



FOCUS CAPITAL

— MANAGEMENT —

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Focus Capital Management

We focus and concentrate our time, energy, and resources on a few select opportunities — allowing us to achieve superior returns.

- Our focus allows us to do **deep research and analysis** and to really understand the company we are investing in
- Our focus drives higher returns because we only pick our **best ideas**
- Our focus **reduces risk** by thoroughly vetting and stress-testing every investment

Valeura Energy (VLE: TSX)
**The Cheapest and Best Oil Company on
the Planet**



1. Overview

2. Pre-history

3. Great Acquisition — Acquisition #1

4. Greatest Acquisition of All Time — Acquisition #2

5. Operations

6. Forecast

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Overview

- Cheapest oil company on the planet
- Largest independent oil company in Gulf of Thailand
- \$259 million USD Cash
- No debt
- FCF of \$100–\$160 million USD a year
- All for a market cap of just \$610 million USD
- Stellar capital allocation

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Pre-history

- Originally, Valeura had Turkish gas assets (both production and development)
- In 2020, Valeura sold their remaining production assets, leaving themselves with \$40 million of cash & looking to acquire
- Patiently bided their time for more than 2 years
- In 2022, Valeura made two transformational acquisitions for incredible value
- Instantly catapulted into a major player in the Gulf of Thailand
- Still own a deep, tight gas appraisal play in Turkey — not investing in it, but looking for partners

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Great Acquisition — Acquisition #1

- Announced in April 2022, closed in June 2022 (effective from January 1, 2022)
- Purchased shut-in Wassana oil field out of bankruptcy (from Kris Energy)
- \$12.3 million total purchase price, including associated equipment, + \$7 million contingent payment
- Ready to restart at ~3,000 bbls/d, with potential to rise to ~5,000 bbls/d
- Opex of ~\$36/bbl
- Included 43% operating interest in Rossukon oil field, sold in April 2023 for contingent payment of \$5 million (counteracting own contingent payment) + ongoing royalties of 4.65%
- **Bottom line: Cash flow of \$36+ million annually, after royalties + opex + tax, purchased for \$14.3 million total net price**
- **Brent was then ~\$100; even at lower oil price of \$70, net cash flow of ~\$12 million annually (+ ongoing royalty from Rossukon = ~\$5 million)**
- **Huge tax benefits from combination with Acquisition #2**

Great Acquisition — Acquisition #1

How did it turn out?

- First purchased 89% operating interest, later increased to 100% interest in April 2023 for no further consideration
- Some hiccups with restart schedule, but restarted in April 2023
- Hiccup with accident by 3rd party FSO operator re-sent Wassana into suspension in July 2023
- Restarted December 2023 and produced as predicted, later rising to present ~5,000 bbls/d
- Precautionary suspension of Wassana late June 2024 to investigate crack in MOPU steel leg; reopened about a month later
- **Successful infill drilling and appraisal wells**
- **Massive increase in 2P Reserves**
- **Further appraisal near Wassana opens strong possibility of adding platform to Wassana North and having 20 million+ barrels reserves at capex cost of \$150–\$200 million; Final Investment Decision expected within few months**

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Greatest Acquisition of All Time — Acquisition #2

- **You Have To See It To Believe It Absolutely Incredible Acquisition**
- Announced in December 2022, closed in March 2023 (*effective from September 1, 2022 — three months prior to deal signing, seven months prior to deal closing*)
- Purchased Gulf of Thailand oil assets from Mubadala Energy (owned by one of Abu Dhabi's sovereign wealth funds), catapulting Valeura to largest independent oil producer in Thailand
- Purchased entire business unit with all employees intact
- Included Jasmine (100% interest), Nong Yao (90%), and Manora (70%) oil fields
- ~21,000 bbls/d, **netting ~\$15 million *monthly***, net of royalties, opex, and tax
- Opex of ~\$22/bbl
- 24.1 million bbls of 2P reserves (as of 12/31/21)
- \$10.4 million purchase price + up-to-\$50 million contingent payment if oil benchmark price was to average over \$100 in 2022, 2023, or 2024 (contingency expired without triggering)
- **In exchange for the \$10.4 million, Valeura received at closing net cash of \$105 million, plus highly profitable assets**
- **Simply no words to describe**

