Q4

Management's Discussion & Analysis

For the Year Ended December 31, 2023
Dated March 26, 2024

CONTENTS

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") focuses on Valeura Energy Inc.'s ("Valeura" or the "Company") results during the three and twelve months ended December 31, 2023. To better understand this MD&A, it should be read in conjunction with Valeura's audited consolidated financial statements for the twelve months ended December 31, 2023, and 2022 ("the Financial Statements"), and related notes thereto. Additional information relating to Valeura is available on its website at www.valeuraenergy.com and on SEDAR+ at www.sedarplus.ca, including Valeura's annual information form for the year ended December 31, 2023 (the "AIF"). **The reporting currency is the United States Dollar ("$").**

NON-IFRS FINANCIAL MEASURES

This MD&A includes references to financial measures commonly used in the oil and gas industry such as adjusted EBITDAX, net debt / net cash, outstanding debt, net working capital, adjusted net working capital, adjusted cashflow from operations, adjusted opex, and adjusted capex which are not generally accepted accounting measures under International Financial Reporting Standards ("IFRS Accounting Standards") and do not have any standardised meaning prescribed by IFRS and, therefore, may not be comparable with similar definitions that may be used by other public companies. Management believes that adjusted EBITDAX, net debt / net cash, outstanding debt, net working capital, adjusted net working capital, adjusted cashflow from operations, adjusted opex, and adjusted capex are useful supplemental measures that may assist shareholders and investors in assessing the financial performance and position of the Company. Non-IFRS financial measures should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. The definition and reconciliation of each non-IFRS financial measure and non-IFRS ratio is presented in this MD&A. See "Non-IFRS Financial Measures and Ratios" on page 21.

BASIS OF PREPARATION

The Financial Statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board as at and for the years ended December 31, 2023 and 2022, and have been prepared in accordance with the accounting policies and methods of computation as set forth in note 3 of the Financial Statements.

The discussion and analysis of oil production is presented on a working-interest, before royalty basis.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the revenues and expenses during the reporting period. Management reviews these estimates, including those related to accruals, reserves, environmental and decommissioning obligations and income taxes at each financial reporting period. Changes in facts and circumstances may result in revised estimates and actual results may differ from these estimates. Readers should be aware that historical results are not necessarily indicative of future performance.

Any financial outlook or future oriented financial information in this MD&A, as defined by applicable securities legislation, has been approved by management of Valeura. Such financial outlook or future oriented financial information is provided for the purpose of providing information about 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.

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 complicated when the political, economic and security situation is uncertain. Management has based its estimates with respect to the Company's operations on information available up to the date this MD&A was approved by the board of directors of the Company. Significant changes could occur which could materially impact the assumptions and estimates made in this MD&A.

COMPANY PROFILE

Valeura is a Canada-incorporated public company engaged in the production, development, and exploration of oil and gas in Thailand and in Türkiye, and is pursuing further inorganic growth in Southeast Asia. The common shares of the Company ("Common Shares") are listed and posted for trading on the Toronto Stock Exchange under the symbol "VLE", and quoted on the OTCQX in the United States of America under the trading symbol "VLERF". The head office of Valeura is located at 111 Somerset Road, #09-31, Singapore, 238164. Valeura's registered and records office is located at 4600, 525 – 8th Avenue SW, Calgary, Alberta, T2P 1G1. Valeura was incorporated under the Business Corporations Act (Alberta).

KEY ASSETS AND WORKING INTERESTS

The Company's material interests are summarised in the following table:

Country	Concession	Key Fields	Location	Life Cycle	Working Interests
Thailand	B5/27	Jasmine/Ban Yen	Offshore	Production	100% Operator
	G11/48	Nong Yao	Offshore	Production	90% Operator
	G1/48	Manora	Offshore	Production	70% Operator
	G10/48 (1)	Wassana	Offshore	Production	100% Operator
Türkiye	West Thrace Deep / Banarli Deep Joint Venture (2)	n.a.	Onshore	Appraisal	63% / 100% Operator

(1) The Company announced on April 28, 2023 that its 11% partner in the G10/48 concession, Palang Sophon Limited ("PSL"), has opted to discontinue its participation in the block. By agreement between PSL and Valeura, PSL transferred its 11% working interest to Valeura. Completion of this 11% transfer is pending government approval.

(2) On April 7, 2023, Valeura submitted an application for the second extension period of the Banarli and West Thrace Exploration Licences and has been advised that the renewal remains in administrative processing.

THAILAND

The Company has been active in Thailand since April 28, 2022, when the Company entered into a sale and purchase agreement (the "Kris SPA") with KrisEnergy (Asia) Ltd. to acquire all of the issued and outstanding shares of KrisEnergy International (Thailand) Holdings Ltd. (now known as Valeura Energy (Thailand) Holdings Ltd.) ("VETH"), which held an interest in two operated licences in shallow water offshore Thailand, Licence G10/48 and Licence G6/48 (the "Kris Acquisition"). The Kris Acquisition closed on June 15, 2022. On December 6, 2022, Valeura announced that Valeura Energy Asia Pte. Ltd. (formerly Panthera Resources Pte. Ltd.) (the "SPV") had entered into a sale and purchase agreement with Mubadala Petroleum (Thailand) Holdings Limited ("Mubadala Petroleum") to acquire the Thailand upstream oil producing portfolio of Busrakham Oil and Gas Ltd ("Busrakham Oil"), effective September 1, 2022, which included interests in three operated licences in shallow water offshore Thailand, Licence B5/27, Licence G11/48, and Licence G1/48 (the "Mubadala Acquisition"). The Mubadala Acquisition closed on March 22, 2023.

A subsidiary of the Company has divested its working interest of 43% in Licence G6/48. The agreement for the withdrawal from and transfer of the G6/48 interest is dated April 27, 2023. As of December 31, 2023, the Company had no proportion of the participating share in the licence.

TÜRKIYE

The Company has been active in Türkiye since its inception. The primary region of the Company's activity in Türkiye has been the Thrace Basin, just west of Istanbul where the Company operated its gas assets. Between 2017 and 2020, the Company undertook a large exploration and appraisal campaign of a deep, unconventional tight gas play (the "Deep Gas Play") in partnership with Equinor Turkey B.V. ("Equinor"). Equinor exited the Deep Gas Play in Q2 2020. In 2021, the Company sold its shallow conventional gas business in Türkiye. The Company's search for a new partner to further progress appraisal of the Deep Gas Play is ongoing.

The Banarli and West Thrace Exploration Licences had a set expiry date of June 27, 2023, but each licence can be extended for two further two-year periods.

On April 7, 2023, Valeura submitted an application for the second extension period of the Banarli and West Thrace Exploration Licences and has been advised that the renewal remains in administrative processing. Accordingly, the Company continues to include these licences as part of its portfolio and will provide an update on the new expiry dates when known.

COMPANY STRATEGY

Valeura is pursuing a disciplined growth strategy which is to create value through growth, predicated on the following priorities:

- organic growth within its portfolio, intended to sustain strong cash flows by re-investing to replace reserves and to develop underexploited opportunities.
- inorganic growth within the Southeast Asia region, focusing on value and operationally accretive merger and acquisition ("M&A") targets, with a preference for opportunities that provide current or near-term production and cash flow.
- operational excellence across its organisation, drawing upon the expertise of a proven international team to maintain a relentless focus on operational efficiency and margins while also aspiring to be a responsible corporate citizen in everything it does.

In addition, Valeura (assuming licence renewals are obtained) continues to hold an operated, high working interest position in the Deep Gas Play in the Thrace Basin of Türkiye, which it believes could be a source of significant value in the longer term. The Company intends to farm out a portion of its interest in the Deep Gas Play in order to jointly pursue the next phase of appraisal work.

HIGHLIGHTS

2023 Highlights

- Closed the Mubadala Acquisition[(1)] for cash consideration of $10.4 million, adding three producing offshore Gulf of Thailand fields to the Valeura portfolio
- Four producing fields yielded average production of 20,440 bbls/d[(2)]
- Restarted production from the Wassana oil field, and drilled appraisal wells which confirmed the presence of oil deeper than previously proven, leading to a potential re-development of the field and extension of field life beyond 2030
- Drilling activity extended the economic life of all fields in the portfolio
- Replaced more than double the volume of oil produced by all fields in 2023 – 219% through 1P and 2P reserves additions (Reserves Replacement Ratio)
- Generated adjusted EBITDAX of 230 million[(3)] , and adjusted cash flow from operations of $152 million[(3)]
- Strengthened the balance sheet by accumulating cash of US$151 million as of December 31, 2023, fully paying off debt, and reducing the decommissioning obligation to US$129 million[(4)]
- Increased 2P net present value before tax to $616 million and $429 million after tax[(5)]
- Considering year end 2023 cash position, increased 2P net asset value after tax to $579 million, equating to C$7.56 per share[(6)]

(1) As more fully defined in the AIF, closed March 22, 2023.
(2) Working interest share production, before royalties, from closing of the Mubadala Acquisition on March 22, 2023 through December 31, 2023.
(3) Non-IFRS financial measure (defined below) or non-IFRS ratio – see "Non-IFRS Financial Measures and Ratios" section within this news release.
(4) Compared to decommissioning obligation of $184 million as first reported following the Mubadala Acquisition as at March 31, 2023
(5) Discounted at 10% discount rate (NPV10)
(6) Proved plus probable (2P) NPV10 plus net cash at December 31, 2023, assuming C$/$ exchange rate of 0.742, and 103.3 million shares outstanding (as of February 19, 2024)

		Three months ended December 31, 2023	Year ended December 31, 2023
Oil Production[(1)]	*('000 bbls)*	1,763	5,825
Average Daily Oil Production[(1)]	bbls/d	19,165	15,960 *(365 days[(2)])* 20,440 *(285 days[(2)])*
Average Realised Price	$/bbl	85.5	84.3
Oil Volumes Sold	mmbbls	2.0	5.9
Oil Revenue	$ 'mm	169.9	493.5
Adjusted Opex per bbl[(3)]	$/bbl	29.4	28.3
Adjusted Capex[(3)]	$ 'mm	30.4	108.7
Adjusted Pre-Tax Cash Flow from Operations[(3)]	$ 'mm	88,3	238.7
Adjusted Cash Flow from Operations[(3)]	$ 'mm	56.0	152.4
Adjusted EBITDAX[(3)]	$ 'mm	96.7	230.7

(1) Working interest share production, before royalties.
(2) Non-IFRS financial measure – see "Non-IFRS Financial Measures and Ratios" section within this MD&A.
(3) Average Daily production of 15,960 bbls/d represents average over the full calendar year (365 days), whereas , the average daily production of 20,440 bbl/d represent the average production over the period from the closing of the Mubadala Acquistion on March 22nd, 2023 (i.e. 285 days).
(4) Non-IFRS financial measure – see "Non-IFRS Financial Measures and Ratios" section within this MD&A.

All performance metrics in line with expectations resulting in re-iteration of guidance estimates previously announced in the Company's announcement "Operational Update and 2024 Guidance Outlook" dated January 16, 2024.

Q4 2023 Key Achievements

- Achieved average working interest oil production of 19,165 bbls/d.
- Sold 2.0 million bbls of oil at an average realised price of $85.5/bbl, generating oil revenue of $170 million.
- Generated adjusted EBITDAX of $97 million, and adjusted cash flow from operations of $56 million, and.
- Announced the results of two appraisal wells drilled on the flanks of the Wassana oil field which confirmed the presence of oil deeper than previously proven.
- Re-started oil production at the Wassana oil field, offshore Gulf of Thailand, as of December 8, 2023.
- Completed an infill drilling campaign at the Nong Yao oil field, with three development wells having encountered targets in line with pre-drill expectations and brought online as producers, and one appraisal well having confirmed approximately 50' of new net oil pay over several intervals.

