VALEURA ENERGY

THIRD QUARTER 2021 RESULTS

Calgary, November 12, 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 September 30, 2021.

Highlights

- *Financial position* - Cash position of US$41.7 million at September 30, 2021;
- *Royalties* - Valeura is now due royalty payments in connection with the sale of its conventional gas producing business. Given current gas prices, these are now expected to reach the capped total of US$2.5 million within the coming year; and
- *Strategy* - Continuing to pursue near-term inorganic growth opportunities and seeking a suitable partner to farm in to the Company's 20 Tcfe unrisked mean prospective resource deep, tight gas play.

Sean Guest, President and CEO commented:

"Our third quarter results demonstrate the stability of our financial position as we continue to pursue our strategy from a position of strength. With no debt, a cash position of US$41.7 million, and a lean organisation, we are aggressively evaluating new business opportunities without putting strain on our balance sheet.

"During the third quarter we have experienced a strengthening in the business environment for global upstream oil and gas investments, with stronger benchmark oil and gas prices. This reinforces our view on the ability for mergers and acquisitions-led growth to contribute meaningful near-term cash flow, and we remain especially focused on those opportunities which also provide the potential for follow-on investment in the medium term.

"We are encouraged by the substantial improvement in European gas market fundamentals, as well. This underscores the inherent long-term value of our 20 Tcfe unrisked mean prospective resource gas play. We also stand to benefit directly from increased gas prices in the near term by the start of royalty payments from the shallow gas producing business we sold earlier this year. We anticipate receiving the full capped maximum royalty payment of $2.5 million within the coming year."

Financial position and Royalty

As of the end of Q3, Valuera had cash and cash equivalent resources totalling US$41.7 million, and no debt.

Associated with the sale of its conventional gas producing business which closed in Q2 2021, Valeura is due a royalty over the next five years of between US$1.0 and $2.5 million, related to gas prices. The Company has received confirmation that a royalty payment is due for September and, given the continued positive environment for gas prices, the royalty payment is expected to increase for Q4 2021. Under the current gas price outlook, Valeura expects to receive the full US$2.5 million in royalty payments within the coming year and this has been recorded as an increase in the accounts receivable.

The Company's near and mid-term financial obligations are minimal, comprised only of G&A associated with its small and lean organisation, and modest licence commitments required to keep its Turkish land holdings in good standing.

Strategy

With its strong financial position and internationally experienced team, Valeura is well positioned to grow by way of mergers and acquisitions in a number of international jurisdictions including the Mediterranean basin and other areas where the management and board have experience. The Company is evaluating several targets that could provide near-term cashflow plus the opportunity for medium-term re-investment to generate further value through growth. Valeura is squarely focussed on only executing transactions that will generate material value for shareholders.

In the longer term, Valeura intends to deliver value from its deep, unconventional tight gas play in the Thrace Basin (the "**Deep Gas Play**"). 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. Given recent gas price increases and the focus on gas supply to Europe, the Company is continuing with its plan to farm out a portion of its interest in the Deep Gas Play in order to jointly pursue the next phase of appraisal work.

Additional information and commentary on the three months ended September 30, 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.

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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 Company's entitlement to royalty payments over a five-year period; 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, and its ability to find another partner for the play. 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 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: the Company's ability to secure a new partner for the deep play; the timing and quantum of future royalty payments, the ability to execute potential M&A transactions and add material value for shareholders including through near-term cash flow; 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.

Condensed Interim Consolidated Statements of Financial Position

(thousands of US Dollars, unaudited)	**September 30, 2021**	December 31, 2020
Assets		
Current Assets		
Cash and cash equivalents	**$ 41,683**	$ 30,143
Restricted cash (*note 3*)	**16**	232
Accounts receivable *(note 4 and 12)*	**809**	199
Royalty receivable *(note 4 and 12)*	**2,500**	-
Prepaid expenses and deposits	**400**	330
Assets held for sale (*note 4*)	**-**	22,032
	45,408	52,936
Exploration and evaluation assets *(note 5)*	**1,654**	1,643
Property, plant and equipment *(note 6)*	**272**	278
	$ 47,334	$ 54,857
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 484**	$ 506

Liabilities directly associated with the assets held for sale *(note 4)*	**-**	10,240
	484	10,746
Decommissioning obligations *(note 7)*	**1,483**	2,161
	1,967	12,907
Shareholders' Equity		
Share capital *(note 8)*	**179,717**	179,717
Contributed surplus	**22,577**	22,410
Accumulated other comprehensive gain (loss) *(note 4)*	**9,322**	(55,288)
Deficit	**(166,249)**	(104,889)
	45,367	41,950
	$ 47,334	$ 54,857