Greatest Acquisition of All Time — Acquisition

#2

	Jasmine	Nong Yao	Manora	Total
2P Reserves (millions), net to working interest	9.9	12.4	1.7	24.1
Oil flow (bbls/d)	10,100	8,100	3,000	21,200
Opex (\$/bbl)	~\$30	~\$12	~\$25	~\$22.5
Fiscal terms	Thai I	Thai III		
Royalty	12.5% (credit for income tax) +	5%–15%		~14%
	~8% commercial royalty	~8%	~8%	
SRB	None	0%–75%		~9%
		~20%	~8%	
Income Tax	50%	50%	50%	50%

SRB — Special Remuneratory Benefit

- Windfall petroleum profit tax on supra-normal operating profit (from oil price spikes or very low-cost wells)
- Complex formula depending on revenue per meter drilled
- Deductions for royalties, opex, and full capex recovery with uplift

Greatest Acquisition of All Time — Acquisition

#2

How did it turn out?

- Reserves replacement is the name of the game
- Unique Gulf of Thailand geology
- Pre-closing: When negotiations began, plans were for Manora to cease production and be abandoned in 2022
 - One year later, and abandonment was pushed out 3 years to 2025
 - In addition, 2 wells added to business plan, both of which successful
- 2022 — Started the year with 24.1 million bbls of 2P reserves, and after a full year's production of 7.6 million bbls, ended 2022 with 2P reserves of 23.0 million bbls
 - Textbook example of reserves replacement in action

Greatest Acquisition of All Time — Acquisition

#2

How did it turn out?

- 2023 — Each field replaced reserves at a faster rate than production depleted reserves and pushed off retirement date

	2P Reserves			Change in Date of	
	12/31/2022	Production Replacement	12/31/2023	Abandonment	
Nong Yao	11.2	(2.7)	3.9	12.4	7/27 → 12/28
Jasmine	10.0	(3.4)	3.8	10.4	6/26 → 12/28
Manora	1.8	(1.2)	1.6	2.2	1/26 → 7/27
Total	23.0	(7.3)	9.3	25.0	

RLI (Reserve Life Index) 3.5 years → 4.5 years

Average Reserve Replacement of 127%

Together with Wassana, average reserve replacement across portfolio of 219%!

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Operations

- 2022
 - Negotiated two transformational acquisitions
 - Financing facility from Trafigura
 - Recertification of Wassana MOPU
 - Lease of FSO (Floating Storage & Offload vessel) for Wassana
- 2023
 - Private placement of ~4 million shares for \$7 million USD to support restart
 - Collapsed Thai SPV structure (remaining 12.5%) in exchange for issuance of 9.5 million shares (~9.4% of total equity)
 - Modified FSO for Wassana
 - Acquired remaining 11% interest in Wassana for no consideration
 - Sold Rossukon oil field for ongoing royalty

Operations

- 2023 (cont.)
 - Wassana restart, suspension, and restart again (replacing FSO operator)
 - Relocated executive management to Southeast Asia (hired new CFO, EVP of Corporate and General Counsel, Thailand Country Manager, and COO)
 - Jasmine FPSO refurbishment
 - 19 infill wells and 8 appraisal wells successfully conducted across portfolio
 - Capex and opex both substantially under guidance
- 2024
 - Nong Yao C development and first oil
 - Leased and mobilized new MOPU to Nong Yao C
 - Built out Nong Yao C and connected to existing Nong Yao infrastructure
 - Drilled 7 producer wells
 - Faster and 25% below budget, freeing drill rig for other locations

Operations

- 2024 (cont.)
 - Infill and appraisal drilling across portfolio
 - Expecting to again exhibit reserve replacement in excess of 100%
 - Efficient drilling allowed for optimized drilling, adding infill drilling in Nong Yao A mid-year and accelerating Manora infill drilling from planned 2025 campaign to end of 2024
 - \$8M exploration budget for Nong Yao D and North-eastern Wassana
 - Developed better market for Wassana crude, bringing realized price from \$6-\$7 *discount* to Brent up to *premium* over Brent
 - Precautionary suspension and restart of Wassana; suspension lasted ~ five weeks
 - **Reorganized corporate structure**
 - **\$397 million tax shield covering Wassana, Nong Yao, and Manora beginning November 2024**
 - FEED analysis for potential redevelopment of Wassana field begun; FID upcoming