Recent Developments

- Anna Green was appointed as an independent director of the Company effective January 1, 2024.
- Mobilised the T7 Shirley MOPU to the Gulf of Thailand in support of the Nong Yao C development in February 2024.
- Signed SPA regarding the purchase of the Nong Yao oil field's FSO Aurora for $19 million (*Transaction expected to close in end of Q2*).
- Announced favourable initial results from an infill drilling programme at the Wassana field resulting in total field output increasing to more than 4,000 bbls/d, and expanded the Wassana development drilling programme from three to five wells.
- Announced the results of a third-party independent reserves and resources assessment for its Thailand assets, as of December 31, 2023, indicating an increase in reserves across all fields.

		Three months ended		Year ended	
		December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Oil Production[1]	*(bbls /d)*	19,165	-	15,960	-
Oil Volumes Sold	*('mbbls)*	1,987	-	5,854	-
Oil Revenues	*($'000)*	169,909	-	493,457	-
Net Earnings/(Loss)	*($'000)*	57,404	(7,862)	245,958	(15,223)
Adjusted EBITDAX [2]	*($'000)*	96,679	(5,302)	230,672	(12,349)
Adjusted Pre-tax cashflow from operations	*($'000)*	88,326	(5,302)	238,661	(12,349)
Adjusted Cashflow from Operations [2]	*($'000)*	56,023	(5,302)	152,375	(12,349)
Adjusted Opex [2]	*($'000)*	51,818	2,884	165,077	5,735
Adjusted Capex [2]	*($'000)*	30,374	3	108,733	43
Weighted average shares outstanding – basic	*('000 shares)*	102,652	86,610	99,227	86,610

		As at	
		December 31, 2023	December 31, 2022
Cash & Cash equivalents and Restricted cash	*($'000)*	151,165	17,585
Current and Non-Current Debt	*($'000)*	-	11,090
Adjusted Net Working Capital	*($'000)*	118,143	13,247
Shareholder's Equity	*($'000)*	284,178	28,457

(1) Working interest share production, before royalties.
(2) Non-IFRS financial measure – see "Non-IFRS Financial Measures and Ratios" section within this MD&A.

2023 Performance versus Guidance

On April 18, 2023, the Company announced its guidance outlook for 2023 (the "Original 2023 Guidance"), and on August 9, 2023 revised the Original 2023 Guidance expectations to reflect a downward expectation in both operating costs and capital spending (the "Revised 2023 Guidance"). Highlights of the Company's Revised 2023 Guidance on a pro-forma basis and performance outcomes are summarised below, presented here on a full year, and including the period January 1, 2023 through March 22, 2023, which was before Valeura completed the Mubadala Acquisition.

		Full Year 2023[1]		Full Year 2023[1]
		Original 2023 Guidance	Revised 2023 Guidance	Performance
Production[2]	*(bbls/d)*	20,000 – 22,300	20,000 – 22,300	20,420
Price realisations	*($/bbl)*	Approximately equivalent to the Brent crude oil benchmark	Approximately equivalent to the Brent crude oil benchmark	$1.8 premium
Operating costs[3]	*($ million)*	220 – 240	200 – 220	203
Capital spending[4]	*($ million)*	180 – 200	155 - 175	138

(1) Represents full calendar year (Jan 1, 2023 to Dec 31, 2023)
(2) Working interest production
(3) Represents Adjusted Opex which is Non-IFRS financial measure – see "Non-IFRS Financial Measures and Ratios" section within this MD&A.
(4) Represents Adjusted Capex, as more fully described below. Non-IFRS financial measure – see "Non-IFRS Financial Measures and Ratios" section within this MD&A.

2024 Guidance and Outlook

On January 16, 2024, Valeura provided an operational update and its guidance outlook for 2024. The Company announced forecast average 2024 full year oil production of 21,500 – 24,500 bbls/d, based on the assumption that Nong Yao C development drilling will start in late Q1 2024 and continue for approximately four months. Accordingly, the Company anticipates higher production in the second half of the year 2024.

		Full Year 2024 Guidance Range
Working Interest Production	*(bbls/d)*	21,500 – 24,500
Price realisations	-	Approximately equivalent to the Brent crude oil benchmark
Adjusted Opex(1)	*($ million)*	205 – 235
Capex(1)	*($ million)*	135 – 155
Exploration Expense	-	Approximately $8 million

(1) Non-IFRS financial measure – see "Non-IFRS Financial Measures and Ratios" section within this MD&A.

The Company intends to fund its 2024 spending through cash on hand and cash flow generated from ongoing operations. All guidance estimates provided above reflect Valeura's net working interest share, relating to the full year 2024. Valeura intends to maintain a strong balance sheet, in support of its growth-oriented strategy, which includes the potential for further M&A.

Approximately 75% of the Company's capex is directed toward drilling. Valeura intends to have one drilling rig under contract for the entire year, and to conduct a continuous drilling programme covering each of its fields. The drilling sequence itself is subject to ongoing real-time optimisation.

Reserves and Resources

The results of Valeura's third-party independent reserves and resources assessment for its Thailand assets as of December 31, 2023 were announced on February 20, 2024. Highlights were as follows:

- Reserves increased across all fields – 29.9 MMbbl proved (1P), 37.9 MMbbl proved plus probable (2P) and 46.5 MMbbl proved plus probable plus possible (3P);
- 1P and 2P Reserves Replacement(1) more than double the volume of oil produced in 2023 – 219%;
- 2P net present value (NPV) before tax of $616 million and $429 million after tax(2);
- With year end 2023 cash position of US$151 million, the implied 2P net asset value after tax per share of C$ 7.56 (3); and
- More than three-fold increase in best estimate (2C) contingent resources, on a risked basis(4).

(1) Reserves Replacement is calculated by dividing the difference in reserves between the December 31, 2023 reserves and the December 31, 2022 reserves, plus actual 2023 production, by the assets' total production before royalties for the calendar year 2023.

(2) Discounted at 10% discount rate (NPV_{10}). Estimated future net revenues do not necessarily represent the fair market value of the reserves associated therewith.

(3) 2P NPV_{10} plus net cash of $151 million at December 31, 2023 (cash $151 million, debt nil), assuming C$/$ exchange rate of 0.742, and 103.3 million outstanding (as of February 19, 2024). Common Shares outstanding. Net asset value per share is not predictive and may not be reflective of current or future market prices for Valeura.

(4) Best estimate (2C) contingent resources are quantified and more fully described in the AIF.

PERIOD OVERVIEW

Operations Overview

The Company had ongoing production operations on its Jasmine/Ban Yen, Nong Yao, and Manora oil fields throughout Q4 2023, and restarted production operations at the Wassana oil field late in the quarter. Aggregate production averaged 19,165 bbls/d during Q4 2023, and 15,960 bbls/d in the full year 2023(1) (20,440 bbls/d for the period since the closing of the Mubadala Transaction). One drilling rig was under contract for the duration of the year. All production figures herein represent the Company's working interest share of gross (before royalties) production.

		Three months ended		Year ended	
	Unit	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Company's Working Interest Average Production	**bbls/d**	**19,165**	**-**	**15,960(1)**	**-**
Jasmine/Ban Yen	*bbls/d*	*8,864*	-	*7,237*	-
Nong Yao	*bbls/d*	*6,436*	-	*5,570*	-
Manora	*bbls/d*	*3,420*	-	*2,605*	-
Wassana	*bbls/d*	*445*	-	*548*	-

(1) The Mubadala Acquisition closed on March 22, 2023

Jasmine/Ban Yen:
Working interest production from the Jasmine/Ban Yen oil field, in Licence B5/27 (100% Valeura working interest) averaged 8,864 bbls/d during Q4 2023, and 7,237 bbls/d for the full year 2023 (9,269 bbls/d for the period since the closing of the Mubadala Transaction). These rates compare to nil in 2022, which was prior to the Company completing the Mubadala Acquisition. In May 2023, the field achieved an historic milestone, having produced its 90 millionth barrel of oil. The field has greatly exceeded oil recovery expectations set at its original development sanction in 2005 of approximately seven million barrels.

During 2023, the Company conducted two separate drilling campaigns on the Jasmine oil field, one on the Jasmine B platform which was in progress at the time of closing the Mubadala Acquisition and completed in May 2023, and one on the Jasmine D wellhead platform from September through October, 2023. In aggregate, the Company drilled 11 (gross and net) wells on the Jasmine oil field, with six being production-oriented development infill wells and five appraisal wells. In addition, the Company conducted one well workover in 2023 on the Jasmine oil field.

During 2023, Valeura also completed a study into power generation and emissions efficiency opportunities at the Jasmine oil field, culminating in a project to install a gas turbine generator tailor-made to utilise the field's unique waste gas stream as feedstock for power generation. The project is intended to both reduce the field's greenhouse gas emissions and diesel consumption, and thus operating costs.

Nong Yao:
Working interest production from the Nong Yao oil field, in Licence G11/48 (90% Valeura working interest) averaged 6,436 bbls/d during Q4 2023 and 5,570 bbls/d for the full year 2023 (7,130 bbls/d for the period since the closing of the Mubadala Transaction). These rates compare to nil in 2022, which was prior to the Company completing the Mubadala Acquisition.

During 2023, the Company conducted two drilling campaigns on the Nong Yao field, one in Q2 on the Nong Yao B wellhead platform, and one in Q4 on Nong Yao A. In aggregate, the Company drilled a total of six gross wells (5.4 net). Five of the gross wells (4.5 net) were development-oriented production wells, in addition to one gross (0.9 net) appraisal well. In addition, the Company conducted one well workover in 2023 on the Nong Yao field. The overall effect of Valeura's Nong Yao drilling and well work has been an increase in production and reserves as well as an expansion in the opportunity set for further infill drilling within the field.

Also during the year, the Company conducted work to prepare for the expansion of the Nong Yao oil field, including installation of a three-kilometre pipeline to connect existing field production infrastructure to a new-build MOPU, which will be used to develop an extension of the field known as Nong Yao C. As of the date of this MD&A, construction of the MOPU (the *T7 Shirley*) is complete, and the vessel has been mobilised to the field, where installation is underway.

Manora:
Working interest production at the Manora oil field, in Licence G1/48 (70% Valeura working interest) averaged 3,420 bbls/d during Q4 2023, and 2,605 bbls/d for the full year 2023 (3,335 bbls/d for the period since the closing of the Mubadala Transaction). These rates compare to nil in 2022, which was prior to the Company completing the Mubadala Acquisition.

During 2023, the Company conducted an infill drilling programme on the Manora field starting in June and ending in July. The Company drilled three gross development wells (2.1 net) to commercialise bypassed oil downdip of existing wells in one of the field's deeper intervals, as well as multiple attic or bypassed accumulations in shallower reservoirs. The Company also conducted one well workover during the year.

The effect of infill drilling has been an increase in production output from the field, an addition of reserves, and an extension in the field's anticipated economic life. The results indicate the potential for further development opportunities on the field.

Wassana:
Working interest production of oil at the Wassana field, in Licence G10/48 (100% Valeura working interest), averaged 445 bbls/d during Q4 2023, and 548 bbls/d during the full year 2023. These rates compare to nil in 2022.

While daily production rates did achieve levels of over 4,000 bbls/d during 2023, illustrating the early potential of the asset as part of Valeura's portfolio, there were relatively short periods of production during the year, resulting in the lower average rates recorded both for the quarter and for the year. Production from the field started in April and was voluntarily suspended in July as part of the Company's drive to address safety concerns on the field's third-party operated FSO. Production re-commenced in December 2023.

Valeura drilled two appraisal wells (gross and net) on the Wassana oil field in Q3 2023 and conducted three well workovers, targeting deeper portions of the reservoir. The wells were successful in proving the presence of oil deeper than previously demonstrated and as a result, the Company has commenced a review of development options to expand the production infrastructure, which could increase production and extend the field's economic life beyond 2030. Valeura has commissioned a project team to select a suitable development concept for re-development of the field, and anticipates making a final investment decision in 2024. In December 2023, Valeura began an infill drilling campaign on the Wassana oil field, initially planned to include three production-oriented development wells, and subsequently expanded to a planned programme of five wells.

West Thrace Deep Gas Play:
The Company had no active operations in Türkiye during 2023 as it continued its search for a farm-in partner to pursue the next phase of work on the Deep Gas Play, where it holds interests ranging from 63% to 100% (assuming the licence renewals are obtained).

