valeura energy

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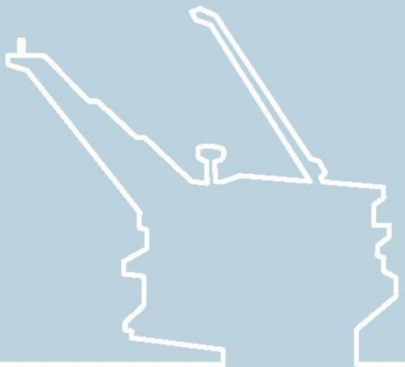
Interim Condensed Consolidated Financial Statements

(Unaudited)



For the Period Ended March 31, 2024

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited)

In US$'000	Note	Unaudited March 31, 2024	December 31, 2023
ASSETS			
Current assets			
Cash and cash equivalents		176,345	133,866
Restricted cash	6	17,338	17,299
Trade and other receivables	20	46,955	66,067
Inventory	7	73,658	65,198
Prepaid expenses and deposits		7,763	11,125
Total current assets		**322,059**	**293,555**
Non-current assets			
Exploration and evaluation assets	8	2,562	2,379
Property, plant and equipment	9	309,505	326,569
Right-of-use assets	10	74,850	81,811
Total non-current assets		**386,917**	**410,759**
TOTAL ASSETS		**708,976**	**704,314**
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	11	92,834	108,498
Current portion of lease liabilities	10	40,106	42,046
Current portion of contingent consideration	4	7,720	7,000
Income tax payable		79,628	59,914
Total current liabilities		**220,288**	**217,458**
Non-current liabilities			
Lease liabilities	10	26,783	31,589
Long term incentive compensation liability	12	733	423
Contingent consideration	4	-	697
Decommissioning obligations	13	132,438	129,464
Provision for employee benefits		9,514	9,319
Deferred tax liability		14,902	31,186
Total non-current liabilities		**184,370**	**202,678**
Equity			
Share capital	14	203,646	203,127
Contributed surplus		24,649	24,328
Accumulated other comprehensive income		10,275	10,393
Retained earnings (deficit)		65,748	46,330
Total Equity		**304,318**	**284,178**
TOTAL LIABILITIES AND EQUITY		**708,976**	**704,314**

See accompanying notes to the condensed interim consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Unaudited)

		Three months ended	
In US$'000	Note	March 31, 2024	March 31, 2023
Revenue and other income			
Oil revenues		149,408	-
Royalties		(18,639)	-
Net oil revenues		**130,769**	**-**
Other income	16	2,069	63
		132,838	**63**
Expenses			
Operating		41,788	4,678
Exploration		2,196	41
Special remuneratory benefit (SRB)		-	(53)
General and administrative		6,417	3,037
Transaction costs		-	829
Finance costs	15	6,516	1,944
Foreign exchange loss (gain)		332	979
Share-based compensation		889	572
Depletion and depreciation	9, 10	47,596	113
		105,734	**12,140**
Profit (loss) for the period before other items		**27,104**	**(12,077)**
Bargain purchase gain	4	-	238,143
Change in net monetary position due to hyperinflation	5	263	268
Profit for the period before income taxes		**27,367**	**226,334**
Income taxes			
Deferred tax recovery		(16,284)	(7,948)
Tax expense		24,233	-
Net income		**19,418**	**234,282**
Net income (loss) attributable to:			
Shareholders of Valeura Energy		19,418	234,995
Non-controlling interest		-	(713)
Net income		**19,418**	**234,282**
Other comprehensive income (loss)			
Currency translation adjustments		(118)	(51)
Comprehensive income		**19,300**	**234,231**
Net income (loss) attributable to:			
Shareholders of Valeura Energy	19	19,418	234,995
Non-controlling interest		-	(713)
Earnings per share			
Basic	*19*	*0.19*	*2.59*
Diluted	*19*	*0.18*	*2.45*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