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Forecast

	2023		2024	
	Guidance	Actual	Guidance	Actual
Production (bbls/d)	20,000–30,000	20,420	21,500–24,500	22,825
Total bbls produced	7.3–8.4 million	7.5 million	7.8–8.9 million	8.3 million
Price received	~ = Brent	\$1.8 premium > Brent	~ = Brent	\$1.25 premium > Brent
Opex	\$220–\$240 million	\$203 million	\$205–\$235 million	~ \$210–\$215 million
Opex p/bbl	\$26–\$33	\$27.2	\$23–\$30	~ \$25.5
Capex	\$180–\$200 million	\$138 million	\$135–\$155 million	~ \$130–\$140 million
Capex p/bbl	\$21.5–\$27.5	\$18.50	\$15–\$20	~ \$16.2
Exploration		\$1.4 million	~ \$8 million	~ \$8 million

	2025 Guidance
Production (bbls/d)	23,000–25,500
Total bbls produced	8.4–9.3 million
Price received	~ = Brent
Opex	\$215–\$245 million
Opex p/bbl	\$23–\$29
Capex	\$125–\$150 million
Capex p/bbl	\$13.5–\$18.0
Exploration	~ \$11 million

Forecast

Production (bbls/d)	24,000	24,000	24,000
Total produced	8,760,000	8,760,000	8,760,000
Price Received	\$60	\$70	\$80
Revenue (in thousands)	\$525,600	\$613,200	\$700,800
Royalties	\$42,048	\$49,056	\$56,064
Net Revenues	\$483,552	\$564,144	\$644,736
Opex	\$230,000	\$230,000	\$230,000
Operating netback	\$253,552	\$334,144	\$414,736
G&A	\$25,000	\$25,000	\$25,000
Pre-tax CFO	\$228,552	\$309,144	\$389,736
SRB	\$25,598	\$34,624	\$43,650
Income tax (PITA)	\$47,355	\$62,685	\$78,015
CFO	\$155,599	\$211,835	\$268,071
Maintenance Capex	\$110,000	\$110,000	\$110,000
FCF	\$45,599	\$101,835	\$158,071

Growth Capex + Exploration	\$39,000	\$39,000	\$39,000
Net cashflow	\$6,599	\$62,835	\$119,071
Operating netback p/bbl	\$26	\$35	\$44
CFO p/bbl	\$18	\$24	\$31

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Future

- Years and years of reserve replacement
- Tax shield going forward for all fields besides Jasmine
- Stock buyback instituted in November, up to 7% of shares
 - Purchased and canceled 348,400 shares in Q4
- Organic growth
 - Wassana North
 - FID upcoming, potentially 20+ million of 2P reserves
 - Nong Yao D
 - Appraisal ongoing
 - Ratreer
 - Potential development within Jasmine license, exploration planned for 2025

Future

- Inorganic Growth
 - On the hunt for more acquisitions
 - Well situated to acquire more assets in the region
 - Experienced operator in region
 - Good relations with Thai government
 - Very solid balance sheet
 - Majors exiting due to materiality; few competitors of similar scale
 - Potential competitors on bids suffering from operational difficulties and/or too much debt
 - Seeking acquisitions in Gulf of Thailand as well as broader region
 - Indonesia, Malaysia, Vietnam; potentially even Australia for the right asset
 - Oil or gas
 - Whatever is good value
- Free option on Turkey gas play

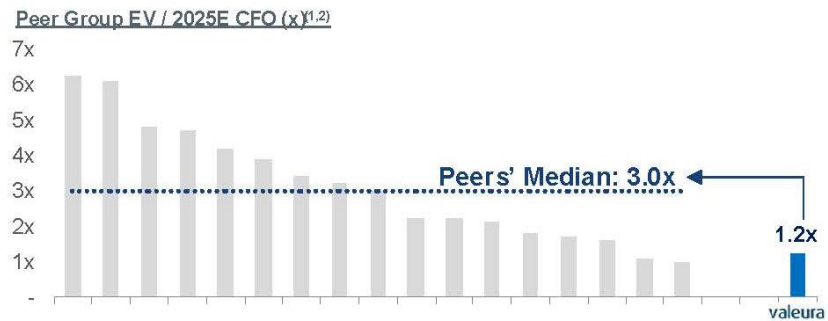
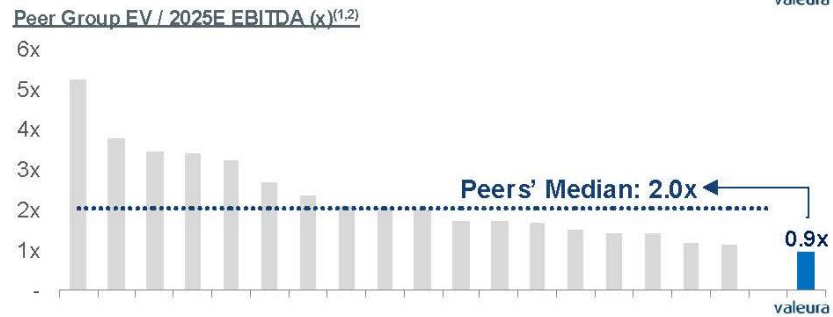
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Valuation