Environmental, Social and Governance Overview

During 2023, Valeura continued its strong performance in health, safety, and environmental stewardship across its portfolio. The Company intervened into operations at the third-party operated FSO on the Wassana oil field where operating practices did not meet the Company's high standards. While the intervention resulted in a temporary suspension of production, the Company feels its measures were prudent, and underscored its philosophy to prioritise safe operations across its operations. Separately, major inspection works across its offshore assets have indicated no material anomalies, thereby confirming that all facilities and subsea assets are in good working order and comply with the Company's expectations for asset integrity. The Company intends to disclose key metrics relating to its environmental, social, and governance performance as a component of an inaugural sustainability report in 2024.

Financial Overview

The Company's Q4 2023 financial performance was influenced by a higher volume of maintenance activity, well workovers, and drilling operations, as planned and included in the Company's guidance estimates. This increased activity level applied to the entire portfolio, and included ongoing work at the Wassana oil field where production was offline for the majority of the quarter. Accordingly, the combined impact of reduced production revenues during a phase of higher planned spending has negatively influenced the Company's Q4 2023 financial performance. At the same time, however, the results of drilling activity conducted during Q3 2023 suggest significant future development potential, as more fully described under the "Operations Overview" section in this MD&A.

For the financial performance in 2023, higher level of activity was a result of the Mubadala Acquisition, which added three new assets to the Company's portfolio, comprised of Jasmine, Manora and Nong Yao oil fields, compared to in 2022, when the Company held only the Wassana oil field.

Financial Metrics

	Three months ended		Year ended	
In $'000	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Revenue and other income				
Oil revenues	169,909	-	493,457	-
Royalties	(22,827)	-	(66,664)	-
Net oil revenues	**147,082**	**-**	**426,793**	**-**
Other income	5,058	106	11,416	260
	152,140	**106**	**438,209**	**260**
Expenses				
Operating	49,622	2,884	180,192	5,735
Exploration	785	-	1,441	-
Special remuneratory benefit (SRB)	6,292	-	15,123	-
General and administrative	7,251	2,418	25,238	6,614
Net change in contingent consideration	(905)	-	(905)	-
Impairment on E&E asset	1	-	4,279	-
Impairment loss on receivable	-	-	955	-
Transaction costs	-	763	970	2,779
Finance costs	8,789	1,042	34,022	1,532
Foreign exchange (gain) loss	(134)	643	183	(1,470)
Share-based compensation	936	191	1,978	415
Depletion and depreciation	31,375	18	128,719	38
	104,012	**7,959**	**392,195**	**15,643**
Profit (loss) for the period before other items	***48,128***	***(7,853)***	***46,014***	***(15,383)***
Bargain purchase gain	30,523	(677)	238,143	1,592
Change in net monetary position due to hyperinflation	88	(147)	472	151
Income (loss) for the period before income taxes	**78,739**	**(8,677)**	**284,629**	**(13,640)**
Income taxes				
Deferred tax recovery	(3,244)	-	(30,847)	-
Tax expense	26,011	-	71,163	-
Net income (loss)	**55,972**	**(8,677)**	**244,313**	**(13,640)**
Net income (loss) attributable to:				
Shareholders of Valeura Energy	55,972	(7,931)	245,026	(12,495)
Non-controlling interest	-	(746)	(713)	(1,145)
Net income (loss)	**55,972**	**(8,677)**	**244,313**	**(13,640)**
Other Comprehensive income				
Currency translation adjustments	579	815	792	(1,583)
Actuarial gain	853	-	853	-
Comprehensive income (loss)	**57,404**	**(7,862)**	**245,958**	**(15,223)**
Net income (loss) attributable to:				
Shareholders of Valeura Energy	55,972	(7,931)	245,026	(12,495)
Non-controlling interest	-	(746)	(713)	(1,145)
Earnings (loss) per share				
Basic	*0.55*	*(0.10)*	*2.47*	*(0.14)*
Diluted	*0.52*	*(0.10)*	*2.34*	*(0.14)*

Oil Revenues

		Three months ended		Year ended	
		December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Oil Volumes Sold	mbbl	**1,987**	**-**	**5,854**	**-**
Jasmine/Ban Yen	*mbbl*	*918*	-	*2,673*	-
Nong Yao	*mbbl*	*656*	-	*2,000*	-
Manora	*mbbl*	*413*	-	*1,029*	-
Wassana	*mbbl*	-	-	*152*	-

		Three months ended		Year ended	
		December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Brent Average	$/bbl	84.4	88.5	82.1	101.3
Dubai Average	$/bbl	83.6	84.8	81.6	96.3
Realised	**$/bbl**	**85.5**	**-**	**84.3**	**-**
(Discount) / Premium to Brent	*$/bbl*	*1.1*	*nm*	*2.2*	*nm*
(Discount) / Premium to Dubai	*$/bbl*	*1.9*	*nm*	*2.7*	*nm*

In Q4 2023, the Company sold approximately 2.0 million barrels from its then four producing oil fields, which included both crude oil held as inventory as at September 30, 2023 and production from Q4 2023. In the year ended December 31, 2023, the Company sold 5.9 million barrels from all four producing oil fields. The Company sold crude oil to both domestic Thai refiners and export buyers.

		Three months ended
Beginning Inventory at September 30, 2023	***mbbl***	**901**
Add: Production	*mbbl*	1,763
Less: Fuel used	*mbbl*	(5)
Available for sale	*mbbl*	2,659
Less: Lifting	*mbbl*	(1,987)
Ending Inventory at December 31, 2023	***mbbl***	**672**

		Year ended
Beginning Inventory at January 1, 2023	***mbbl***	**-**
Acquired	*mbbl*	754
Add: Production	*mbbl*	5,825
Less: Fuel used	*mbbl*	(53)
Available for sale	*mbbl*	6,526
Less: Lifting	*mbbl*	(5,854)
Ending Inventory at December 31, 2023	***mbbl***	**672**

As at December 31, 2023, the Company had 672 mbbl of crude oil inventory. The Company had no crude oil inventory as at December 31, 2022.

Royalties

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

(i) Royalties to government in Thailand

Royalties paid to the Thai government are based on sales volumes and are payable in cash in each calendar quarter which commences from January, April, July, and October for Thai I licences and in the month following sales for Thai III licences. Royalties for Thai I licences are a flat 12.5%, and for Thai III licences are a sliding scale between 5% and 15% based on sales volumes.

(ii) Payment to previous owner in Thailand

Under the terms of the sales and purchase agreement between the Company and the owner of Licence B5/27, the Company is required to make payments to the previous owner in cash based on sales volumes computed as follows:

1) 6% of gross revenue from certain production areas within Licence B5/27;
2) $2 per barrel of oil produced from certain production areas within Licence B5/27; and
3) 4% of gross revenue from certain production areas other than that mentioned in (1) above within Licence B5/27.

$'000	Three months ended December 31, 2023	Three months ended December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2022
Royalties to government in Thailand	16,704	-	48,795	-
Payment to previous owner in Thailand	6,123	-	17,682	-
Marketing fee	-	-	187	-
Royalties	**22,827**	-	**66,664**	-

Adjusted Opex[(1)]

$'000	Three months ended December 31, 2023	Three months ended December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2022
Operating Costs	**49,622**	**2,884**	**180,192**	**5,735**
Reversal of Loss of Net Realisable Value (Wassana)[(2)]	(6,157)	-	(7,126)	-
Cost of Goods Sold	**43,465**	**2,844**	**173,066**	**5,735**
Reversal of accounting adjustments related to PPA inventory valuation and capitalisation[(3)]	(1,994)	-	(35,734)	-
Adjusted Opex (excluding Leases)	**41,471**	**2,844**	**137,332**	**5,735**
Leases[(4)]	10,347	-	27,745	-
Adjusted Opex	**51,818**	**2,844**	**165,077**	**5,735**
Production Volumes during the period (mbbl)	1,763	-	5,825	-
Adjusted Opex per bbl[(1)] ($/bbl)	**29.4**	**n.a**	**28.3**	**n.a**

(1) Non-IFRS financial measure – see "Non-IFRS Financial Measures and Ratios" section within this MD&A.
(2) Represent write down inventory to net realisable value.
(3) Item is not shown in the Financial Statements. Due to the Mubadala Acquisition, in accordance with IFRS 3 Business Combinations, we are required to calculate the Purchase Price Allocation (PPA) of the identifiable assets acquired and liabilities assumed at fair value. Crude oil inventory is one the identifiable assets acquired at fair value. The cost of crude inventory is capitalised from Operating costs. As a result, we excluded the effect of crude inventory capitalisation during the period including the effect of crude inventory from PPA valuation.
(4) In accordance with IFRS 16 - Leases, the Company recognised cost related to its operating leases – attributed to FSO and FPSO vessels used at its Jasmine/Ban Yen, Nong Yao, Manora and Wassana oil fields, as well as onshore warehouse facilities costs to its balance sheet and finance cost within the profit and loss statement. In order to report a more relevant lifting cost, the Company has included costs associated with these leases in the adjusted operating cost calculation. This will be a recurring adjustment.

Operating costs as reported under IFRS were $49.6 million for Q4 2023 (Q4 2022: $2.9 million) and $180.2 million for the year ended December 31, 2023 (2022: $5.7 million). In order to allow for a more meaningful periodic comparison, the above material adjustments were made in order to arrive at the Company's Adjusted Opex per barrel or often cited as lifting cost per barrel in the common industry term. (See "Non-IFRS Financial Measures and Ratios" section within this MD&A for reconciliation and definition.

Adjusted opex per barrel is calculated as adjusted opex divided by the number of barrels produced in the same period. Adjusted opex was largely comprised of bareboat charter contracts and operation and maintenance expenses associated with the FSO and FPSO vessels, logistics expenses, workovers, and fuel. The most material variable components of adjusted opex were fuel costs and workovers. In Q4 2023, the Company's average adjusted opex per barrel was $29.4/bbl, while in the year ended December 31, 2023, the Company's average adjusted opex per barrel was $28.3/bbl.

Special Remuneratory Benefit

Special Remuneratory Benefit ("SRB") is a unique form of tax on Windfall Profits or annual additional petroleum profits, arising from substantial increases in the price of petroleum, or very low-cost discoveries under Thailand Petroleum Income Tax Act. SRB is calculated annually on a block-by-block basis and varies from year-to-year, depending on the revenue per one meter of well drilled in the year. SRB will not apply unless capital expenditures have been recovered in full.

Due to the addition of the Nong Yao and Manora oil fields, with completion of the Mubadala Acquisition, the Company recognised SRB expense of $6.3 million for Q4 2023, and $15.1 million for the year ended December 31, 2023. SRB expense was nil in 2022.

General and Administrative ("G&A") Expenses

$'000	Three months ended December 31, 2023	Three months ended December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2022
Personnel and office costs	4,890	1,603	16,696	3,197
Severance	313	-	1,556	-
IT hardware & software licences	384	-	1,167	-
Consultancy and professional services	1,664	815	5,819	3,417
Total G&A expenses	**7,251**	**2,418**	**25,238**	**6,614**
Severance (Non-recurring)	(313)	-	(1,556)	-
IT migration (Non-recurring)	-	-	(627)	-
Recurring G&A expenses	**6,938**	**2,418**	**23,055**	**6,614**

General and administrative expenses increased in Q4 2023 when compared to Q4 2022 due to increased costs from the integration of the Kris Acquisition and Mubadala Acquisition. In Q4 2023, the Company recorded severance expenses of $0.3 million which the Company has deemed as non-recurring. For the year ended of December 31, 2023, the personnel and office costs significantly increased as a result of the Kris Acquisition and Mubadala Acquisition, together with hardware and software licences and professional services and consultancy from the increase in administrative operations regarding IT professional services, legal services, audit fees, financial services, and tax services.

