



**Press Release – August 13, 2015**

**VALEURA ANNOUNCES SECOND QUARTER 2015 FINANCIAL AND OPERATING RESULTS AND COMPLETION OF BANARLI 3D SEISMIC ACQUISITION AND INITIAL PROCESSING**

Valeura Energy Inc. ("**Valeura**" or the "**Corporation**") (TSX: VLE) is pleased to report highlights of its unaudited financial and operating results for the three and six month periods ended June 30, 2015 and an update on subsequent developments. The complete quarterly reporting package for the Corporation, including the unaudited financial statements and associated management's discussion and analysis ("**MD&A**"), has been filed on SEDAR at [www.sedar.com](http://www.sedar.com) and posted on the Corporation's website at [www.valeuraenergy.com](http://www.valeuraenergy.com).

"Valeura generated funds flow from operations in Turkey of \$3.0 million in the second quarter, driven by continued strong natural gas price realizations and operating netbacks of \$9.89 per Mcf and \$45.90 per boe, respectively", said Jim McFarland, President and Chief Executive Officer. "Our working capital surplus stands at \$10.0 million at the after capital expenditures of \$4.9 million in the quarter, including \$4.5 million for the Banarli 3D seismic acquisition program.

"As announced previously, we are pleased that the Banarli licence was successfully converted to new terms, which increases the size of the licenced area and re-starts the clock on the initial five-year term. Favourable weather conditions also enabled us to complete the Banarli 3D seismic acquisition ahead of time and on budget in June. Initial seismic processing has also been completed in Calgary and interpretation is now underway aimed at maturing more than 15 exploration leads into a ranked inventory of drillable prospects by early September, which could position potential Banarli drilling in the fourth quarter of 2015."

**Q2 2015 RESULTS AT A GLANCE**

- **Banarli licence converted to two new licences**
- **Banarli 3D seismic acquisition and initial processing completed; interpretation progressing**
- **Net sales 1,045 boe/d**
- **Funds flow from operations \$3.0 million**
- **Working capital surplus \$10.0 million**
- **Natural gas price realization \$9.89/Mcf**
- **Operating costs \$5.42/boe**
- **Operating netback \$45.90/boe**
- **Net capital expenditures \$4.9 million**

(See below for definitions and advisories)

**OPERATIONAL HIGHLIGHTS**

- Net petroleum and natural gas sales in Turkey in Q2 2015 averaged 1,045 barrels of oil equivalent per day ("**boe/d**"), which were down 15% and 7% from Q1 2015 and Q2 2014, respectively. Sales in the Q2 2015 included 6.2 million cubic feet per day ("**MMcf/d**") of natural gas and 8 barrels of oil per day ("**bbl/d**").
- Net corporate petroleum and natural gas sales in the first six months of 2015 averaged 1,133 boe/d, which were down 9% from the same period in 2014.
- Lower volumes in Q2 2015 and the first half of 2015 compared to the same periods in 2014 are due primarily to the impact of a gap since January 2015 in the drilling program on the joint venture lands acquired from Thrace Basin Natural Gas (Turkiye) Corporation ("**TBNG**") and Pinnacle Turkey Inc. ("**PTI**") (the "**TBNG-PTI JV**"). Drilling is now targeted to resume before the end of September, dependent on finalizing partner approvals on target locations, pace and participation levels. The resulting excess operating cash flow has been re-directed to capital expenditures on the 100% operated Banarli licences.

### ***Thrace Basin – Banarli Exploration Licence (100% Working Interest)***

- Completed the acquisition phase of the 152 square kilometre 3D seismic program on the Banarli exploration licence in early June. Initial processing was also completed in Calgary earlier this month. Seismic interpretation is now underway and is expected to be completed by early September to position potential drilling as early as Q4 2015, dependent on the 3D seismic interpretation results. The estimated all-in cost to acquire, process and interpret the seismic remains unchanged at \$5.0 million, of which \$4.5 million had been incurred as at the end of Q2 2015.
- The General Directorate of Petroleum Affairs of the Republic of Turkey ("GDPA") has approved the Corporation's application to convert its 100% owned Banarli Exploration Licence 5104 to the licencing terms under Turkey's new petroleum law. As a result, the Banarli licence has been converted to two new contiguous exploration licences, adapted to a new grid system, with a total area of 133,840 acres.
- The initial five-year term of the original Banarli licence has been extended by more than two years to June 27, 2020. During the initial five-year term, Valeura will be required to complete, in aggregate on the two licences, 152 square kilometres of 3D seismic (already completed) and drill three wells, including a 2,000 metre well in each of year one and year two and a 3,800 metre well in year four. The total assigned value to this program is US\$9.15 million and an associated 2% bond has been submitted to the GDPA.
- Valeura also continued its process to seek a joint venture partner to participate in funding an exploration drilling program in the deeper horizons at Banarli below approximately 2,500 metres, targeting a potential basin-centered gas play.