See accompanying notes to the condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Loss and Comprehensive Income (Loss)
For the three and nine months ended September 30, 2021 and 2020

	Three Months Ended		Nine Months Ended	
(thousands of US Dollars, unaudited)	**September 30, 2021**	September 30, 2020	**September 30, 2021**	September 30, 2020
Revenue *(note 10)*				
Petroleum and natural gas sales	**$ -**	$ 1,843	**$ 3,126**	$ 6,569
Royalties	**-**	(249)	**(423)**	(885)
Other Income	**32**	141	**264**	510
	32	1,735	**2,967**	6,194
Expenses and other items				
Production	**50**	936	**1,264**	2,618
General and administrative	**966**	1,214	**3,613**	3,355
Severance	**-**	-	**206**	450
Transaction costs	**5**	-	**74**	-
Accretion on decommissioning liabilities (*notes 7*)	**51**	212	**517**	671
Foreign exchange (gain) loss	**(1,087)**	335	**(675)**	(167)

Settlement income	**-**	-	**-**	(332)
Share-based compensation (*note 8*)	**110**	138	**129**	549
Change in estimate on decommissioning liabilities *(note 7)*	**155**	-	**(509)**	-
Depletion and depreciation *(notes 6)*	**7**	1,085	**21**	3,307
	257	3,920	**4,640**	10,451
Gain (loss) for the period before other items	**(225)**	(2,185)	**(1,673)**	(4,257)
Gain on sale *(note 4)*	**-**	-	**6,134**	-
Gain on deferred consideration *(note 4)*	**1,459**	-	**1,459**	-
Currency translation on subsidiaries disposed *(note 4)*	**-**	-	**(67,005)**	-
	-	-	**(59,412)**	-
Gain (loss) for the period before income taxes	**1,234**	(2,185)	**(61,085)**	(4,257)
Income taxes				
Current tax expense	**-**	207	**41**	207
Deferred tax expense (recovery)	**-**	(243)	**234**	(224)
Net income (loss)	**1,234**	(2,149)	**(61,360)**	(4,240)
Other comprehensive income (loss)				
Currency translation on subsidiaries disposed *(note 4)*	**-**	-	**67,005**	-
Currency translation adjustments	**(1,007)**	(2,720)	**(2,395)**	(8,801)
	(1,007)	(2,720)	**64,610**	(8,801)
Comprehensive income (loss)	**$ 227**	$ (4,869)	**$ 3,250**	$ (13,041)
Net income (loss) per share *(note 8)*				
Basic	**$ 0.01**	$ (0.02)	**$ (0.71)**	$ (0.05)
Diluted	**$ 0.01**	$ (0.02)	**$ (0.71)**	$ (0.05)
Weighted average number of shares outstanding (thousands)				
Basic	**86,585**	86,585	**86,585**	86,585
Diluted	**87,610**	86,585	**86,585**	86,585

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, 2021 and 2020

	Three Months Ended		Nine Months Ended	
(thousands of US Dollars, unaudited)	**September 30, 2021**	September 30, 2020	**September 30, 2021**	September 30, 2020
Cash was provided by (used in):				
Operating activities:				
Net income (loss) for the period	**$ 1,234**	$ (2,149)	**$ (61,360)**	$ (4,240)
Depletion and depreciation *(note 6)*	**7**	1,085	**21**	3,307
Share-based compensation *(note 8)*	**110**	138	**129**	549
Accretion on decommissioning liabilities *(note7)*	**51**	212	**517**	671
Gain on deferred consideration *(note 4)*	**(1,459)**	-	**(1,459)**	-
Change in estimate on decommissioning liabilities *(note7)*	**155**	-	**(509)**	-
Disposition *(note 4)*	**-**	-	**60,871**	-
Unrealised foreign exchange loss (gain)	**(1,085)**	(253)	**(643)**	(882)
Deferred tax expense (recovery)	**-**	(243)	**234**	(224)
Decommissioning costs incurred	**-**	(4)	**-**	(21)
Change in non-cash working capital *(note 11)*	**(164)**	101	**(292)**	1,730
Cash (used in) provided by operating activities	**(1,151)**	(1,113)	**(2,491)**	890
Financing activities:				
Principal payments on lease liability	**-**	(17)	**(28)**	(58)
Cash used in financing activities	**-**	(17)	**(28)**	(58)
Investing activities:				
Property and equipment expenditures *(note 6)*	**(27)**	(148)	**(29)**	(2,293)
Exploration and evaluation expenditures *(note 5)*	**(96)**	(147)	**(250)**	(1,618)
Assets held for sale expenditures	**-**	-	**(163)**	-
Net cash received on disposition *(note 4)*	**-**	-	**14,358**	-
Royalty receivable *(note 4)*	**2,500**	-	**2,500**	-
Change in restricted cash	**1**	(108)	**216**	(123)
Change in non-cash working capital *(note 11)*	**(1,999)**	2,121	**(2,583)**	(521)
Cash used in investing activities	**379**	1,718	**14,049**	(4,555)
Foreign exchange gain (loss) on cash held in foreign currencies	**(171)**	240	**10**	(1,091)
Net change in cash and cash equivalents	**(943)**	828	**11,540**	(4,814)
Cash and cash equivalents, beginning of period	**42,626**	30,469	**30,143**	36,111
Cash and cash equivalents, end of period	**$ 41,683**	$ 31,297	**$ 41,683**	$ 31,297

