, 2021:

Exercise prices (CAD)	Outstanding at March 31, 2021	Weighted average remaining life (years)	Weighted average exercise price (CAD)	Exercisable at March 31, 2021	Weighted average exercise price (CAD)
$0.25 - $0.33	2,320,000	5.96	$ 0.25	773,343	$ 0.25
$0.34 - $0.53	2,412,500	6.94	0.51	-	-
$0.54 - $0.74	1,241,833	2.62	0.63	1,075,167	0.64
$0.75 - $4.62	1,025,000	2.99	0.99	1,025,000	0.99
	6,999,333	5.27	$ 0.52	2,873,510	$ 0.66

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

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	March 31, 2021	December 31, 2020
Risk free interest rate (%)	**0.8**	0.8
Expected life (years)	**4.5**	4.5
Expected volatility (%)	**99.0**	99.6
Forfeiture rate (%)	**10.8**	6.8
Weighted average fair value per option	**$ 0.37**	$ 0.20

9. Credit Facilities

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.

10. 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.

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

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	March 31, 2021	March 31,2020
Natural gas	$ 1,991	$ 2,706
Crude oil	95	102
Petroleum and natural gas sales	**$ 2,086**	**$ 2,808**

Three months ended	March 31, 2021	March 31,2020
Royalties – natural gas	$ 249	$ 338
Crude oil	9	12
Gross overriding royalty	21	28
Royalties	**$ 279**	**$ 378**

Three months ended	March 31, 2021	March 31, 2020
Third party natural gas sales net of costs	$ 83	$ 101
Interest and other revenue	46	167
Other income	**$ 129**	**$ 268**

11. Supplemental Cash Flow Information

Three months ended	**March 31, 2021**	March 31, 2020
Change in non-cash working capital:		
Accounts receivable	**$ 112**	$ 1,512
Prepaid expenses and deposits	**(233)**	135
Inventory	**-**	(2)
Accounts payable and accrued liabilities	**439**	(1,611)
Assets held for sale	**3,425**	-
Liabilities directly associated with the asset held for held for sale	**(1,875)**	-
Movements in exchange rates	**(1,793)**	(305)
	75	(271)

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

Operating	**247**	775
Investing	**(172)**	(1,046)
	$ 75	$ (271)

12. 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.

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

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:

	December 31, 2021	December 31, 2020
Joint venture receivable from partners	$ -	$ 89
Revenue receivables from customers	1,740	1,688
Taxes receivable	1,043	1,248
Accounts receivable [1]	$ 2,783	$ 3,025

[1] Accounts receivable balance includes balances in assets held for sale of $2.7 million

Trade and other receivables:

Substantially all of the Company's petroleum and natural gas production is marketed under standard industry terms that are specific by country. 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 programmmes. 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 maximizing 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, devaluation in the TL has typically been followed by a legislated increase in the posted BOTAS Reference Price 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.

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

Changes to the TL/USD exchange rate would have had the following impact on revenues, royalties and production costs for the three months ended March 31, 2021:

+/- 5 percent change in realised TL/USD exchange rate	Petroleum and natural gas revenues	Royalties	Production costs
Three months ended March 31, 2021	$ 111	$ 14	$ 39

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 US Dollar against the Turkish Lira 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 year ended March 31, 2020:

+/- 5 percent change in realised TL/USD exchange rate, upon conversion to presentation currency	Capital expenditures
Three months ended March 31, 2021	$ 1

Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not currently exposed to interest rate risk as it has no debt.

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 Canadian Dollar and Turkish Lira, the Canadian Dollar and United States Dollar, global economic events and Turkish government policies.

The natural gas reference price in Turkey 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.

The Company's average realised natural gas price in Turkey for the three months ended March 31, 2021 was $5.52/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 the financial liabilities. The Company's financial liabilities consist of accounts payable. Accounts payable consists of invoices payable to trade suppliers for office, field operating activities and capital expenditures. The Company processes invoices within a normal payment period. Accounts payable have contractual maturities of less than one year. The Company maintains and monitors a certain level of cash which is used to finance all operating and capital expenditures.

Capital management:

The Company's 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.

Fair value of financial assets and liabilities:

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

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

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

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

The Company aims to maximize 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, prepaid expenses and deposits, and accounts payable and accrued liabilities approximate their carrying amounts due to their short terms to maturity.