		Three months ended	
		March 31,	March 31,
In US$'000	**Note**	**2024**	**2023**
Operating activities			
Profit for the year before income taxes		27,367	226,334
Adjustments for:			
Depletion and depreciation	9, 10	47,596	113
Share-based compensation		529	572
Finance costs	15	6,516	1,944
Change in estimate on decommissioning liabilities		-	(42)
Write down (reversal) inventory to net realisable value		(7,126)	-
Provision for employee benefits		(84)	-
Provision for inventory obsolescence		(355)	-
Bargain purchase gain	4	-	(238,143)
Change in net monetary position due to hyperinflation	5	(263)	(268)
Unrealised foreign exchange loss		973	806
Operating cashflows before movements in working capital		75,153	(8,684)
Change in non-cash working capital	18	6,033	(17,464)
Cash generated from (used in) operating activities		81,186	(26,148)
Income taxes paid		-	-
Decommissioning cost paid	13	(4)	-
Change in restricted cash	6	(39)	(2,676)
Net cash from (used in) operating activities		**81,143**	**(28,824)**
Investing activities			
Property, plant and equipment expenditures		(30,787)	(3,890)
Exploration and evaluation expenditures		-	(554)
Acquisition of subsidiaries	4	-	238,058
Change in non-cash working capital	18	2,373	2,864
Net cash from investing activities		**(28,414)**	**236,478**
Financing activities			
Facility financing, net of costs		-	38,000
Principal payments on lease liabilities	10	(9,009)	(2,872)
Payments on commitment and financing fee	15	(1,250)	-
Proceeds on issue of share		-	6,853
Proceeds from stock option exercises		311	174
Net cash (used in) from financing activities		**(9,948)**	**42,155**
Foreign exchange gain (loss) on cash held in foreign currencies		(302)	1,226
Net change in cash and cash equivalents		**42,479**	**251,035**
Cash and cash equivalents, beginning of the year		**133,866**	**17,516**
Total cash and cash equivalents, end of the year		**176,345**	**268,551**

See accompanying notes to the interim condensed consolidated financial statements.

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

	Number of common shares (Share '000)	Share Capital (US$'000)	Contributed Surplus (US$'000)	Accumulated Other Comp. Income (US$'000)	Retained Earnings (US$'000)	Non-Controlling interest (US$'000)	Total Shareholders' Equity (US$'000)
Balance, January 1, 2024	102,955	$ 203,127	$ 24,328	$ 10,393	$ 46,330	$ -	$ 284,178
Net income for the year	-	-	-	-	19,418	-	19,418
Shares issued	702	519	(208)	-	-	-	311
Currency translation adjustments	-	-	-	(118)	-	-	(118)
Share-based compensation	-	-	529	-	-	-	529
March 31, 2024	**103,657**	**$ 203,646**	**$ 24,649**	**$ 10,275**	**$ 65,748**	**$ -**	**$ 304,318**

	Number of common shares (Share '000)	Share Capital (US$'000)	Contributed Surplus (US$'000)	Accumulated Other Comp. Income/(loss) (US$'000)	(Deficit)/ Retained Earnings (US$'000)	Non-Controlling interest (US$'000)	Total Shareholders' Equity (US$'000)
Balance, January 1, 2023	87,148	$ 180,116	$ 22,986	$ 8,748	$ (185,814)	$ 2,421	$ 28,457
Net income for the year	-	-	-	-	234,995	(713)	234,282
SPV capital transactions	9,500	14,590	-	-	(12,882)	(1,708)	-
Shares issued	4,425	7,767	(105)	-	-	-	7,662
Shares issuance costs	-	(627)	-	-	-	-	(627)
Currency translation adjustments	-	-	-	(51)	-	-	(51)
Share-based compensation	-	-	572	-	-	-	572
March 31, 2023	**101,073**	**$ 201,846**	**$ 23,453**	**$ 8,697**	**$ 36,299**	**$ -**	**$ 270,295**

See accompanying notes to the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – Reporting Entity

Valeura Energy Inc. and its subsidiaries ("Valeura" or the "Company") are currently engaged in the exploration, appraisal, development, and production of petroleum in the Gulf of Thailand and natural gas onshore Türkiye. Valeura is incorporated in Alberta, Canada and has subsidiaries in Canada, Netherlands, Türkiye, Thailand, Singapore, Mauritius, British Virgin Islands, and Cayman Islands. Valeura's shares are traded on the Toronto Stock Exchange ("TSX") under the trading symbol VLE, and quoted on the OTCQX in the United States of America under the trading symbol VLERF. Valeura's head office address is 111 Somerset Road, #09-31, Singapore 238164.

The Board of Directors approved the interim condensed consolidated financial statements for issuance on May 8, 2024.

NOTE 2 – Basis of Preparation

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS 34") – Interim Financial Reporting of the International Financial Reporting Standards ("IFRS"). The unaudited interim condensed consolidated financial statements should be read in conjunction with Valeura's audited consolidated financial statements and MD&A for the year ended December 31, 2023. The unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS accounting policies and methods of computation as set forth in Valeura's audited consolidated financial statements for the year ended December 31, 2023, with the exception as noted below of certain disclosures that are normally required to be included in annual consolidated financial statements which have been condensed or omitted in the interim statements.