Finance Costs

$'000	Three months ended December 31, 2023	Three months ended December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2022
Interest expense and commitment fee on facility(1)	228	-	417	-
Amortisation of financing transaction costs	199	200	6,545	200
Accretion on decommissioning liabilities	5,124	766	15,395	1,256
Accretion on contingent consideration	(109)	65	494	65
Interest expenses on lease liabilities	1,620	-	7,315	-
Financing fee	1,727	-	3,856	-
Other	-	11	-	11
Total finance costs	**8,789**	**1,042**	**34,022**	**1,532**

(1) Refer to Facility in Financial and Position and Liquidity section.

Finance costs in Q4 2023 reflect costs related to amortisation of Facility costs, accretion of decommissioning liabilities, and interest expenses for leases. The higher aggregate finance costs, as compared to Q4 2022, reflects that in 2022, finance costs included only accretion on decommissioning liabilities on its Türkiye assets and Wassana oil field.

For the year ended December 31, 2023, as a result of the Mubadala Acquisition, the Company recognised higher finance costs due to the higher cost of accretion on decommissioning liabilities for all five assets in Thailand and Türkiye, higher cost of accretion on contingent consideration and higher interest cost on leases related to the Jasmine, Manora and Nong Yao oil fields; compared to 2022, where the Company's finance costs comprised only of accretion on decommissioning liabilities on its Türkiye assets and Wassana oil field. The higher financing fee in 2023 was a result of higher average outstanding balance of the Facility in 2023 compared to in 2022.

Impairment on Exploration and Evaluation (E&E) asset

The Company divested its working interest in Licence G6/48 to its partner Northern Gulf Petroleum by way of an agreement to withdraw from and transfer its working interest in the G6/48 Concession, dated April 27, 2023. Completion of this divestment is pending government approval. In Q2 2023, the outstanding balance of exploration and evaluation assets ("E&E") related to the Licence G6/48 of $4.28 million was fully impaired. There were no indications of impairment during Q4 2023.

Impairment Loss on Receivable

The Company's 11% partner in Licence G10/48, PSL, discontinued its participation in the block during Q2 2023 and transferred its 11% working interest to the Company for no consideration. Completion of this 11% transfer is pending government approval. In Q2 2023, the outstanding balance of receivables from PSL from Licence G10/48 of $0.96 million was recognised in impairment loss on receivable. There were no additional provisions recognised during Q4 2023.

Depletion and Depreciation

$'000	Three months ended December 31, 2023	Three months ended December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2022
Property, plant and equipment ("PP&E")	23,014	18	131,116	38
Right-of-use assets	229	-	14,264	-
Capitalised	8,132	-	(16,661)	-
Depletion and depreciation	**31,375**	**18**	**128,719**	**38**

Depletion and depreciation expenses for Q4 2023 and for the year ended December 31, 2023 are mostly related to the Company's producing assets in Thailand. Following the Mubadala Acquisition in 2023, PP&E is recognised for all five assets, compared to in 2022, where depletion and depreciation expense was only recognised for fixed assets in Türkiye.

Income Tax

$'000	Three months ended December 31, 2023	Three months ended December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2022
Current income tax expense	26,011	-	71,163	-
Deferred income tax expense (recovery)	(3,244)	-	(30,847)	-
Income tax expense (recovery)	**22,767**	**-**	**40,316**	**-**

The Company's Thai oil concessions are assessed in accordance with Thai Petroleum Income Tax Act ("PITA"). Taxable profits are subject to a 50% tax rate under PITA. During Q4 2023, the Company recognised a recovery of $3.2 million related to the unwinding of deferred tax liability arising from the fair value of the Mubadala Acquisition's Purchase Price Allocation ("PPA") recognised in Q1 2023.

For the year ended December 31, 2023, the Company recognised income tax expense of $71.2 million, and the recovery deferred tax of $30.8 million, as a result of the Mubadala Acquisition.

Share-based Compensation

Share-based compensation is a non-cash expense associated with stock options issued to directors, officers, employees of the Company.

Share-based compensation expense for Q4 2023 was $0.9 million as compared to $0.2 million in Q4 2022.

Share-based compensation expense for the year ended December 31, 2023 was $2.0 million as compared to $0.4 million for the year ended December 31, 2022. The increase was a result of stock options, performance share units and restricted share units granted in 2023.

Capital Expenditure / Investing

$'000	Three months ended December 31, 2023	Three months ended December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2022
Drilling	25,408	-	70,809	-
Brownfield	4,324	-	22,635	-
Other PPE	642	3	10,289	43
Capex	**30,374**	**3**	**103,733**	**43**
MOPU (Acquisition)	-	-	5,000	-
Total adjusted capex[(1)]	**30,374**	**3**	**108,733**	**43**

(1) Non-IFRS financial measure – see "Non-IFRS Financial Measures and Ratios" section within this MD&A.

Capex for Q4 2023 is mostly related to the Company's Thailand assets. For Q4 2022, capex related only to fixed assets in Türkiye . During Q4 2023, the Company spent $30.3 million on drilling activities associated with the infill drilling programmes at the Jasmine, Nong Yao oil fields, and appraisal wells at the Wassana oil field.

For the year ended December 31, 2023, the Company spent total capex of $108.7 million, as compared to $0.04 million in 2022. The increase was largely a result of capex spent at the newly added assets following the Mubadala Acquisition.

Lease Liabilities

Following the Mubadala Acquisition, the Company has lease contracts for various items used in its operations, including FSO and FPSO vessels, and warehouses. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Lease terms are between 2 and 5 years. The discount rate used is 13%, reflecting the Company's cost of borrowing.

$'000	FSO and FPSO	Buildings	Total
Balance, January 1, 2022 and December 31, 2022	-	-	-
Acquisitions[(1)]	46,504	2,071	48,575
Additions	48,402	479	48,881
Interest expenses on lease liabilities	7,103	212	7,315
Lease payments	(30,450)	(686)	(31,136)
Balance, December 31, 2023	**71,559**	**2,076**	**73,635**
Current	**41,253**	**793**	**42,046**
Non-current	**30,306**	**1,283**	**31,589**

(1) Refer to the Mubadala Acquisition section in the following page.

On December 7, 2023, the Company sent Notice of exercise of option to purchase the FSO system from one of the FSO owners and the FSO owner acknowledged receipt of the Company's notice on January 15, 2024. The lease liability as of December 31, 2023 included the exercise option price of US$19.0 million (2022: nil). The Company's subsidiary has entered into an agreement dated February 3, 2024 to purchase the FSO.

Decommissioning Obligations

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

in $'000	December 31, 2023	December 31, 2022
Decommissioning obligations, beginning of the year	15,091	3,042
Acquisitions(1)	144,769	18,247
Change in estimates	(45,599)	(6,641)
Accretion of decommissioning obligations	15,395	1,247
Settled during the year	(4)	(120)
Effects of movements in exchange rates	(188)	(684)
Balance, ending of the year	**129,464**	**15,091**

(1) Refer to the Mubadala Acquisition section below.

During the year, the Company completed the PPA exercise to determine the fair value of the assets acquired. This exercise was completed within the stipulated time period of 12 months from the acquisition date of March 22, 2023. Material assumptions of the fair value calculation are as follows:

	Final PPA March 22, 2023	Preliminary PPA, March 22, 2023
Credit adjusted interest rate	12%	10%
Inflation rate	2%	4.98%

As at each year end, material assumptions used in calculating the Company's decommissioning obligation are as follows;

	December 31, 2023	December 31, 2022
Undiscounted cash flows (in $'000)	256,619	39,259
Credit adjusted interest rate	9.2%	14%
Inflation rate	2%	8.2%
Timing of cash flows	4 – 13 years	4 - 8 years

The Mubadala Acquisition

Prior to the Kris Acquisition and the Mubadala Acquisition, the Company articulated its strategy to grow through mergers and acquisitions, with a preference for assets that would add both cash flow in the near term and opportunities for follow-on organic growth.

As announced on December 6, 2022 the Company entered into SPA with Mubadala Petroleum to acquire all of the shares of Busrakham Oil. On March 22, 2023, the Mubadala Acquisition closed with $10.4 million in consideration paid. Contingent payments of up to $50.0 million are based on certain upside price scenarios and have been recorded at estimated fair value.

The SPA has been accounted for as a business combination under IFRS 3 *Business Combinations*. During 2023, the Company completed PPA exercise to determine the fair values of the net assets acquired within the stipulated time period of 12 months from the acquisition date of March 22, 2023. The fair values of identifiable assets and liabilities have been reflected in the consolidated statement of financial position as at March 22, 2023 as follows:

In $'000	**Preliminary PPA**	**Adjustments**	**Final PPA**
Cash	10,438	-	10,438
Contingent consideration	9,117	(5,183)	3,934
Total consideration	**19,555**	**(5,183)**	**14,372**
Purchase Price Allocation			
Cash and cash equivalents	242,496	-	242,496
Accounts receivable	54,902	-	54,902
Prepaid expenses and deposits	6,680	-	6,680
Inventory	86,114	-	86,114
Property, plant and equipment	336,537	27,934	364,471
Right of use asset	58,382	(11,189)	47,193
Accounts and other payable	(171,749)	(500)	(172,249)
Lease liability	(59,764)	11,189	(48,575)
Provision for employee benefits	(9,696)	-	(9,696)
Income tax payable	(112,019)	-	(112,019)
Decommissioning obligations	(168,515)	23,746	(144,769)
Deferred tax liability	(36,193)	(25,840)	(62,033)
Total purchase price allocation	**227,175**	**25,340**	**252,515**
Bargain purchase gain	**207,620**	**30,523**	**238,143**

The identifiable assets and liabilities have been measured at their individual fair value as at the date of acquisition. The fair value of property, plant and equipment was recorded based on the estimate of proved and probable reserves as determined by an independent third-party reserve evaluation prepared as at December 31, 2022 and adjusted for production from January 1, 2023 to March 22, 2023. Deferred taxes were calculated by applying the statutory tax rate to the fair values of property, plant and equipment, right of use assets, decommissioning obligation, and lease liabilities less available tax pools. The fair value of decommissioning obligations was determined by applying a credit adjusted interest rate to 2%.

The fair value of the accounts receivable acquired (which principally comprised of trade receivables) approximate their carrying values due to the relatively short-term maturity. The total carrying value reflects the gross contractual value of US$54.9 million and there is no contractual cash flows not expected to be collected based on the best estimate at acquisition date.

The contingent consideration is payable if the arithmetical average of the daily "close" of all quotations in US dollars for Dubai crude oil in the Platts Crude Oil Marketwire on a $/bbl basis (the "Benchmark") averages over $100 dollars for 2022, 2023 or 2024. No contingent consideration was payable for 2022 as the reference price did not average over $100. Such contingent consideration is capped at a maximum of $50 million, and each year is calculated independently of each other year. There was no contingent consideration payable in 2023. The contingent consideration is payable in January 2025 for any amounts related to 2024 (if applicable).

In the preliminary PPA exercise, the Company used expected future price scenarios from a number of sources and discounted any possible payments at a credit adjusted interest rate.

In the final PPA exercise, the valuation methodology for valuing the contingent consideration was based on Monte Carlo simulation of the future expected Dubai crude oil prices. A Monte Carlo simulation was used to model the probability of different outcomes in a process that cannot easily be predicted due to the intervention of random variables. The simulation estimated a fair value of the contingent consideration as at March 22, 2023 of $3.5 million. Using the same methodology, the simulation estimated a fair value as at December 31, 2023 of $0.7 million. The change in the fair value of the contingent consideration has been recorded on the statement of profit or loss and other comprehensive income.

A bargain purchase gain of US$238 million was recognised primarily related to results of operations between the effective and closing date of the acquisition with the fair value of the assets acquired exceeding the fair value of the liabilities assumed and consideration paid. The Mubadala Acquisition was subject to a closing provision generally known as a 'locked box' mechanism whereby the net cash and liabilities accumulated in the business after September 1, 2022 would be assumed by the buyer at closing. The Seller had agreed on a purchase price tied to a valuation that was built on a certain oil price assumptions which, in hindsight, were materially lower than the realised price achieved during the period between September 1, 2022 and closing date of March 22, 2023 (the "Interim Period"). Accordingly, the record high oil price achieved during the Interim Period resulted in a material cash balance at closing.