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, 2021 and 2020

(thousands of US Dollars and thousands of shares, unaudited)	Number of common shares	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comp. Income/(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	-	-	-	(61,360)	-	(61,360)
Currency translation adjustments	-	-	-	-	64,610	64,610
Share-based Compensation	-	-	167	-	-	167
September 30, 2021	**86,585**	**$ 179,717**	**$ 22,577**	**$ (166,249)**	**$ 9,322**	**$ 45,367**

(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	-	-	-	(4,240)	-	(4,240)
Currency translation adjustments	-	-	-	-	(8,801)	(8,081)
Share-based		-	664	-	-	664

Compensation	-					
September 30, 2020	**86,585**	**$ 179,717**	**$ 21,893**	**$ (89,595)**	**$ (58,074)**	**$ 53,941**

See accompanying notes to the condensed interim consolidated financial statements.

1. Reporting Entity

Valeura Energy Inc. ("Valeura" or the "Company") and its subsidiaries (refer to note 2c) are currently engaged in the exploration and development of petroleum and natural gas in Turkey. Valeura is incorporated in Alberta, Canada and has subsidiaries in the Netherlands 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 November 10, 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 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
Northern Hunter Inc.	Canadian Dollars
Valeura Energy (Netherlands) Cooperatief UA	Turkish Lira
Valeura Energy (Netherlands) BV	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 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.

3. Restricted Cash

The Company has restricted cash in the amount of $0.02 million (2020 - $0.23 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 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.

4. Disposition

On May 26, 2021, the Company closed the sale of its shallow conventional gas assets for cash consideration (including closing working capital and effective date adjustments) of $16.85 million, and deferred consideration valued at $1.0 million, with an economic effective date of July 1, 2020 ("the Transaction"). The Transaction was structured as a sale of shares of Thrace Basin Natural Gas (Turkiye) Corporation ("TBNG") and Corporate Resources B.V. ("CRBV"), both of which were wholly owned subsidiaries of Valeura. The deferred consideration is in the form of a cash royalty payable over 5 years, tied to local gas prices, with a minimum payment of $1 million and a maximum of $2.5 million.

Upon closing of the Transaction, the Company estimated the deferred consideration to be approximately $1.0 million. During the three months ended September 30, 2021, the Company recorded a gain on the deferred consideration of $1.5 million as the maximum payment of $2.5 million is expected due to overall increases in Turkish natural gas prices. The $2.5 million royalty payment is recorded in accounts receivable as the full balance is expected to be paid within one year. Upon closing of the Transaction, $0.3 million of the purchase price is being held in escrow for a period of one year from the closing date of the transaction. This amount is being held within accounts receivable.

The disposition resulted in a gain on disposal of $6.1 million and a currency translation loss of $67.0 million. Per note 2 (c), accumulated other comprehensive income or loss in disposed subsidiaries, due to currency translation losses, must be transferred to retained earnings through the statement of profit and loss.