Basis of Measurement

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial and non-financial assets and liabilities, which have been measured at fair value and except for the application of hyperinflationary accounting for the Company's subsidiary in Türkiye. The methods used to measure fair value are consistent with the Company's December 31, 2023 consolidated financial statements.

The interim condensed consolidated financial statements include the accounts of Valeura and its subsidiaries and are expressed in thousands of US Dollars ("$"), unless otherwise stated.

Functional and Presentation Currency

The individual financial statements of each subsidiary of the Company are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The interim condensed consolidated financial statements of Valeura are presented in US Dollars, which is the functional currency of the Company and the presentation currency for the interim condensed consolidated financial statements.

Use of Estimates and Judgements

The preparation of interim condensed consolidated financial statements in conformity with IFRS Accounting Standards requires management to make judgements, 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.

The Company has reviewed the current estimates and judgements and determined that they do not have a material change from the estimates and judgements used for the audited consolidated financial statements for the year ended December 31, 2023.

Going Concern

The interim condensed consolidated financial statements for the year ended March 31, 2024, have been prepared on a going concern basis, which assumes that the Company have adequate resources to continue in operational existence for the foreseeable future.

NOTE 3 – Material Accounting Policies

(a) Basis of consolidation

(i) Subsidiaries:

The interim condensed consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. 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
- 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
- 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 and the Rossukon exclusive operation is dated April 27, 2023, of which the government approval is pending. As of March 31, 2024, the Company has no proportion of the participating share in the licence.

The partner in Licence G10/48, Wassana 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 March 31, 2024, 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 interim condensed 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 earnings 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.

c. 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 CGUs 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 statement 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.

Past-service costs are recognised immediately in 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".

(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 remediation 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 ("RSU") 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 ("DSU") 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. Revenue 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

1) 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:
2) 6% of gross revenue from certain production areas within Licence B5/27;
3) $2 per barrel of oil produced from certain production areas within Licence B5/27; and
4) 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 statement 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 USD, CAD and TRY. The interim condensed consolidated financial statements are presented in USD 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. The translation differences which arise are recorded directly in other comprehensive income.

NOTE 4 – Business Combinations

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.

(a) As announced on December 6, 2022 the Company entered into a Sale and Purchase Agreement (the “SPA”) with Mubadala Petroleum (Thailand) Holdings Limited (the “Seller”) to acquire all of the shares of Busrakham Oil and Gas Ltd. (“BOGL”). On March 22, 2023, the transaction closed with US$10.4 million in consideration paid (“Mubadala Acquisition”). Contingent payments of up to US$50.0 million are based on certain upside price scenarios, have been recorded at estimated fair value. During the year, net cash flow from the acquisition is the cash and cash equivalents acquired less the cash consideration paid. This includes the offset against the deposit of US$6.0 million paid in 2022.

The SPA has been accounted for as a business combination under IFRS 3 *Business Combinations*. In 2023, the Company, the Company completed Purchase Price Allocation (“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 US$’000	**PPA**
Cash	10,438
Contingent consideration	3,934
Total consideration	**14,372**
Purchase Price Allocation	
Cash and cash equivalents	242,496
Accounts receivable	54,902
Inventory	86,114
Prepaid expenses and deposits	6,680
Property, plant and equipment	364,471
Right of use asset	47,193
Accounts payable and accrued liabilities	(172,249)
Lease liability	(48,575)
Provision for employee benefits	(9,696)
Income tax payable	(112,019)
Decommissioning obligations	(144,769)
Deferred tax liability	(62,033)
Total purchase price allocation	**252,515**
Bargain purchase gain	**238,143**

The Company chose to pursue the Mubadala Acquisition as a mean to add immediate cash flow by acquiring high working interests in the Jasmine/Ban Yen, Nong Yao, and Manora producing oil fields, and their associated production infrastructure. The Company also foresaw the potential for follow-on growth by continuing to invest into the fields to maintain their long proven history of replacing reserves on a year-on-year basis, in addition to the potential for financial and operating synergies between the Mubadala Acquisition assets and those of the Kris Acquisition.