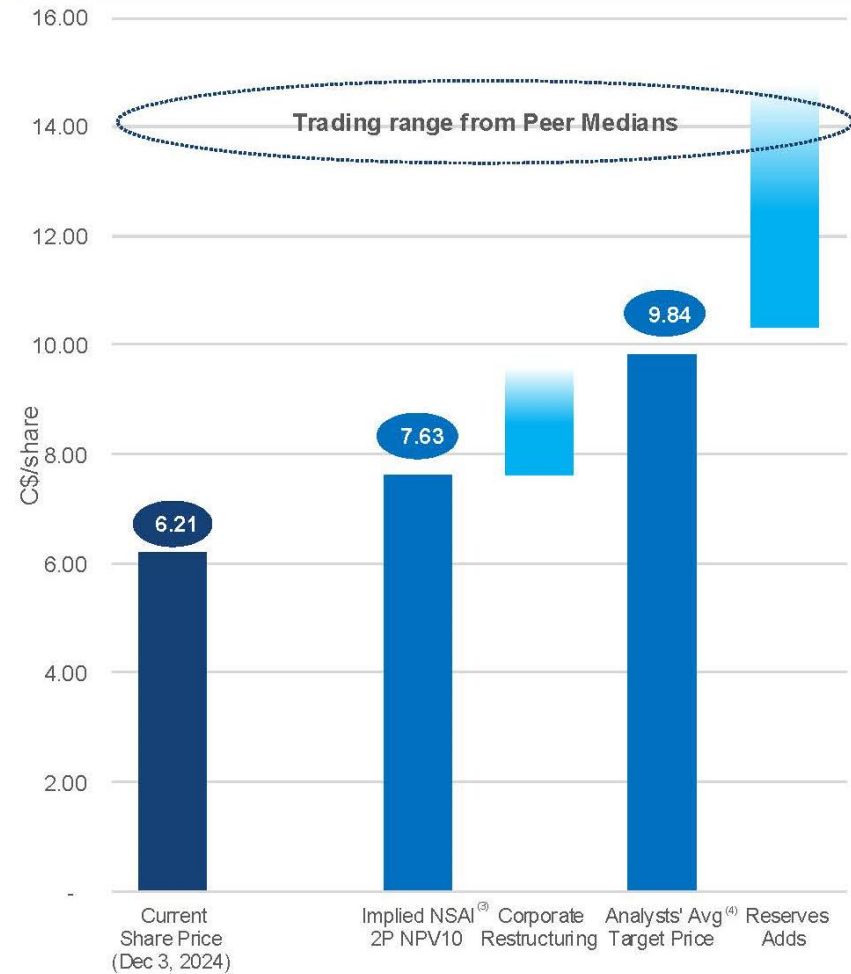
Share Price (1/13/25)	—	\$7.93 CAD
Total Shares Outstanding	—	110,646,423
Market Cap	—	\$877 million CAD
Market Cap USD	—	\$610 million USD
Cash	—	\$259 million (12/31/24)
Debt	—	\$0
Enterprise Value	—	\$351 million
FCF	—	\$102–\$158 million
EV/FCF	—	2.2x–3.4x