### ***Thrace Basin – TBNG-PTI JV (40% Working Interest)***

- Carried out a successful recompletion of the Gurgun-2 appraisal well drilled in December 2014 to double the amount of perforated net pay to approximately 30 metres as compared to the total measured net pay of 52 metres. The recompletion boosted the production rate of the well by 80% to more than 3.0 MMcf/d (gross raw gas) on average over the initial seven-day period after the recompletion. A similar recompletion is planned for the Gurgun-1 discovery well in Q3 2015.
- Completed two other workovers on shallow gas wells during Q2 2015.
- The GDPA has approved an application by the TBNG-PTI JV to relinquish expiring exploration licence 3858 and to convert exploration licence 5151 to the licencing terms under Turkey's new petroleum law adopted on June 30, 2013. As a result, the TBNG-PTI JV has been awarded two new exploration licences with an aggregate area of 160,468 acres (gross), representing a 33% increase in the area of the original single licence 5151. The new licences encompass part of the expired licence 3858. The TBNG-PTI JV made application to the GDPA to post the residual available area of expired licence 3858 and the GDPA has subsequently advised that bids for a new licence will be due by September 16, 2015.
- The initial five-year term of the old licence 5151 has been extended by more than two years to June 27, 2020. During the initial five-year term, the JV partners will be required to complete, in aggregate on the two licences, 100 square kilometres of 3D seismic and drill nine wells with a depth range of 850 to 2,000 metres. The total assigned value to this program is US\$15.6 million (gross) and an associated 2% bond has been submitted to the GDPA.
- The TBNG-PTI JV has been in active discussions regarding a potential farm-in on the deeper horizons in certain of the joint venture lands. Discussions have accelerated as a result of the successful adaptation of licence 5151 to new licencing terms.
- There is no certainty that a deep farm-in transaction will be completed with respect to the TBNG-PTI JV lands or at Banarli, or the timing of final terms thereof.

(See advisories below regarding initial production rate disclosure)

### **FINANCIAL HIGHLIGHTS**

- Funds flow from operations of \$3.0 million in Q2 2015 was down 19% from Q1 2015, reflecting lower sales volumes and lower natural gas price realizations, partially offset by lower unit operating costs, lower general and administrative expenses and lower realized foreign exchange losses. Funds flow from operations in Q2 2015 was down 10% from Q2 2014, reflecting lower sales volumes and higher general and administrative expenses, partially offset by lower unit operating costs and lower realized foreign exchange losses. (See discussion below regarding non-IFRS measures).

- Net capital expenditures of \$4.9 million in Q2 2015 were up 243% from Q1 2015 and up 214% from Q2 2014 due to the Banarli 3D seismic acquisition costs, partially offset by lower drilling and completion expenditures on the TBNG-PTI JV lands.
- The average natural gas price realization in Turkey of \$9.89 per Mcf in Q2 2015 was down 9% from Q1 2015 due primarily to a weaker Turkish Lira as compared to the Canadian dollar (gas sales are denominated in Turkish Lira), and was essentially unchanged from Q2 2014 reflecting a higher reference price for domestic gas sales in Turkey effective October 1, 2014, offset by a weaker Turkish Lira.
- The corporate average operating netback of \$45.90 per boe in Q2 2015 was down 7% from Q1 2015 due primarily to lower natural gas price realizations, partially offset by lower unit operating costs, and up 2% from Q2 2014 due primarily to lower unit operating costs. (See discussion below regarding non-IFRS measures).
- The Corporation had a working capital surplus of \$10.0 million, including cash of \$7.8 million, as at June 30, 2015.
- Additional financial and operating results are summarized in the Table 1 below.