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 December 31, 2022 and adjusted for production from January 1, 2023 to March 22 2023. Deferred taxes were calculated by applying the statutory tax rate to the property, plant and equipment, right of use assets, decommissioning obligation, and lease liabilities fair values less available tax pools. The 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 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 US$100. Such contingent consideration is capped at a maximum of US$50 million, and each year is calculated independently of each other year. There is no contingent consideration payable in 2023. The contingent consideration is payable in January 2025 for any amounts related to 2024 (if applicable). 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 contingent consideration at date of acquisition was US$3.9 million. Using the same methodology, at the year end date, the contingent consideration is US$0.7 million. The contingent consideration has been reduced as a result of shorter remaining time to settlement as time lapses. The contingent consideration payable as at March 22, 2023 covered a remaining time to settlement of approximately 1.78 years, whilst the contingent consideration payable as at December 31, 2023 covered a remaining time to settlement of 1 year. The change in the value of the contingent consideration has been recognised as net change in contingent consideration in the statement of income and comprehensive income. During the period ended March 31, 2024, the change in contingent consideration value pertains to the recognition of accretion expense.

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.

BOGL contributed US$482.3 million revenue and US$78.4 million to the Company's net income for the year between the date of acquisition and December 31, 2023. If the acquisition of BOGL had been completed on the first day of 2023, the Company revenue for the year ended December 31, 2023 would have been increased by US$106.4 million and the net income would have been increased by US$37.2 million.

NOTE 5 – Hyperinflation

During the second quarter of 2022, the Turkish Statistical Institute's published consumer price index indicated that cumulative 3-year inflation had exceeded 100 percent which continued throughout the year 2023 and 2024. Consequently, the Company has concluded that its subsidiary in Türkiye, whose functional currency is the Turkish Lira, is currently operating in a hyperinflationary environment. The Company has therefore applied accounting adjustments to the underlying financial results and position of its subsidiary in Türkiye as required by IAS 29 *Financial Reporting in Hyperinflationary Economies.* As required by IAS 29, the Company's interim condensed consolidated financial statements will include the results and financial position of its Turkish subsidiary, restated in terms of the measuring unit current at the period end date.

The Company applied the consumer price index ("CPI") annual inflation rates published by the Turkish Statistical Institute. The indices used are found in the tables below. Average cumulative annual inflation rates were used for 2018 to 2022. Inflation for items purchased in 2018 is greater than those in 2024 due to the cumulative effect of inflation over the additional years. In 2024, monthly inflation rates were used as follows:

Year Purchased	Cumulative Average Annual CPI
2018	303.73
2019	254.59
2020	215.69
2021	163.90
2022	53.44
2023	66.81

Month	Monthly CPI 2024
January	6.70
February	4.53
March	3.16

The Company's subsidiary in Türkiye has applied its non-monetary items held at historical cost. The non-monetary items this applied to were the exploration and evaluation assets and property, plant and equipment which were converted into their current purchasing power after applying the appropriate CPI rate, based on the year the items were initially recognised. Monetary items and non-monetary items held at current cost were not restated, as they are considered to be expressed in terms of the measuring unit current at the period end date.

NOTE 6 – Restricted Cash

The Company has restricted cash in the total amount of US$17.3 million as at March 31, 2024 (2023: US$17.3 million). Of the US$17.3 million, (i) US$16.3 million held with banks in Thailand and related to securing a financial security issued in accordance with decommissioning regulation issued by Department of Mineral Fuels for Valeura's Thai licences; and (ii) the US$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 Thai Customs department.

NOTE 7 – Inventory

In US$'000	Unaudited March 31, 2024	December 31, 2023
Crude oil (net of write down to NRV)	43,344	33,859
Spare parts (net of provision for obsolescence)	30,314	31,339
Total	**73,658**	**65,198**

NOTE 8 – Exploration and Evaluation Assets

In US$'000	Total
Balance, December 31, 2023	2,379
Additions	-
Hyperinflation adjustments (Note 5)	263
Effects of movements in exchange rates	(80)
Balance, March 31, 2024	**2,562**

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

Recoverability of exploration and evaluation assets
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 and the Rossukon exclusive operation is dated April 27, 2023. As of March 31, 2024, the Company has no proportion of the participating share in the licence. The Company recognised full impairment provision on Licence G6/48 E&E assets in the year 2023.