Recognised amounts of identifiable assets and liabilities disposed of were as follows:

Net assets disposed		
Cash	$	2,185
Accounts receivable		2,418
Inventory		117
Prepaid expenses and deposits		273
Right of use asset		340
Exploration and evaluation assets		1,232
Property and equipment		13,914
Accounts payable and accrued liabilities		(2,096)
Lease liability		(279)
Deferred income taxes		(589)
Asset retirement obligation		(5,755)
Total net assets disposed	**$**	**11,760**
Consideration		
Cash proceeds		16,543
Retention receivable		310
Royalty receivable		1,041
Total consideration	**$**	**17,894**

Gain on disposition	**$**	**6,134**
Currency translation loss on subsidiaries disposed		**(67,005)**
Total loss on disposition	**$**	**(60,871)**

5. Exploration and Evaluation Assets

Cost		Total
Balance, December 31, 2020	$	1,643
Additions		250
Capitalised share-based compensation		41
Effects of movements in exchange rates		(280)
Balance, September 30, 2021	**$**	**1,654**

6. Property, Plant and Equipment

Cost		Total
Balance, December 31, 2020	$	15,108
Additions		29
Effects of movements in exchange rates		(2,455)
Balance, September 30, 2021	**$**	**12,682**

Accumulated depletion and depreciation		Total
Balance, December 31, 2020	$	14,830
Depreciation expense		21
Effects of movements in exchange rates		(2,441)
Balance, September 30, 2021	**$**	**12,410**

Net book value		Total
Balance, December 31, 2020	$	278
Balance, September 30, 2021	**$**	**272**

The depreciation expense recorded in 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

	September 30, 2021
Decommissioning obligations, beginning of period	$ 2,161
Change in estimates	(509)
Accretion of decommissioning obligations	159
Effects of movements in exchange rates	(328)
Balance, September 30, 2021	**$ 1,483**

The Company's decommissioning obligations result from its ownership interest in oil and natural gas assets. The total decommissioning obligation is estimated based on the Company's net ownership interest in all wells, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The 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 (September 30, 2021 - 18.5%; December 31, 2020 - 12.5%) and an increase in the inflation rate in Turkey (September 30, 2021 - 19.6%; 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.

8. Share Capital

(a) Issued

Common shares	Number of Shares	Amount
Balance, September 30, 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 and the year ended September 30, 2021 is 86,584,989 (September 30, 2020 and December 31, 2020 - 86,584,989). The Company recorded net income for the three months ended September 30, 2021, and the average number of common shares outstanding was increased by 1,024,767 for the outstanding in the money stock options which resulted in a diluted weighted average number of common shares outstanding of 87,609,756. The weighted average number of common shares outstanding was not increased for the year ended September 30, 2021, 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 three years.

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

	Number of Options	Weighted average exercise price (CAD)
Balance outstanding, December 31, 2020	5,636,833	$ 0.57
Granted	2,312,500	0.52
Expired	(360,000)	0.64
Forfeited	(908,333)	1.06
Balance outstanding, September 30, 2021	**6,681,000**	**0.48**
Exercisable at September 30, 2021	**2,695,176**	**$ 0.57**

The following table summarises information about the stock options outstanding and exercisable at September 30, 2021:

Exercise prices (CAD)	Outstanding at September 30, 2021	Weighted average remaining life (years)	Weighted average exercise price (CAD)	Exercisable at September 30, 2021	Weighted average exercise price (CAD)
$0.25 - $0.37	2,266,667	5.44	$ 0.25	760,009	$ 0.25
$0.38 - $0.53	2,312,500	6.49	0.52	-	-
$0.54 - $0.74	1,148,500	2.08	0.62	981,834	0.63
$0.75 - $0.80	953,333	2.39	0.76	953,333	0.76
	6,681,000	4.79	$ 0.48	2,695,176	$ 0.57

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, 2021**	December 31, 2020
Risk free interest rate (%)	**0.8**	0.8
Expected life (years)	**4.4**	4.5
Expected volatility (%)	**99.0**	99.6
Forfeiture rate (%)	**11.0**	6.8
Weighted average fair value per option	**$ 0.37**	$ 0.20

9. Credit Facilities

The Company's APSG facility with Export Development Canada ("EDC") is effective from June 16, 2021 to May 31, 2022 with a limit of $0.25 million and can be renewed on an annual basis. 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, with a limit of $0.25 million and can be renewed on an annual basis. The Company has issued approximately $0.14 million in letters of credit under the APSG facility at current exchange rates.

10. Revenue

Petroleum and natural gas sales, royalties and third party natural gas sales recorded in the nine months ended September 30, 2021 are from the shallow conventional assets which were sold on May 26, 2021. After the close of the Transaction, the Company's only revenue for the period is interest.