The bargain purchase gain of US$238.1 million thus reflects the combination of a broader healthier oil price environment during the Interim Period which resulted in a material cash balance, and have helped lift the value of the net assets beyond what the consideration agreed on may have suggested.

For the year ended December 31, 2023, Busrakham Oil contributed $482.3 million revenue and $78.4 million to the Company's net income for the year between the date of acquisition and the reporting date.

The Kris Acquisition
As announced on April 28, 2022, the Company entered into the Kris SPA with KrisEnergy (Asia) Ltd. to acquire all of the issued and outstanding shares of VETH, which held an interest in two operated licences in shallow water offshore Thailand Licence G10/48 and Licence G6/48. On June 15, 2022, the Kris Acquisition closed with $4.1 million in consideration paid. Contingent payments of up to $7.0 million have been recorded at estimated fair value.

To facilitate the transaction, Valeura, with an 85% interest, and Panthera Thailand Pte. Ltd., ("Panthera"), with a 15% interest, created the SPV to serve as the entity which completed the acquisition. The relationship between Valeura and Panthera as shareholders of the SPV was governed by a shareholders agreement which included, among other things, provisions for the funding of the purchase 100% by Valeura. Under the shareholder agreement, Valeura had control over the SPV. On December 27, 2022, Valeura increased its interest in the SPV to 87.5% and Panthera's share decreased to 12.5% and on March 21, 2023 Valeura acquired the remaining 12.5% interest (see note 17 of the Financial Statements). The Company has completed PPA exercise to determine the fair values of the net assets acquired within the stipulated time period of 12 months from the acquisition date. The Kris SPA has been accounted for as a business combination under IFRS 3. The fair values of identifiable assets and liabilities have been reflected in the consolidated statement of financial position as at June 15, 2022 as follows:

In $'000	Total
Cash	4,053
Contingent consideration	4,109
Total consideration	**8,162**
Purchase Price Allocation	
Cash	22
Accounts receivable	1,058
Prepaid expenses and deposits	470
Inventory	326
Exploration and evaluation assets	2,375
Property, plant and equipment	26,196
Accounts payable	(1,769)
Decommissioning obligations	(18,247)
Total purchase price allocation	**10,431**
Bargain purchase gain	**2,269**

The identifiable assets and liabilities have been measured at their individual fair values on the date of acquisition. The fair value of property, plant and equipment was determined based on the estimate of proved and probable reserves from an independent third-party reserve evaluation prepared as at March 31, 2022. Deferred taxes were calculated by applying the statutory tax rate to the property, plant and equipment fair value less available tax pools. At acquisition date, the book value of the property, plant and equipment approximates the fair value of such property, plant and equipment, no deferred tax liability was recognised. The fair value of decommissioning obligations was determined based on applying a credit adjusted interest rate.

The fair value of the accounts receivable acquired (which principally comprised of trade receivables) approximate their carrying values due to the relatively short-term maturity. The total carrying value reflects the gross contractual value of $1.1 million and there is no contractual cash flows not expected to be collected based on the best estimate at acquisition date.

The contingent consideration is made up of two separate payments. Valeura will pay contingent consideration of $2.0 million 3 months after the date on which any hydrocarbons produced from the first infill drilling programme of the G10/48 concession are sold. Further contingent consideration of $5.0 million will become payable 3 months after the date on which any hydrocarbons produced entirely from the permanent long term production platform of G6/48 concession are sold. Probabilities have been assigned to each payment and after calculating the present value of these potential future payments, the maximum payment of $7.0 million has been reduced to a fair value of $4.1 million as at the acquisition date. As at December 31, 2023, this contingent consideration increased to $7.0 million (2022: $4.2 million) since all the conditions are likely to be met in 2024. The change in the contingent consideration has been recognised as net change in contingent consideration in profit or loss.

The Company recorded adjustments to the fair value in the fourth quarter of 2022 to the purchase price allocation to reflect facts and circumstances in existence at the date of acquisition. These adjustments related to the decommissioning obligations (increase of $0.6 million) and working capital (decrease of $0.05 million). The measurement period adjustments were offset to the preliminary bargain purchase gain of US$1.6 million on a retrospective basis.

VETH recognised zero revenue between the date of acquisition to December 31, 2022, which resulted in the Company reporting a net loss of $7.5 million for the same period. If the Kris Acquisition had completed on January 1, 2022, the Company would have reported a net loss of $9.5 million.

Financial Position and Liquidity

The Company's capital structure includes net working capital and shareholders' equity and amounts available under the Facility. The Company's objective when managing capital is to maintain a flexible capital structure which allows it to manage its operations safely and efficiently and execute its growth strategy, while maintaining a strong financial position.

The following provides selected financial information of the Company, which was derived from, and should be read in conjunction with, the Financial Statements:

$'000	December 31, 2023	December 31, 2022
Non-current assets	410,759	39,665
Current assets	293,555	24,345
Non-current liabilities	202,678	24,455
Current liabilities	217,458	11,098
Shareholders' equity	284,178	28,457

As at December 31, 2023, the Company had a net working capital balance including cash of $76.1 million and adjusted net working capital of $118.1 million. Net working capital and adjusted net working capital are non-IFRS financial measures. See "Non-IFRS Financial Measures and Ratios" section within this MD&A for reconciliation and definition.

$'000	December 31, 2023	December 31, 2022
Net working capital	**76,097**	**13,247**
Adjusted net working capital	**118,143**	**13,247**

Adjusted net working capital is derived by deducting current lease liabilities from the net working capital. The leases are associated with operations, such as bareboat charter contracts for key operating equipment, such as FSOs, FPSOs, and warehouses which are included in the Company's disclosed adjusted opex.

$'000	December 31, 2023	December 31, 2022
Current portion of debt	-	5,900
Long-term debt	-	5,190
Outstanding debt	**-**	**11,090**
Cash & cash equivalents	(133,866)	(17,516)
Restricted cash	(17,299)	(69)
Cash balance	**(151,165)**	**(17,585)**
Net debt (cash)	**(151,165)**	**(6,495)**

Credit facilities and restricted cash

Credit Facilities

$'000	December 31, 2023	December 31, 2022
Facility, beginning of period	11,090	-
Advances	40,000	12,500
Arrangement fee	(1,000)	(885)
Financing transaction costs	(1,000)	(725)
Repayments	(52,500)	-
Interest paid	(3,135)	-
Amortisation of financing transaction costs and arrangement fee	6,545	200
Facility, end of period	**-**	**11,090**
Current portion	-	5,900
Long-term portion	-	5,190

Facility: On November 11, 2022, subsidiaries of the Company signed agreements with a third-party marketer for a facility for advances in support of Wassana operations and a commercial contract related to any crude oil production arising from Wassana operations (the "Facility"). The Facility provided for advances in discrete tranches, up to an initial maximum capacity of $30 million, subject to the satisfaction of a number of conditions precedent. On March 21, 2023 the Facility was expanded to a maximum capacity of $80.0 million, subject to the satisfaction of a number of conditions precedent, most significant, completion of the Mubadala Acquisition. The Facility has a term of two years and the Company was charged a financing cost of a margin of 8.5%-9.5% per annum on the one-month Secured Overnight Financing Rate. The Company fully repaid the Facility in October 2023. The effective yield rate of the Facility was 11.1% per annum (2022: 21.6%)

Letter of credit facility: The Company's account performance security guarantee facility ("APSG Facility") with Export Development Canada with a limit of $11.0 million was renewed to September 30, 2024 and can be renewed on an annual basis. The APSG Facility, which was issued to National Bank of Canada ("NBC"), allows the Company to use the APSG Facility as collateral for certain letters of credit issued by NBC. The Company has issued approximately $10.2 million in letters of credit under the APSG Facility.

Restricted Cash

The Company has restricted cash in the total amount of $17.3 million as at December 31, 2023 (2022 - $0.1 million). Of the $17.3 million, (i) $16.3 million held with Thailand Bank is related to securing a financial security issued in accordance with Thailand decommissioning regulation; and (ii) The $1.0 million is related to securing licence deposits with the General Directorate of Mining and Petroleum Affairs of the Republic of Türkiye ("GDMPA") and for letters of credit lodged with the Thailand Customs department.

Selected Quarterly Information

		Three months							
		Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep, 30 2022	Jun 30, 2022	Mar 31, 2022
Production	*bbl/d*	19,165	19,961	22,097	2,388	-	-	-	-
Oil volumes sold	*mbbl*	1,987	1,701	2,167	-	-	-	-	-
Net income /(loss) attributable to shareholders	*$'000*	59,476	(6,844)	(1,533)	197,431	(6,888)	(3,612)	333	(3,623)
Per share basic & diluted	*$*	*0.55/0.52*	*(0.07)/(0.07)*	*(0.15)/(0.14)*	*2.17 / 2.05*	*(0.07)/(0.07)*	*(0.04)/(0.04)*	*0.00/0.00*	*(0.04)/0.00*

Outstanding Share Data

	December 31, 2023	December 31, 2022
Common Shares	102,954,826	86,609,690
Stock options	6,038,164	7,981,666
Performance and restricted share units	1,499,433	-
Total	**110,492,423**	**94,591,356**

Off Balance Sheet Arrangements

The Company had no material off-balance sheet arrangements outstanding as at December 31, 2023, other than those discussed in note 26 of the Financial Statements.

Financial Instruments

Financial instruments of the Company include cash, accounts receivable, accounts payable, accrued liabilities and debt. The carrying values of the financial instruments approximate their fair values due to their relatively short periods to maturity. Financial instruments are discussed in more detail in note 24 of the Financial Statements.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") to provide reasonable assurance that: material information relating to the Company is made known to the Company's CEO and CFO by others, particularly during the period in which the annual and interim filings are being prepared; and information required to be disclosed by the Company in its annual filings, filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarised and reported within the time period specified in securities legislation.

The Company's CEO and CFO along with participation from other members of management, are responsible for establishing, or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company is required to disclose herein any change in the Company's ICFR that occurred during the year 2023, that has materially affected, or is reasonably likely to materially affect, the Company's ICFR. No material changes in the Company's ICFR were identified during such period that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

On March 22, 2023, the Company closed the Mubadala Acquisition. As permitted by and in accordance with NI 52-109, the CEO and CFO have limited the scope of our design of DC&P and ICFR to exclude controls, policies, and procedures of Busrakham Oil. This scope limitation is primarily due to the time required to assess the DC&P and ICFR relating to Busrakham Oil in a manner consistent with the Company's other operations. Further integration will take place as systems and processes align. Meaningful summary financial information before adjusting fair values about the acquired business was as follows:

$'000	**March 22, 2023**
Oil revenues	106,414
Other income	1,150
Net income (loss)	37,158
Current assets	360,764
Non-current assets	113,336
Current liabilities	306,213
Non-current liabilities	243,731

The Company notes that a control system, including the Company's DC&P and ICFR, no matter how well conceived can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met, and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

NON-IFRS FINANCIAL MEASURES AND RATIOS

Adjusted EBITDAX: is a non-IFRS financial measure which does not have a standardised meaning prescribed by IFRS. This non-IFRS financial measure is included because management uses the information to analyse the financial performance of the Company. Adjusted EBITDAX is calculated by adjusting Profit (loss) for the year before other items as reported under IFRS to exclude the effects of Other income, exploration, SRB, finance income and expenses, transaction costs, and DD&A, restructuring and other costs, and certain non-cash items (such as impairments, foreign exchange, unrealised risk management contracts, reassessment of contingent consideration, and share-based compensation) and gains or losses arising from the disposal of capital assets. In addition, other unusual or non-recurring items are excluded from Adjusted EBITDAX, as they are not indicative of the underlying financial performance of the Company.