Valuation

Valeura traders at a significant discount to Peers



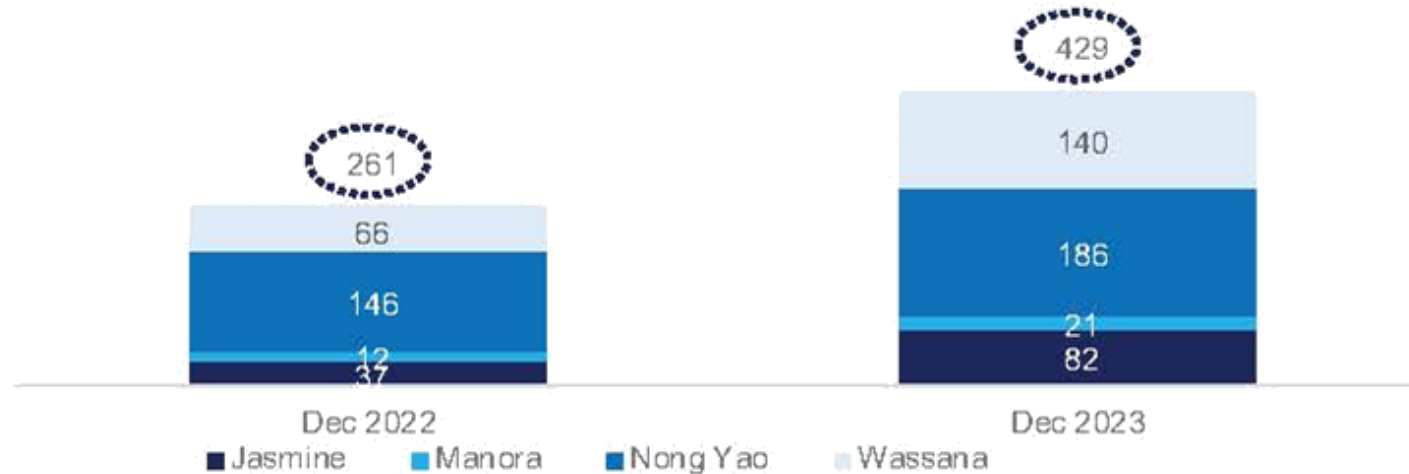
Current share price not reflective of inherent value



1) Peer group comprised of 19 upstream companies (IPC, Africa Oil, Seplat, Frontera Energy, Cooper Energy, Tullow Oil, Vaalco Energy, Hibiscus Petroleum, Enquest, Jadestone Energy, PetroTal, Gran Tierra Energy, Canacol Energy, Genel Energy, Touchstone Exploration, Capricorn Energy, Pharos Energy, Karoon Energy, Medco Energy)

Valuation

2P After Tax NPV₁₀³ – 2022YE vs 2023YE (US\$ million)



- Add ~\$100 million for the corporate tax restructuring
- Add in \$259 million cash as of 12/31/24
- Total of \$768 million = Equivalent to stock price of \$9.98 CAD (+26% from present price)
- In reality, this arithmetic dramatically undersells the situation, given the steady reserve replacement

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Risks

- Price of oil
- Asset lives
- Decommissioning obligations

Risks

Price of Oil

- Currently unhedged
- Highly profitable, even at significantly lower prices of oil
- Break-even in mid-40s
- Solid balance sheet, with no debt
 - Can likely take advantage of turmoil created by volatile oil price to acquire more assets on the cheap

Risks

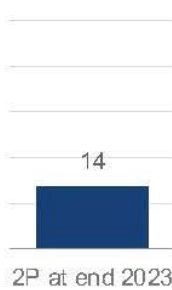
Asset Lives

Nong Yao

History of Production Replacement⁽³⁾



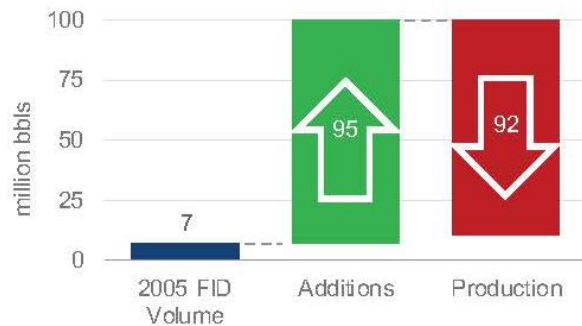
Reserves⁽²⁾



- Gulf of Thailand a prolific hydrocarbon province - produced ~10 billion boe
- Multiple stacked reservoirs, numerous fault blocks
 - Year on year growth through multiple targets in every well
- Reserves and total production typically greatly exceed initial view
 - Supports continued cash flow and abandonment deferral