NOTE 9 – Property, Plant and Equipment

Cost (In US$'000)	Oil and gas properties	Other PPE	Total
Balance, December 31, 2023	439,428	34,247	473,675
Additions	30,733	54	30,787
Disposal		(56)	(56)
Hyperinflation adjustments		5,071	5,071
Effects of movements in exchange rates	-	(21)	(21)
Balance, March 31, 2024	**470,161**	**39,295**	**509,456**

Accumulated depletion and depreciation (In US$'000)	Oil and gas properties	Other PPE	Total
Balance, December 31, 2023	129,341	17,765	147,106
Depreciation expense	46,654	1,183	47,837
Disposal	-	(56)	(56)
Hyperinflation adjustments		5,071	5,071
Effects of movements in exchange rates	-	(7)	(7)
Balance, March 31, 2024	**175,995**	**23,956**	**199,951**

Net book value (In US$'000)			Total
Balance, December 31, 2023	310,087	16,482	326,569
Balance, March 31, 2024	**294,166**	**15,339**	**309,505**

For the purposes of calculating depletion, oil and gas properties in Thailand include estimated future development costs of US$632 million associated with development of the Company's proved and probable reserves. The depreciation expense includes the depreciation capitalisation of US$6.2 million. Such depreciation is capitalised as cost of crude oil inventory.

The Company conducted an impairment assessment and concluded that there were no indicators of impairment with respect to the Company's property, plant and equipment and right of use assets as at March 31, 2024.

NOTE 10 – Right-of-Use Assets and Lease Liabilities

The Company has lease contracts for various items used in its operations, including Floating Production Storage and Offloading (FPSO) vessels, Floating Storage and Offloading (FSO) vessels, and warehouses. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Lease terms are between 2 and 5 years.

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

	Useful life
FPSO and FSO lease	Unit of production
Buildings (warehouse and office lease)	2-5 years

Right-of-use assets

Set out below are the carrying amounts of right of use assets recognised and the movements during the period:

Cost (In US$'000)	FPSO and FSO	Buildings	Total
Balance, December 31, 2023	93,525	2,550	96,075
Additions (adjustments)	-	-	-
Balance, March 31, 2024	**93,525**	**2,550**	**96,075**
Accumulated depletion and depreciation (in US$'000)			
Balance, December 31, 2023	13,691	573	14,264
Depreciation expense	6,767	190	6,957
Balance, March 31, 2024	**20,458**	**763**	**21,221**
Net book value (In US$'000)			
Balance, December 31, 2023	79,834	1,977	81,811
Balance, March 31, 2024	**73,067**	**1,783**	**74,850**

The depreciation expense includes the depreciation capitalisation of US$1.0 million. Such depreciation is capitalised as cost of crude oil inventory.

Lease liabilities

Set out below are the carrying amounts of the lease liabilities and the movements during the period:

Lease Liabilities (In US$'000)	FPSO and FSO	Buildings	Total
Balance, December 31, 2023	71,559	2,076	73,635
Additions (adjustments)	-	(2)	(2)
Interest expenses on lease liabilities (Note 15)	2,199	66	2,265
Lease payments	(8,755)	(254)	(9,009)
Balance, March 31, 2024	**65,003**	**1,886**	**66,889**
Current	**39,382**	**724**	**40,106**
Non-current	**25,621**	**1,162**	**26,783**

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

Lease payment maturity analysis – Contractual undiscounted cash flows (In US$'000)	FPSO and FSO	Buildings	Total
Less than one year	44,181	1,017	45,198
Between 2 and 5 years	29,651	1,291	30,942
As at March 31, 2024	**73,832**	**2,308**	**76,140**

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

NOTE 11 – Accounts Payable and Accrued Liabilities

In US$'000	Unaudited March 31, 2024	December 31, 2023
Trade payables	17,935	21,868
Accruals	55,724	61,152
VAT payables	1,653	5,069
SRB payables	16,545	17,625
Others	977	2,784
Total	**92,834**	**108,498**

Trade payables are normally settled within 30-60 days terms (2023: 30 – 60 days term).

NOTE 12 – Long term Incentive Compensation Liability

The Company granted deferred share units ("DSU") to non-executive members of the board. Subject to meeting certain conditions as set out in the DSU plan, the grantee of a DSU is entitled to receive cash settlement of its DSU upon redemption. Cash settlement of DSUs are calculated based on the selected average share price of the Company at the redemption date. The compensation liability was measured at fair value on Level 1 fair value measurement based on the quoted market price available on the stock exchange. The number of outstanding DSU as at March 31, 2024 are as follows:

	Number of DSU
Balance, December 31, 2023	208,391
Granted	-
Settled	-
Balance, March 31, 2024	**208,391**

NOTE 13 – Decommissioning Obligations

In US$'000	Unaudited March 31, 2024
Decommissioning obligations, beginning of the year	129,464
Accretion of decommissioning obligations	2,978
Settled during the year	(4)
Balance, March 31, 2024	**132,438**

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

NOTE 14 – Share Capital

(a) Authorised

The Company has authorised an unlimited number of common shares and an unlimited number of preferred shares, issuable in series.