	Three months ended		Year ended	
$'000	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Profit (loss) for the period before other items	48,128	(7,853)	46,014	(15,383)
Other income	(5,058)	(106)	(11,416)	(260)
Exploration	785	-	1,441	-
Special remuneratory benefit (SRB)	6,292	-	15,123	-
Net change in contingent consideration	(905)	-	(905)	-
Impairment on E&E asset	1	-	4,279	-
Impairment loss on receivable	-	-	955	-
Transaction costs	-	763	970	2,779
Finance costs	8,789	1,042	34,022	1,532
Depletion and depreciation	31,375	18	128,719	38
Foreign exchange loss (gain)	(134)	643	183	(1,470)
Reversal of loss on inventory due to decline in resale value associate with Wassana(1)	6,157	-	7,126	-
Shared-based compensation and others	936	191	1,978	415
Other non-recurring G&A costs (1)(2)	313	-	2,183	-
Adjusted EBITDAX	**96,679**	**(5,302)**	**230,672**	**(12,349)**

(1) Items are not shown in the Financial Statements.
(2) Represents non-recurring costs associated with severance costs and IT migration costs incurred as part of the integration of the IT systems across group - Refer to General and Administrative ("G&A") Expenses for details.

Adjusted opex and adjusted opex per bbl: are a Non-IFRS financial measure, and a non—IFRS financial ratio, respectively, which do not have standardised meanings prescribed by IFRS. These are included because management uses the information to analyse cash generation and financial performance of the Company. Operating Cost represents the operating cash expenses incurred by the Company during the period including the leases that are associated with operations, such as bareboat contracts for key operating equipment, such as FSOs, FPSOs, and warehouses. Adjusted opex is calculated by effectively adjusting non-cash items from the Operating Cost and adding lease costs. Adjusted opex is divided by production in the period to arrive at Adjusted opex per bbl.

	Three months ended		Year ended	
$'000	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Operating costs	**49,622**	**2,884**	**180,192**	**5,735**
Reversal of loss of net Realisable value (Wassana)(1)	(6,157)	-	(7,126)	-
Cost of goods sold	**43,465**	**2,844**	**173,066**	**5,735**
Reversal of accounting adjustments related to PPA inventory valuation and capitalisation(2)	(1,994)	-	(35,734)	-
Adjusted opex (excluding leases)	**41,471**	**2,844**	**137,332**	**5,735**
Leases(3)	10,347	-	27,745	-
Adjusted opex	**51,818**	**2,844**	**165,077**	**5,735**
Production Volumes during the period (mbbl)	1,763	-	5,825	-
Adjusted opex per bbl ($/bbl)	**29.4**	**n.a**	**28.3**	**n.a**

(1) Represent Write down inventory to net realisable value.
(2) Item is not shown in the Financial Statements. Due to the Mubadala Acquisition, in accordance with IFRS 3 Business Combinations, we are required to calculate the PPA of the identifiable assets acquired and liabilities assumed at fair value. Crude oil inventory is one the identifiable assets acquired at fair value. The cost of crude inventory is capitalised from Operating costs. As a result, we excluded the effect of crude inventory capitalisation during the period including the effect of crude inventory from PPA valuation.
(3) In accordance with IFRS 16 - Leases, the Company recognised cost related to its operating leases – attributed to FSO and FPSO vessels used at its Jasmine/Ban Yen, Nong Yao, Manora and Wassana oil fields, as well as onshore warehouse facilities costs to its balance sheet and finance cost within the profit and loss statement. In order to report a more relevant lifting cost, the Company has included costs associated with these leases in the adjusted operating cost calculation. This will be a recurring adjustment.

Adjusted cashflow from operations: is a non-IFRS financial measure which does not have a standardised meaning prescribed by IFRS. This non-IFRS finance measure is included because management uses the information to analyse cash generation and financial performance of the Company. Adjusted Cashflow from operations is calculated by subtracting from Oil revenues, Royalties, Adjusted opex, General and administrative costs which are adjusted for non-recurring charges, and accrued PITA tax and SRB expenses.

	Three months ended		Year ended	
$'000	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Oil revenues	169,909	-	493,457	-
Royalties	(22,827)	-	(66,664)	-
Adjusted opex	(51,818)	(2,884)	(165,077)	(5,735)
Recurring G&A costs	(6,938)	(2,418)	(23,055)	(6,614)
Adjusted pre tax cashflow from operations	**88,326**	**(5,302)**	**238,661**	**(12,349)**
Income tax / PITA tax	(26,011)	-	(71,163)	-
SRB expenses	(6,292)	-	(15,123)	-
Adjusted cashflow from operations	**56,023**	**(5,302)**	**152,375**	**(12,349)**
Production during the period	1,763	-	5,825	-
Adjusted cashflow from operations per bbl ($/bbl)	**31.8**	**n.a.**	**26.2**	**n.a.**

Outstanding debt and net debt / Net cash: are non-IFRS financial measures which do not have a standardised meaning prescribed by IFRS. These non-IRFS financial measures are provided because management uses the information to a) analyse financial strength and b) manage the capital structure of the Company. These non-IFRS measures are used to ensure capital is managed effectively in order to support the Company's ongoing operations and needs.

$'000	December 31, 2023	December 31, 2022
Current portion of debt	-	5,900
Long-term debt	-	5,190
Outstanding debt	**-**	**11,090**
Cash & cash equivalents	(133,866)	(17,516)
Restricted cash	(17,299)	(69)
Cash balance	**(151,165)**	**(17,585)**
Net debt (cash)	**(151,165)**	**(6,495)**

Net working capital and adjusted net working capital: are non-IFRS financial measures which do not have a standardised meaning prescribed by IFRS. These non-IFRS financial measures are included because management uses the information to analyse liquidity and financial strength of the Company. Adjusted net working capital is calculated by adding back current leases liability to net working capital.

The leases are associated with operations, such as bareboat contracts for key operating equipment, such as FSOs, FPSOs, and warehouses which are included in the Company's disclosed Adjusted opex (and Adjusted opex guidance). Management believes the adjusted net working capital provides a useful data point to the reader to ascertain the business' NTM surplus or deficit capital requirement. It is also a data point that management uses for cash management.

$'000	December 31, 2023	December 31, 2022
Current assets	293,555	24,345
Current liabilities	(217,458)	(11,098)
Net working capital	**76,097**	**13,247**
Current lease liabilities	42,046	-
Adjusted net working capital	**118,143**	**13,247**

Adjusted capex: is a non-IFRS measure which does not have a standardized meaning prescribed by IFRS. Capex is defined as the addition in capital expenditure for drilling, brownfield, and other PP&E.

	Three months ended		Year ended	
$'000	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Drilling	25,408	-	70,809	-
Brownfield	4,324	-	22,635	-
Other PPE	642	3	10,289	43
Capex	**30,374**	**3**	**103,733**	**43**
MOPU (Acquisition)	-	-	5,000	-
Total adjusted capex	**30,374**	**3**	**108,733**	**43**

BUSINESS RISKS AND UNCERTAINTIES

The reader is referred to the Annual Financial Statements, and the AIF for a more complete description of risks. As a result of the Mubadala Acquisition and Kris Acquisition, the following risk factors were more prevalent as at December 31, 2023: failure to realise transactions and anticipated benefits related to mergers and acquisitions; exploration, development and production risks; acquisitions, dilution and availability of debt; climate change legislation; capital requirements; and price volatility, markets and marketing. In addition, the following risk factors have been modified to include mention of Thailand:

Offshore operational risks relating to Thailand

Valeura's Thailand operations are subject to all the operational risks inherent to offshore exploration, development and production of hydrocarbons and the drilling of wells, including, unsatisfactory performance of service providers engaged to carry out operations required for the drilling and analysis of wells, natural disasters, encountering unexpected formations or pressures, premature declines of reservoirs, invasion of water into producing formations, formations with abnormal pressures, mechanical problems with equipment, potential for substantial environmental damage, blow-outs, cratering, fires and spills, all of which could result in personal injuries, loss of life and damage to the property of the Company and others. The Company believes that governments throughout the world could implement stricter regulations on environmental protection, risk prevention and other forms of restrictions to drilling and other well operations. These new regulations and legislation, as well as evolving practices, could increase the cost of compliance and may also require changes to the Company's drilling operations, exploration, development and production plans and may lead to higher costs of operations.

The Company will be actively exploring for, developing and producing hydrocarbons in the Gulf of Thailand. Offshore operations involve different risks than onshore operations due in part to the remoteness of operations. Oil and natural gas exploration, development and production involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. Fires and explosions on drilling rigs, offshore installations or marine vessels are more likely to result in personal injury, loss of life and damage to property due to the remote locations, confined spaces and time required for rescue personnel to get to the location. Blow-outs and spills are more likely to result in significant environmental damage to the marine environment and can be difficult to contain and difficult and expensive to remediate. Also, offshore operations are subject to marine perils, including severe storms and other adverse weather conditions and vessel collisions, as well as interruptions or termination by governmental authorities based on safety, environmental and other considerations. There can be no assurance that these risks can be avoided. Failure to manage these risks could result in injury or loss of life, damage to property, environmental damage, and could result in regulatory action, legal liability, loss of revenues and damage to the Company's reputation and could have a material adverse effect on the Company's operations, project returns or financial condition.

Price volatility, markets and marketing

The marketability and price of oil and natural gas that may be produced by Valeura will be affected by numerous factors beyond its control. Valeura's revenues, profitability, future growth and the carrying value of its oil and gas properties, provided such properties yield production, are substantially dependent on prevailing prices of oil and gas. Valeura's ability to borrow and to obtain additional capital on attractive terms is also substantially dependent upon oil and gas prices. Prices for oil and gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors beyond the control of Valeura. These factors include economic conditions in Asia, the United States, Thailand, and Europe, the actions of the Organization of Petroleum Exporting Countries, governmental regulation, and political instability in the Middle East and elsewhere, the conflict in Ukraine, the impact of pandemics (including Covid19), governmental regulation, the foreign supply of oil and gas, the price of foreign imports and the availability of alternative fuel sources. In Turkey, natural gas prices for domestic sales are effectively set by the government, which are indirectly affected by these market forces. Any substantial and extended decline in the price of oil and gas would have an adverse effect on Valeura's carrying value of its oil and natural gas reserves, borrowing capacity, revenues, profitability and cash flows from operations. Volatile oil and gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on such value.

Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects. Any bank borrowings available to Valeura in the future will in part be determined by Valeura's borrowing base. A sustained material decline in prices from historical average prices could reduce Valeura's borrowing base, therefore reducing the bank credit available to the Company and require that a portion, or all, of Valeura's bank debt, if any, be repaid.

In addition, evolving decarbonisation policies of institutional investors, lenders and insurers could affect the Company's ability to access capital pools. Additionally, the Company may, from time to time, not meet the investment criteria or characteristics of a particular institutional or other investor, including institutional investors who are not willing or able to hold securities of oil and gas companies for reasons unrelated to financial or operational performance. Any changes in market-based factors or investor strategies or responsible investing criteria/rankings (for example, social impact or environmental scores), the implementation of new financial market regulations and fossil fuel divestment initiatives undertaken by governments, pension funds and/or other institutional investors, may adversely affect the Company's access to capital pools.

Liquidity risk

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

The Company is impacted by rising inflationary pressures.

Inflation rates in jurisdictions that the Company operates in increased significantly in 2022, rising above the target inflation rate ranges set by governing central banks and continued to remain above these target ranges throughout 2023. A significant portion of the upward pressure on prices has been attributed to the rising costs of labour, energy, food, motor vehicles and housing, continuing global supply-chain disruptions and the impact of international political conflicts. Inflation increases may or may not be transitory. However, any sustained upward trajectory in the inflation rate could have an impact on the Company's results by applying upward pressure on the Company's costs in 2023 and future periods. The Company's potential inability to manage costs resulting from inflation may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and funds from operations.

The cost or availability of oil and gas field equipment may adversely affect the Company's ability to undertake future projects. The oil and gas industry is cyclical in nature and is prone to shortages of supply of equipment and services including drilling rigs, geological and geophysical services, engineering and construction services, major equipment items for infrastructure projects and construction materials generally. These materials and services may not be available when required at reasonable prices. A failure to secure the services and equipment necessary to Valeura's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on the Company's financial performance and funds from operations. The Company continues to monitor inflationary pressures in the jurisdictions in which it operates and assess any potential effects on the Company's operations. Please refer to note 5 "Hyperinflation" of the Financial Statements for more details.