Jasmine

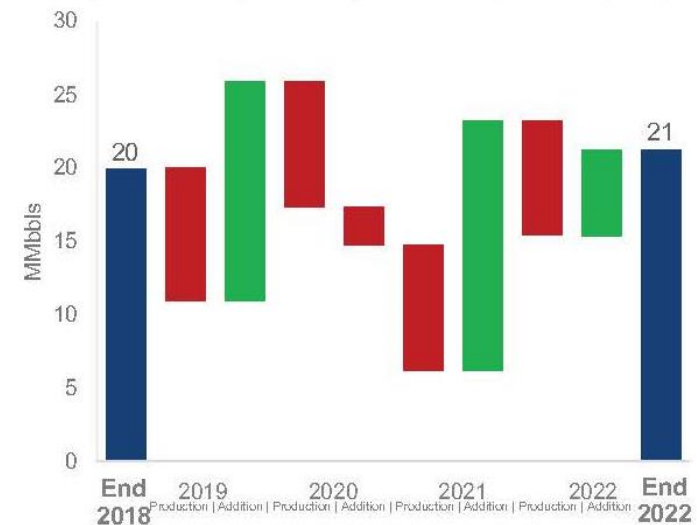
History of Production Replacement⁽³⁾



Reserves⁽²⁾

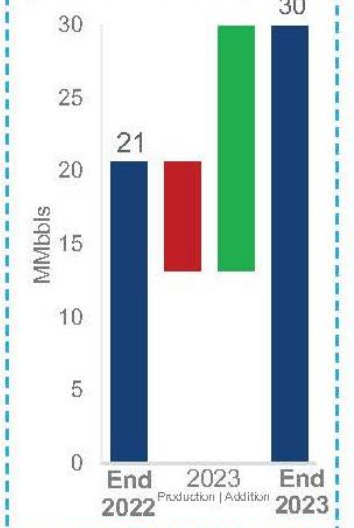


History of production replacement
(Reproduced data published by Thailand's upstream regulator)^(1,2)



219% Reserves Replacement⁽⁶⁾

Growing reserves
(Valeura 1P Reserves)^(3,4,5)

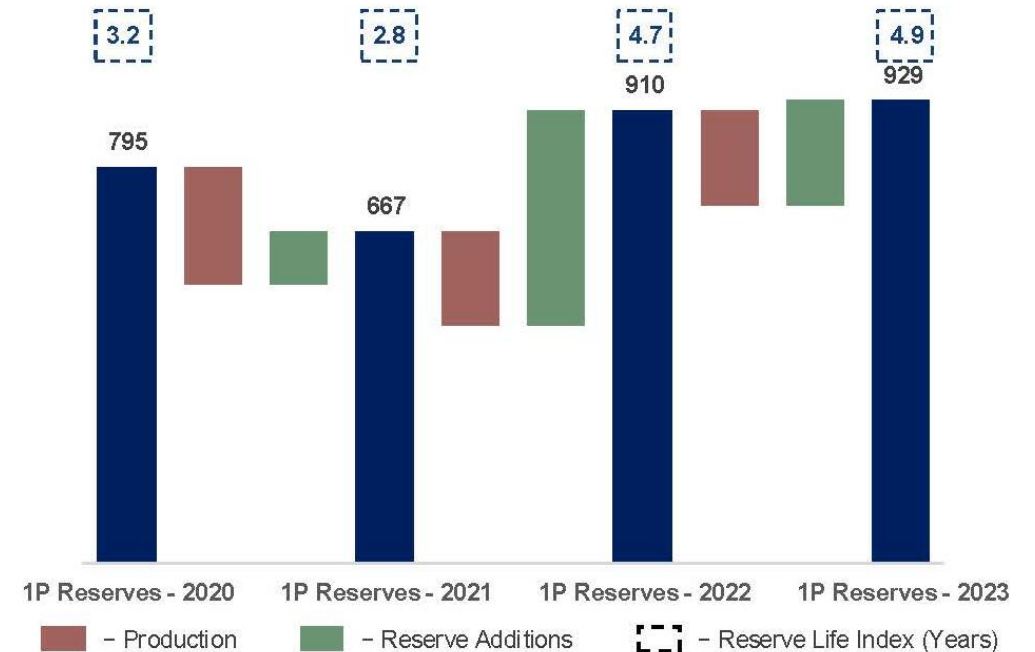


Risks

Asset Lives

- Gulf of Thailand has continually replaced production historically through continued development of existing fields
- As a result, assets have been able to maintain / improve reserve life index to a large extent
- Expected future appraisals and development activities to further help maintain a high replacement ratio and extend field life

Gulf of Thailand - Average reserve replacement 122%^(1,2)



Risks

Decommissioning Obligations

- Main strategy is to keep on pushing off decommissioning into the far-off future
- Expecting to lower ARO (Asset Retirement Obligations) costs through modern technology and increased scale/cooperation across the Gulf of Thailand
 - Have already brought down estimates for ARO costs by ~30%, from \$194 million in Q2 2023 to \$138 million in Q3 2024