For revenue earned until May 26, 2021, under the contracts, the Company was required to deliver a variable volume of natural gas to the contract counter party. Revenue was recognised when a unit of production was delivered to the contract counterparty. The amount of revenue recognised was based on the agreed transaction price, whereby any variability in revenue related specifically to the Company's efforts to transfer production or the customer's demand for natural gas, and therefore the resulting revenue was allocated to the production delivered in the period during which the variability occurs. As a result, none of the variable revenue was considered constrained.

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

The Company produced a small amount of crude oil prior to May 26, 2021, that was sold on a spot basis as volumes warranted. Oil was delivered by truck to customers and revenue was recognised in the period in which the delivery occurred.

In addition to selling natural gas that the Company produced prior to May 26, 2021, the Company sold natural gas that it purchased from other producers in the area. This purchased natural gas was sold to the same customers, using the same contracts, through the same distribution network as natural gas the Company produced. The Company purchased natural gas from other producers under contracts that were typically one year or less in length at a discount of between 12.5% and 15% to the BOTAS price. These contracts required the Company to deliver the purchased natural gas to customers. The Company did not have the right, nor the ability, to store the purchased natural gas. Since the Company did not have the ability to influence the decision-making process for the purchased natural gas volumes or the discretion to set prices, did not experience any inventory risk, did not perform any processing of the product and did not remit royalties to the Turkish government for the product, it considered itself an agent in these transactions. Revenue for this purchased gas was included net of purchase cost in other income.

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

	Three Months ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	**September 30, 2021**	September 30, 2020
Natural Gas	**$ -**	$ 1,843	**$ 3,031**	$ 6,400
Crude Oil	**-**	-	**95**	169
Petroleum and natural gas sales	**$ -**	1,843	**$ 3,126**	$ 6,569

	Three Months ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	**September 30, 2021**	September 30, 2020
Royalties - natural gas	**$ -**	$ 231	**$ 379**	$ 800
Crude oil	**-**	-	**14**	20
Gross overriding royalty	**-**	18	**30**	65
Royalties	**$ -**	249	**$ 423**	$ 885

	Three Months ended		Nine Months Ended	

	September 30, 2021	September 30, 2020	**September 30, 2021**	September 30, 2020
Third party natural gas sales net of costs	**$ -**	$ 107	**$ 152**	$ 232
Interest and other revenue	**32**	34	**112**	278
Other income	**$ 32**	141	**$ 264**	$ 510

11. Supplemental Cash Flow Information

	Three Months ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	**September 30, 2021**	September 30, 2020
Change in non-cash working capital:				
Accounts receivable	**$ (2,584)**	$ 2,492	**$ (3,110)**	$ 3,277
Prepaid expenses and deposits	**196**	153	**(70)**	255
Inventory	**-**	-	**-**	10
Accounts payable and accrued liabilities	**14**	(768)	**22**	(2,433)
Movements in exchange rates	**211**	345	**283**	100
	$ (2,163)	$ 2,222	**$ (2,875)**	$ 1,209
The change in non-cash working capital has been allocated to the following activities:				
Operating	**(164)**	101	**(292)**	1,730
Investing	**(1,999)**	2,121	**(2,583)**	(521)
	$ (2,163)	$ 2,222	**$ (2,875)**	$ 1,209

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.

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, 2021	December 31, 2020
Joint venture receivable from partners	$ 99	$ 89
Revenue receivables from customers	-	1,688
Retention receivable *(note 4)*	310	-
Taxes receivable	262	1,248
Other	138	-
Accounts receivable	$ 809	$ 3,025
Royalty receivable *(note 4)*	$ 2,500	$ -

Trade and other receivables:

The Company's receivables consist of a royalty receivable related to the Transaction (note 4), taxes receivable from the Turkish Government (VAT receivable) and a retention receivable amount related to the Transaction (note 4) which is a portion of the purchase price held in escrow for one year.

Receivables from partners are related to the Company's remaining licences in Turkey. Other receivables are related to an insurance premium refund.

(b) Market risk

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

Interest rate risk:

Interest rate risk is the risk that future cash flows 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.

Liquidity risk:

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

Capital management:

The Company's capital structure includes working capital and shareholders' equity. Currently, total capital resources available are working capital and the Company has a significant cash balance of $41.7 million. 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. 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 maximise the use of observable inputs when preparing calculations of fair value. Classification of each measurement into the fair value hierarchy is based on the lowest level of input that is significant to the fair value calculation.

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