Variations in foreign exchange rates and interest rates

The Company's revenue streams in Thailand are in $ and the Thai Baht ("THB"), while a significant portion of its capital expenditures and many of its operating expenditures are denominated in $. Payments to governments such as taxes and royalties in both Thailand and Türkiye are made mostly in local currencies. The Company's exposure is partially offset by a natural match in receipts and expenditure in THB. The Company had no forward exchange contracts in place as at December 31, 2023.

Interest rate risk is the risk to profit or loss due to uncertain future interest rates on borrowings. The Company will take into account the level of external debt, current interest rates and market expectations in comparison to historic trends and volatility in making the decision to hedge.

A failure to secure the services and equipment necessary to the Company's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on the Company's financial performance and cash flows. The Company's operating costs could escalate and become uncompetitive due to supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs, and input prices, and additional government intervention through stimulus spending or additional regulations. The Company's inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash flows.

Credit Risk

The Company may be exposed to third party credit risk through contractual arrangements with counterparties who buy the Company's hydrocarbon products. The Company's policy is to limit credit risk by only entering into oil and gas sales agreements with reputable and creditworthy oil and gas and trading companies. Where it is determined that there is a credit risk for oil and gas sales, the Company's policy is to require credit enhancement from the purchaser.

The Company's policy on joint venture parties is to rely on the provisions of the underlying joint operating agreements to take possession of the licence or the joint venture partner's share of production for non-payment of cash calls or other amounts due. In addition, cash is to be held and transacted only through major banks.

The use of foreign subsidiaries by the Company may affect the Company's ability to pay dividends or make distributions

The Company conducts its operations in Thailand and Türkiye through a series of wholly owned subsidiaries registered in Singapore, the British Virgin Islands, the Cayman Islands and Thailand. The Company's ability to pay dividends on the Common Shares is reliant on the ability of these subsidiaries to generate cash flow and pay dividends or make other distributions to the Company. The ability of subsidiaries to make payments to the Company may be constrained by, among other things: (i) the level of taxation, particularly corporate profits and withholding taxes, in the operating jurisdictions; (ii) the introduction of exchange controls; and (iii) local law requirements in relation to the payments of dividends and distributions.

MATERIAL ACCOUNTING POLICIES

Use of Estimates and Judgments

The preparation of consolidated 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. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

Adoption of New and Revised Standards

In the current year, the Company has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements, except the following amendments:

<u>Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies</u>

The Company has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

Amendments to IAS 12 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction
The Company has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

New and Revised IFRS Accounting Standards Issued but not yet Effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective and had not yet been adopted by the Company:

- Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 Non-current Liabilities with Covenants

The Company do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

(a) Basis of consolidation

(i) Subsidiaries:

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to December 31 each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; or
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Company's accounting policies.

Non-controlling interests in subsidiaries are identified separately from the Company's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Company loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Company had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

(ii) Joint arrangements:

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

Name of the joint arrangement	Nature of the relationship with the joint arrangement	Principal place of operation of joint arrangement	Thai Licence regime	Working Interests
G10/48 Concession[(1)]	Operator	Gulf of Thailand	Thai III	100%
B5/27 Concession[(2)]	Operator	Gulf of Thailand	Thai I	100%
G1/48 Concession[(3)]	Operator	Gulf of Thailand	Thai III	70%
G11/48 Concession[(4)]	Operator	Gulf of Thailand	Thai III	90%
West Thrace Deep JV[(5)]	Operator	Türkiye	N/A	63% (all rights)
Banarli Deep JV[(5)]	Operator	Türkiye	N/A	100% (all rights)

(1) The Company's interest in the G10/48 Concession is held by Valeura Energy (Thailand) Ltd. (64%) and Valeura Energy (Gulf of Thailand) Ltd. (25%). Transfer of the additional 11% working interest from the withdrawing partner to Valeura Energy (Thailand) Ltd is pending government approval.

(2) The Company's interest in the B5/27 Concession is held by Busrakham Jasmine Ltd.

(3) The Company's interest in the G1/48 Concession is held by Busrakham Manora Ltd.

(4) The Company's interest in the G11/48 Concession is held by Busrakham G11 Ltd (67.5%) and Busrakham Nong Yao Ltd. (22.5%)

(5) On April 7, 2023, Valeura submitted an application for the second extension period of the Banarli and West Thrace Exploration Licences and has been advised that the renewal remains in administrative processing.

A subsidiary of the Company has divested its working interest of 43% in Licence G6/48. The agreement for the withdrawal from and transfer of the G6/48 interest is dated April 27, 2023. As of December 31, 2023, the Company has no proportion of the participating share in the licence.

The partner in Licence G10/48, Wassana oil field, has discontinued its participation in the licence. The partner transferred its 11% working interest to the subsidiary under the deed of novation and amendment agreement on April 20, 2023. As of December 31, 2023, the proportion of participating share in the licence of the Company is 100%.

(iii) Transactions eliminated on consolidation:

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

(b) Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred except if related to the issue of debt securities. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value with certain exceptions.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Company in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Company obtains control including control achieved in a business that was joint operation) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

(c) Financial instruments

(i) Non-derivative financial instruments:

a. Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial assets give rise to cash flows on specified dates that are solely payments of principal and interest on principal amounts outstanding.

Classification of financial assets
Debt instruments that meet the following conditions are measured subsequently at amortised cost:
- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

b.Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Company, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profit or loss upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Company that are designated by the Company as at FVTPL are recognised in profit or loss.

Financial liabilities measured subsequently at amortised cost
Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Valeura does not currently have financial instrument contracts to which it applies hedge accounting.

(ii) Share capital:

Common Shares are classified as equity. Incremental costs directly attributable to the issue of Common Shares and share options are recognised as a deduction from equity, net of any tax effects.

(d) Inventory

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

Spare parts are valued at cost net of provision for obsolescence. The provision is provided for spare parts used for exploration production of oil that are obsolete and unserviceable.

(e) Exploration and evaluation assets

Pre-licence costs are recognised in profit or loss as incurred. Exploration and evaluation ("E&E") costs, including the costs of acquiring licences and directly attributable general and administrative costs, are initially capitalised as exploration and evaluation assets. The costs are accumulated by well, field or exploration area pending determination of technical feasibility and commercial viability.

(f) Property, plant and equipment

(i) Recognition and measurement:

Items of property, plant and equipment ("PP&E"), which include oil and gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into cash generating units for impairment testing. When significant parts of an item of PP&E, including oil and natural gas interests, have different useful lives, they are accounted for as separate items (components).

Gains and losses on disposal of an item of property, plant and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of PP&E and are recognised in profit or loss.

(ii) Subsequent costs:

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of PP&E are recognised as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognised in profit or loss as incurred. Such capitalised oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such proved and probable reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depletion and depreciation:

The net carrying value of oil and gas properties included in property, plant and equipment is depleted by area using the unit of production method by reference to the ratio of production in the year to the related proved and probable reserves (before royalties), taking into account estimated future development costs necessary to bring those proved and probable reserves into production. Future development costs are estimated taking into account the level of development required to produce the proved and probable reserves for each area. These estimates are reviewed by independent reserve engineers at least annually. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Other PP&E are recorded at cost on acquisition and amortised on a straight-line basis. The estimated useful lives for the current and comparative periods are as follows:

Leasehold improvements	5 years
Furniture, fixtures and office equipment	5 years
Computers	5 years

(g) Impairment

(i) Financial assets:

Loss allowances are recognised for expected credit losses ("ECLs") on its financial assets measured at amortised cost. Due to the nature of the financial assets, loss allowances are measured at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. The ECLs on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

PP&E and E&E assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is the greater of its value-in-use and its fair value less costs of disposal. Fair value less costs of disposal is determined as the amount that would be obtained from the sale of the assets in an arm's length transaction between knowledgeable and willing parties.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. Value-in-use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss in respect of PP&E and E&E assets, recognised in prior years, is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognised.

(h) Leases

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

As a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options.
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

If a lease transfers ownership of the underlying asset or the cost of the right of use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

(i) Employee benefits

(i) Short-term employee benefits

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

(ii) Retirement and termination benefit costs

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

The provident funds are funded by payments from employees and from the Company which are held in a separate trustee-administered fund. The Company contributes to the funds at a rate of 5% - 15% of the employees' salaries which are charged to the statements of profit or loss in the period the contributions are made.

The provision for employee benefit is for Legal Severance Pay under the Thai Labour Protection Act 1998 (revised 2019) and Retirement Pension Plan. It specifies that an employee will receive a fixed one-time payment on retirement, dependent on factors such as age, years of service and compensation. The provision is accounted for under IAS 19 *Employee Benefits*. The calculation of the Provision is performed annually by a qualified actuary using the projected unit credit method. There are no assets related to the provision.

The Company's obligation in respect of the retirement benefit plans is calculated by estimating the amount of future benefits that employees will earn in return for their services to the Company in current and future periods. Such benefits are discounted to the present value. The employee benefits obligation is calculated by an independent actuary using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income (loss) in the period in which they arise as disclosed in note 15 of the Financial Statements.

Past-service costs are recognised immediately in the statements of profit or loss.

(iii) Other long-term benefits

The other provision for employee benefit is long-term benefits based on employees' length of service. The Company calculates the amount of these benefits according to the employees' service period.

The expected obligations of retirement and termination benefit costs and other long-term benefits are calculated by independent actuarial experts and accrued over the period of employment. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions will be recognised in the statement of profit or loss and other comprehensive income in the period in which they arise.

The Company recognises the obligations in respect of employee benefits in the statements of financial position under "Provision for Employee Benefits" as disclosed in note 15 of the Financial Statements.

(j) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognised for future operating losses.

Decommissioning obligations:
The Company's activities give rise to dismantling, decommissioning and site disturbance re-mediation activities. Provision is made for the estimated cost of site restoration and capitalised in the relevant asset category. Decommissioning obligations are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the statement of financial position date. The Company uses a credit adjusted interest rate in the measurement of the present value of its decommissioning obligations. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognised as finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalised. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

(k) Share based payments

(i) Stock options

The grant date fair value of options granted to certain employees are recognised as compensation expense, with a corresponding increase in contributed surplus over the vesting period on a straight-line basis. A forfeiture rate is estimated on the grant date and is subsequently adjusted to reflect the actual number of options that vest.

(ii) Performance share units and Restricted share units

The grant date fair value of performance share units ("PSU") and restricted share units granted to certain employees are recognised as compensation expense, with a corresponding increase in contributed surplus over the vesting period. The PSU is subject to certain non-market performance conditions, of which, the impact is estimated at the grant date.

(iii) Deferred share units

The grant date fair value of cash-settled deferred share units granted to a member of the board of directors are recognised as compensation expense, with a corresponding increase in compensation liability over the vesting period. Subsequent to initial recognition, the compensation liability and corresponding compensation expense are measured at fair value.

(l) Revenue from contracts with customers

Valeura's petroleum revenues from the sale of crude oil are based on the consideration specified in the contracts with customers. Valeura recognises revenue when the performance obligation is satisfied by transferring control of the product to the customer, which is generally when legal title passes to the customer and collection is reasonably assured.

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

(m) Royalties

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

(i) Royalties to government in Thailand

Royalties paid to the Thai government are based on sales volumes and are payable in cash in each calendar quarter which commences from January, April, July, and October for Thai I licences and in the month following sales for Thai III licences. Royalties for Thai I licences are a flat 12.5%, and for Thai III licences are a sliding scale between 5% and 15% based on sales volumes.

(ii) Payment to previous owner in Thailand

Under the terms of the sales and purchase agreement between the Company and the previous owner of Licence B5/27, the Company is required to make payments to the previous owner in cash based on sales volumes computed as follows:

(1) 6% of gross revenue from certain production areas within Licence B5/27;

(2) $2 per barrel of oil produced from certain production areas within Licence B5/27; and

(3) 4% of gross revenue from certain production areas other than that mentioned in 2) above within Licence B5/27.

(iii) Royalties to government in Türkiye

Royalties paid to the government for natural gas production are 12.5% based on production volumes and are payable in the month following production.