(b) Issued

	Number of Shares	Amount (US$'000)
Balance, December 31, 2023	102,954,826	203,127
Shares issued pursuant to stock options exercises	702,500	519
Balance, March 31, 2024	**103,657,326**	**203,646**

(c) Stock options

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

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

Stock Options	Number of Options	Weighted average exercise price (CAD)
Balance, December 31, 2023	6,038,164	0.92
Exercised	(702,500)	0.60
Balance, March 31, 2024	**5,335,664**	**0.97**
Exercisable at March 31, 2024	**4,357,337**	**0.77**

The following table summarises information about the stock options outstanding at March 31, 2024:

Exercise prices (CAD)	Outstanding at March 31, 2024	Weighted average remaining life (years)	Weighted average exercise price (CAD)	Exercisable at March 31, 2024	Weighted average exercise price (CAD)
$0.25 - $0.37	1,059,000	3.0	0.25	1,059,000	0.25
$0.38 - $0.51	16,666	4.0	0.49	16,666	0.49
$0.52 - $0.53	1,430,832	4.0	0.52	1,430,832	0.52
$0.54 - $0.64	100,000	2.8	0.54	100,000	0.54
$0.65 - $0.74	95,000	0.1	0.73	95,000	0.73
$0.75 - $1.17	600,000	0.1	0.75	600,000	0.75
$1.18 - $1.84	1,484,166	5.0	1.58	922,504	1.58
$1.85 - $2.15	150,000	6.0	2.10	50,001	2.10
$2.16 - $2.26	150,000	6.1	2.19	-	-
$2.27 - $2.32	250,000	5.8	2.32	83,334	2.32
	5,335,664	**3.74**	**0.97**	**4,357,337**	**0.77**

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

Assumptions	March 31, 2024	December 31, 2023
Risk free interest rate (%)	3.6	3.9
Expected life (years)	4.1	4.3
Expected volatility (%)	89	93
Forfeiture rate (%)	10	10
Weighted average fair value per option (CAD)	1.57	1.57

(d) Performance share units and Restricted share units

The Company has a share-based compensation programme of performance share units ("PSU") and restricted share units ("RSU") granted to certain employees of the Company. The vesting of PSU and RSU are subject to vesting date and certain employment conditions. The PSU is also subject to certain performance conditions. The following table summarises information about the PSU & RSU outstanding at March 31, 2024:

	RSU (US$'000)	PSU (US$'000)
Balance outstanding, December 31, 2023	**292**	**394**
Amortised	133	166
Balance, March 31, 2024	**425**	**560**

The number of outstanding PSU & RSU as at March 31, 2024 are as follows:

	Number of RSU	Number of PSU
Balance, December 31, 2023	**532,909**	**966,524**
Granted	-	-
Balance, March 31, 2024	**532,909**	**966,524**

NOTE 15 – Finance Costs

	Three months ended	
In US$'000	**Unaudited March 31, 2024**	**Unaudited March 31, 2023**
Interest expense and commitment fee on facility	-	587
Amortisation of financing transaction costs	-	195
Accretion on decommissioning liabilities (Note 13)	2,978	969
Accretion on contingent consideration	23	30
Interest expenses on lease liabilities (Note 10)	2,265	151
Financing fee	1,250	-
Others	-	12
Total	**6,516**	**1,944**

NOTE 16 – Other Income

In US$'000	Three months ended Unaudited March 31, 2024	Unaudited March 31, 2023
Interest income	594	63
Reversal of provision	1,000	-
Others	475	-
Total	**2,069**	**63**

NOTE 17 – Credit Facility

The Company's account performance security guarantee facility ("APSG Facility") with Export Development Canada with a limit of US$11.0 million was renewed to September 30, 2024. The APSG Facility, which was issued to National Bank of Canada ("NBC"), allows the Company to use the APSG Facility as collateral for certain letters of credit issued by NBC. The Company has issued approximately US$10.2 million in letters of credit under the APSG Facility (2023: US$10.2 million).

NOTE 18 – Supplemental Statement of Cash Flow

Accounts payable and accrued liabilities include SRB payables. The SRB payables as at March 31, 2024 was US$16.5 million (2023: US$ 17.6 million).

In US$'000	Three months ended Unaudited March 31, 2024	Unaudited March 31, 2023
Change in non-cash working capital:		
Accounts receivable	19,112	11,252
Prepaid expenses and deposits	3,362	(17,185)
Inventory	5,804	(2,998)
Accounts payable and accrued liabilities	(19,872)	(5,669)
Balance, March 31	**8,406**	**(14,600)**
Operating	6,033	(17,464)
Investing (1)	2,373	2,864
Balance, March 31	**8,406**	**(14,600)**

(1) Accruals of capital expenditure which are development drilling and facility accruals.

NOTE 19 – Earnings per Share

Basic earnings per share are based on net income attributable to the common shareholders and is calculated based upon the weighted - average number of common shares outstanding during the periods presented.

	Three months ended Unaudited March 31, 2024	Unaudited March 31, 2023
Net income (loss) attributable to shareholders of the Company (In US$ '000)	**19,418**	**234,995**
Weighted average number of ordinary shares for the purposes of basic earnings per share (in thousands unit)	103,229	90,828
Earnings (loss) for the purposes of basic earnings per share (in US$)	**0.19**	**2.59**
Weighted average number of ordinary shares for the purposes of diluted earnings per share from: (in thousands unit)		
Stock options	3,914	5,247
PSU	967	-
RSU	533	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share (in thousands unit)	108,643	96,075
Earnings (loss) for the purposes of diluted earnings per share (in US$)	**0.18**	**2.45**

NOTE 20 – Financial Risk Management

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

- Credit risk
- Market risk
- Liquidity risk

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

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. In light of the significant increase in complexity and scope of the business following the Mubadala and Kris Acquisitions management and the board will continue to reassess the Company's risk management framework and policies to ensure of their appropriateness.

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

In US$'000	Unaudited March 31, 2024	December 31, 2023
Trade receivables	35,855	49,463
Reimbursement of Licence G6/48 contingent payment, including VAT	-	5,350
Others	1,993	900
Financial assets included in trade and other receivables	**37,848**	**55,713**
Tax receivable	9,107	10,354
Total trade and other receivables	**46,955**	**66,067**

Trade receivables
The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company's trade receivables balance is primarily attributable to sale of hydrocarbons. The management has assessed there is no exposure on the recovery of such debts, based on its experience of past dealing with these customers.

Trade receivables are non-interest bearing and are generally on 30 days (2023: nil) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Tax receivable
Included in the carrying amount is an allowance of US$4.3 million (2023: US$4.3 million) on withholding tax receivable, which management assessed to be unrecoverable following a tax audit on one of the Company's subsidiaries.

Reimbursement of Licence G6/48 contingent payment, including VAT
Account receivable derived from the second consideration payment of US$5.0 million due 90 days after first production through a permanent production facility on the Rossukon field which commenced in November 2023. The receivable was fully received in January 2024.

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

Foreign currency risk:
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk in changes in foreign exchange rates relates primarily to the Company's operating activities and the Company's net investments in foreign subsidiaries and joint arrangements. The Company's transactions are principally denominated in US$. However, payments to governments such as royalties, taxes and SRB payments, and to local contractors are paid in local currency in Canada, Türkiye and Thailand. The Company incurs foreign currency risk on transactions and balances that are denominated in currencies other than the United States Dollar.

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

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

At March 31, 2024 (In US$'000)	Movement %	Strengthening	Weakening
Impact to profit or loss			
Thai Baht	10	912	(912)
Canadian Dollar	10	67	(67)
Turkish Lira	10	1	(1)

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

Interest rate risk:
Interest rate risk is the risk that future cash flows or valuations of assets or liabilities will fluctuate as a result of changes in market interest rates. A 1% increase or decrease is used when management assesses changes in interest rate risk internally. No sensitivity analysis is prepared as the Company does not expect any material effect on the Company's profit or loss and equity arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the reporting period.

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

Capital management
The Company's objective when managing capital is to maintain a flexible capital structure which allows it to execute its growth strategy through expenditures on exploration, development, and acquisition activities while maintaining a strong financial position. As at March 31, 2024, the Company had working capital of US$101.8 million which included cash and cash equivalents and restricted cash of US$193.7 million. Management will continuously monitor and manage the Company's capital and liquidity position in order to assess the requirement for changes to the capital structure to meet the objectives and to maintain flexibility. The Company's overall strategy remains unchanged from 2023.