(n) Special remuneratory benefit

Special Remuneratory Benefit ("SRB") is a unique form of tax on Windfall Profits or annual additional petroleum profits, arising from substantial increases in the price of petroleum, or very low-cost discoveries under Thailand Petroleum Income Tax Act. SRB is calculated annually on a block-by-block basis and varies from year-to-year, depending on the revenue per one meter of well drilled in the year. SRB will not apply unless capital expenditures have been recovered in full. The SRB will be calculated annually and will be calculated on a block-by-block basis.

If the concessionaire has Petroleum Profit for the Year, calculated based on related annual income per one meter of well, the SRB is calculated at the following rates, subject to a ceiling of 75% of Petroleum Profit for the Year.

Rated Annual Income Per One Meter of Well	SRB
Up to Baht 4,800	Zero
Baht 4,800 to 14,400	1.0% per each Baht 240 increment
Baht 14,400 to 33,600	1.0% per each Baht 960 increment
Over Baht 33,600	1.0% per each Baht 3,840 increment

In order to determine Rated Annual Income per One Meter of Well:

1) calculate annual Petroleum Income for the year, and adjust for inflation and exchange rates;
2) calculate the accumulated total meters of all wells (exploration wells, appraisal wells, production wells, etc.) drilled during the period of the concession; and Rated Annual Income per One Meter of Well = Adjusted Annual Petroleum Income divided by (Total depth of all wells + GSF)
3) GSF means Geological Stability Factor, which shall be fixed for each geological region of Thailand, and shall not be less than 150,000 meters. The number will increase in areas where drilling is more difficult.

(o) Finance costs

Finance costs comprise interest expense on any borrowings, accretion of the discount on provisions and interest expense arising from lease liabilities. Interest expense on borrowings is recognised as it accrues in profit or loss, using the effective interest method.

(p) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Current tax is the expected taxes payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred tax is recognised using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised on the initial recognition of assets or liabilities in a transaction that is not a business combination.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

(q) Foreign Currency Translation

(i) Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date and foreign exchange currency differences are recognised in the statements of profit or loss and other comprehensive income. Transactions in foreign currencies are translated at exchange rates prevailing at the transaction date. Foreign exchange gains and losses are presented within finance income and costs in the statement of income and comprehensive income.

(ii) Functional and presentation currency

Items included in the financial statements of each of the operational entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company's operational entities are the US$, CAD and TRY. The consolidated financial statements are presented in US$ (or $) which is the Company's presentation currency. The balance sheets and income statements of foreign companies are translated using the current rate method. All assets and liabilities are translated at the balance sheet date rates of exchange, whereas the income statements are translated at average rates of exchange for the year, except for transactions where it is more relevant to use the rate of the day of the transaction, and the translation of assets and liabilities under a hyperinflationary environment disclosed in note 5 of the Financial Statements. The translation differences which arise are recorded directly in other comprehensive income.

ACRONYMS

bbl/d	barrels of oil per day
bbls	Barrels of oil
Concessions	concessions and other similar agreements entered into with a host government providing for petroleum operations in a defined area
E&E	Exploration and Evaluation
EBITDAX	Earnings before interest, tax, depreciation, depletion & amortisation and exploration expense
FPSO	Floating Production, Storage and Offloading vessel
FSO	Floating Storage and Offloading vessel
MOPU	Mobile Offshore Production Unit
MD&A	Management's Discussion and Analysis.
mbbl	one thousand barrels of oil
mmbbl	one million barrels of oil
NI 52-109	National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Filings
PITA	Petroleum Income Tax Act
SRB	Special remuneratory benefit
US	United States of America
$	US dollars
Working Interest	A percentage of ownership in an oil and gas concession granting its owner the right to explore, drill and produce oil and gas from a concession. Working interest owners are obligated to pay a corresponding percentage of the cost of leasing, drilling, producing and operating the concession and to receive the corresponding income/revenues

FORWARD-LOOKING STATEMENTS

Certain information included in this MD&A 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 MD&A includes, but is not limited to: the total cash consideration and quantum for any contingent consideration in respect of the Mubadala Acquisition; the Company's outlook and guidance for the assets acquired in the Mubadala Acquisition; certain contingent payments of up to a further $7.0 million under the Kris Acquisition relating to further development milestones; anticipated 2024 operating costs and capital expenditures; certain contingent payments of up to a further $50.0 million under the Mubadala Acquisition relating to future price scenarios; statements regarding the Company's forward guidance expectations for 2024; anticipated higher production in the second half of 2024; the expectation that a MOPU is expected to be hooked up/installed to the Nong Yao C accumulation field area in early 2024, followed by development drilling; expected extension of economic life of the asset at the Manora oil field; expected timing of continuing production at the Wassana oil field following the precautionary suspension; Valeura's project team selecting a suitable development concept for re-development of the Wassana oil field and Valeura making a final investment decision thereon; the timing and implementing of a sustainability report disclosing key environmental, social, and governance performance; the Company's farm down process for the Deep Gas Play continuing; working to secure a partner in connection with the Deep Gas Play; decommissioning obligations; the search for additional M&A opportunities and pursuit of organic growth opportunities; the potential of the Deep Gas Play in the Thrace Basin; Valeura's operations and outlook; the required level of capital spending and requirements Valeura's ability to fund its 2024 spending through cash on hand and cash flow generation from ongoing operations; future economic conditions; expectations regarding the drilling programme continuing on the Jasmine/Ban Yen oil field; expectations regarding infill drilling on the Nong Yao oil field; the intention to conduct infill drilling on the Manora oil field; planning and timing for the expected development of the Nong Yao C accumulation; intention to re-invest assets and develop organic growth opportunities; continued pursuit of inorganic opportunities within the Thailand and broader Southeast Asia region; and future liquidity.

Forward-looking information is based on management's current expectations and assumptions regarding, among other things: the Company's ability to integrate assets and employees from the Mubadala Acquisition and Kris Acquisition; the ability to successfully increase production from the Wassana oil field and the timing; the ability to achieve oil sales from Wassana and generate net cash flows at current commodity prices; the ability to fully identify and execute infill drilling opportunities in the Wassana oil field; the ability to continue ongoing production operations at the Jasmine/Ban Yen, Manora, and Nong Yao fields; the ability to successfully pursue further opportunities in Thailand; the ability to identify attractive M&A opportunities to support growth; continued safe, reliable and environmentally responsible operations and ability to proceed in a timely manner; future sources of funding; future economic conditions; the ability to manage costs related to inflation; the ability of the Company to execute its strategy; the Company's ability to effectively manage growth; political stability of the areas in which Valeura is operating and completing transactions; the success of the Deep Gas Play; the ability of the Company to satisfy the drilling and other requirements under its licences and leases; continued operations of and approvals forthcoming from the governments and regulators in a manner consistent with past conduct; future drilling activity on the required/expected timelines; the prospectivity of the Company's lands; the continued favourable pricing and operating netbacks across its business; future production rates and associated operating netbacks and cash flow; the ability to reach agreement with partners; the ability of the Company to maintain its directors, senior management team and employees with relevant experience; the ability of the Company to successfully manage the political and economic risks inherent in pursuing oil and gas opportunities in Thailand and Türkiye; field production rates and decline rates; the impact of increasing competition; the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner to develop its business and execute work programmes; the Company's ability to operate the properties in a safe, environmentally responsible, efficient and effective manner; the timing and costs of pipeline, storage and facility construction and expansion; future oil and natural gas prices; currency, exchange rates; interest rates; the ability of the Company to maintain effective ICFR; the regulatory framework regarding royalties, taxes and environmental matters; the ability of the Company to successfully market its oil and natural gas products; the continued minimal effect on the Company's ability to operate from various geopolitical unrest; the state of the capital markets; future commodity prices; the impact of the Russian invasion of Ukraine; royalty rates and taxes; future capital and other expenditures; the success obtained in drilling new wells and working over existing wellbores; the performance of wells and facilities; the availability of the required capital to funds its exploration, development and other operations, and the ability of the Company to meet its commitments and financial obligations; the ability of the Company to secure adequate processing, transportation, fractionation and storage capacity on acceptable terms; the capacity and reliability of facilities; the application of regulatory requirements respecting abandonment and reclamation; the recoverability of the Company's reserves and contingent resources; future growth; the sufficiency of budgeted capital expenditures in carrying out planned activities; global energy policies going forward; future debt levels; and the ability of the Company to obtain financing on acceptable terms. 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, offshore storage and offloading facilities 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 and resources 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: offshore operation risks relating to Thailand; use of foreign subsidies risks; the risks associated with the oil and gas industry (e.g. operational risks in exploration, inherent uncertainties in interpreting geological data, and changes in plans with respect to exploration or capital expenditures, the uncertainty of estimates and projections in relation to costs and expenses, and health, safety, environmental risks and climate change risks); the ability of management to execute its business plan or realise anticipated benefits from the Mubadala Acquisition and Kris Acquisition; competition for specialised equipment and human resources; the Company's ability to manage growth; the Company's ability to manage the costs related to inflation; disruption in supply chains; the risks of currency fluctuations; changes in interest rates, oil and gas prices and netbacks; potential changes in joint venture partner strategies and participation in work programmes; potential assertions of pre-emptive rights by a partner or potential disputes with a partner in connection with the Kris Acquisition; the ability to maintain effective ICFR; the ability to secure a new partner for Deep Gas Play; the ability to execute potential M&A opportunities; the risk that the conditions precedent under the Facility will not be satisfied and that other financing may not be available; liquidity risk; uncertainty regarding the sustainability of initial production rates and decline rates thereafter; uncertainty regarding the contemplated timelines for further testing and production activities; uncertainty regarding the state of capital markets and the availability of future financings; the risk of being unable to meet drilling deadlines and the requirements under licences and leases; uncertainty regarding the contemplated timelines and costs for offshore development plans in Thailand and the Deep Gas Play evaluation in Türkiye; the risks of disruption to operations and access to worksites, threats to security and safety of personnel and potential property damage related to political issues, terrorist attacks, insurgencies or civil unrest; the risks of increased costs and delays in timing related to protecting the safety and security of Valeura's personnel and property; political stability in the countries in which it operates; the risk of changing commodity prices; the risk of foreign exchange rate fluctuations; the risk of partners having different views on work programmes and potential disputes among partners; counterparty risks; the uncertainty regarding government and other approvals (potential changes in laws and regulations); the risks associated with weather delays and natural disasters; and the risk associated with international activity. The forward-looking information included in this MD&A is expressly qualified in its entirety by this cautionary statement. See the AIF for a detailed discussion of the risk factors.

Certain forward-looking information in this MD&A may also constitute the "financial outlook" within the meaning of applicable securities legislation. Financial outlook involves statements about Valeura's prospective financial performance or position and is based on and subject to the assumptions and risk factors described above in respect of forward-looking information generally as well as any other specific assumptions and risk factors in relation to such financial outlook noted in this MD&A. Such assumptions are based on management's assessment of the relevant information currently available, and any financial outlook included in this MD&A is made as of the date hereof and provided for the purpose of helping readers understand Valeura's current expectations and plans for the future. Readers are cautioned that reliance on any financial outlook may not be appropriate for other purposes or in other circumstances and that the risk factors described above or other factors may cause actual results to differ materially from any financial outlook.

The forward-looking information contained in this MD&A 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 MD&A is expressly qualified by this cautionary statement.

Oil and Gas Advisories

Reserves disclosed in this MD&A are based on an independent evaluation conducted by the incumbent independent petroleum engineering firm, Netherland, Sewell & Associates, Inc. ("NSAI") with an effective date of December 31, 2023. The NSAI estimates of reserves were 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 and Gas Activities. The reserves estimates disclosed in this MD&A are estimates only and there is no guarantee that the estimated reserves will be recovered.

This MD&A contains a number of oil and gas metrics, including "net asset value" or "NAV" and "reserves replacement" which do not have standardised meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies. Such metrics are commonly used in the oil and gas industry and have been included herein to provide readers with additional measures to evaluate the Company's performance; however, such measures are not reliable indicators of the future performance of the Company and future performance may not compare to the performance in previous periods.

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