Fair value of financial assets and liabilities:
The Company's fair value measurements are classified as one of the following levels of the fair value hierarchy:

- Level 1 – inputs represent unadjusted quoted prices in active markets for identical assets and liabilities. An active market is characterised by a high volume of transactions that provides pricing information on an ongoing basis.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These valuations are based on inputs that can be observed or corroborated in the marketplace, such as market interest rates or forecasted commodity prices.
- Level 3 – inputs for the asset or liability are not based on observable market data.

The Company aims to maximise the use of observable inputs when preparing calculations of fair value. Classification of each measurement into the fair value hierarchy is based on the lowest level of input that is significant to the fair value calculation.

The fair value of cash and cash equivalents, accounts receivable,accounts payable and accrued liabilities approximate their carrying amounts due to their short terms to maturity. There were no transfers between Level 1 and 2 during the current or prior year.

NOTE 21 – Geographic Segmented Information

Information reported to the Company's Chief Executive (the Chief Operating Decision Maker ("CODM")) for the purposes of resource allocation and assessment of segment performance is focused on the category of geography and each type of activity. The Company's CODM monitors the segment performances by type of activity which are producing assets, non-producing assets and corporate business. The current producing assets are ongoing production operations on oil fields in Thailand. The non-producing assets are exploration in Türkiye. The following is an analysis of the Company's revenue and results by reportable segment in 2024 and 2023:

In US$'000	Producing assets Thailand	Exploration and evaluation assets Türkiye	Corporate	Total
March 31, 2024				
Revenue and other income	**132,722**	**-**	**116**	**132,838**
Expenses				
Operating	41,788	-	-	41,788
Exploration	2,196	-	-	2,196
General and administrative	3,051	45	3,321	6,417
Finance costs	5,238	28	1,250	6,516
Foreign exchange loss (gain)	381	52	(101)	332
Share-based compensation	-	-	889	889
Depletion and depreciation	47,527	-	69	47,596
Profit (loss) before other items and tax	**32,541**	**(125)**	**(5,312)**	**27,104**
Change in net monetary position due to hyperinflation	-	263	-	263
Profit (loss) for the year before income taxes	**32,541**	**138**	**(5,312)**	**27,367**
Deferred tax recovery	(16,472)	**-**	188	(16,284)
Tax expense	24,233	-	-	24,233
Net income (loss)	**24,780**	**138**	**(5,500)**	**19,418**
Non-current assets (1)	**383,811**	**2,624**	**482**	**386,917**

(1) Non-current assets consist of PPE, right-of-use assets and E&E assets.

In US$'000	Producing assets Thailand	Exploration and evaluation assets Türkiye	Corporate	Total
March 31, 2023				
Revenue and other income	**-**	**-**	**63**	**63**
Expenses				
Operating	4,678	-	-	4,678
Exploration	41	-	-	41
Special remuneratory benefit (SRB)	(53)	-	-	(53)
General and administrative	581	25	2,431	3,037
Transaction costs	-	-	829	829
Finance costs	1,124	39	781	1,944
Foreign exchange loss (gain)	939	33	7	979
Share-based compensation	-	-	572	572
Depletion and depreciation	33	-	80	113
Profit (loss) before other items and tax	**(7,343)**	**(97)**	**(4,637)**	**(12,077)**
Bargain purchase gain	238,143	-	-	238,143
Change in net monetary position due to hyperinflation	-	268	-	268
Profit (loss) for the year before income taxes	**230,800**	**171**	**(4,637)**	**226,334**
Deferred tax recovery	(7,948)	-	-	(7,948)
Net income (loss)	**238,748**	**171**	**(4,637)**	**234,282**
Non-current assets (1)	**437,454**	**2,505**	**34,964**	**474,923**

(1) Non-current assets for Thailand assets consist of PPE, E&E assets and long term non-refundable deposits.

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales in the current year (2023: nil)

Information about major customers
Included in revenues arising from producing assets in Thailand are revenues of approximately US$103.2 million (2023: nil) which arose from sales to the Company's largest customer. No other single customers contributed 10 per cent or more to the Company's revenue in either 2024 or 2023.

NOTE 22 – Commitments

Commitments to supplier contracts
Offshore Production Vessel
Future minimum payments under non-cancellable supplier contracts:

In US$'000	March 31, 2024
Within one year	30,969
After one year but within five years	95,106
Total	**126,075**

Other supplier contracts
Future minimum payments under non-cancellable supplier contracts:

In US$'000	**March 31, 2024**
Within one year	9,095
After one year but within five years	4,650
Total	**13,745**

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