**Table 1 Financial and Operating Results Summary** <sup>(1)</sup>

|                                                                                         | Three Months Ended<br>June 30, 2015 | Three Months Ended<br>March 31, 2015 | Six Months Ended<br>June 30, 2015 | Three Months Ended<br>June 30, 2014 | Six Months Ended<br>June 30, 2014 |
|-----------------------------------------------------------------------------------------|-------------------------------------|--------------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|
| <b>Financial</b><br>(thousands of Canadian dollars, except share and per share amounts) |                                     |                                      |                                   |                                     |                                   |
| Petroleum and natural gas revenues                                                      | 5,642                               | 7,167                                | 12,809                            | 6,097                               | 12,747                            |
| Funds flow from operations <sup>(2)</sup>                                               | 2,963                               | 3,673                                | 6,636                             | 3,283                               | 6,921                             |
| Net income (loss)                                                                       | (787)                               | 107                                  | (680)                             | 288                                 | 564                               |
| Capital expenditures                                                                    | 4,916                               | 1,435                                | 6,351                             | 1,568                               | 5,510                             |
| Net working capital surplus                                                             | 10,007                              | 12,288                               | 10,007                            | 8,866                               | 8,866                             |
| Cash                                                                                    | 7,750                               | 8,082                                | 7,750                             | 5,608                               | 5,608                             |
| Common shares outstanding                                                               |                                     |                                      |                                   |                                     |                                   |
| Basic                                                                                   | 57,906,135                          | 57,906,135                           | 57,906,135                        | 57,906,135                          | 57,906,135                        |
| Diluted                                                                                 | 76,487,352                          | 76,387,352                           | 76,487,352                        | 77,406,352                          | 77,406,352                        |
| Share trading                                                                           |                                     |                                      |                                   |                                     |                                   |
| High                                                                                    | 0.71                                | 0.70                                 | 0.71                              | 0.70                                | 0.78                              |
| Low                                                                                     | 0.50                                | 0.36                                 | 0.36                              | 0.50                                | 0.30                              |
| Close                                                                                   | 0.53                                | 0.55                                 | 0.53                              | 0.55                                | 0.55                              |
| <b>Operations</b>                                                                       |                                     |                                      |                                   |                                     |                                   |
| Production                                                                              |                                     |                                      |                                   |                                     |                                   |
| Crude oil (bbl/d)                                                                       | 8                                   | 10                                   | 9                                 | 8                                   | 7                                 |
| Natural Gas (Mcf/d)                                                                     | 6,219                               | 7,273                                | 6,743                             | 6,693                               | 7,147                             |
| boe/d (@ 6:1) <sup>(3)</sup>                                                            | 1,045                               | 1,223                                | 1,133                             | 1,123                               | 1,198                             |
| Average reference price<br>BOTAS Reference (\$ per Mcf) <sup>(4)</sup>                  | 10.14                               | 11.06                                | 10.57                             | 10.40                               | 10.21                             |
| Average realized price                                                                  |                                     |                                      |                                   |                                     |                                   |
| Crude oil (\$ per bbl)                                                                  | 57.84                               | 50.19                                | 53.56                             | 88.25                               | 88.17                             |
| Natural gas - Turkey (\$ per Mcf)                                                       | 9.89                                | 10.88                                | 10.42                             | 9.91                                | 9.77                              |
| Average Operating Netback<br>(\$ per boe @ 6:1) <sup>(2)(3)</sup>                       | 45.90                               | 49.58                                | 47.87                             | 44.95                               | 44.89                             |

**Notes:**

- (1) The above table includes figures from continuing operations in Turkey. Prior period figures have been reclassified to remove discontinued operations in Canada. See MD&A for further discussion on discontinued operations.
- (2) The above table includes non-IFRS measures, which may not be comparable to other companies. Funds flow from operations is calculated as net loss for the period adjusted for non-cash items in the statement of cash flows. Operating netback is calculated as petroleum and natural gas sales less royalties, production expenses and transportation costs. See MD&A for further discussion.
- (3) Barrel of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of 6.0 Mcf to 1.0 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not necessarily represent a value equivalency at the well head.
- (4) Boru Hatlari ile Petrol Tasima Anonim Sirketi ("BOTAS") owns and operates the national crude oil and natural gas pipeline grids in Turkey and purchases the majority of Turkey's natural gas imports. BOTAS regularly posts prices and its Organized Industrial Zones natural gas wholesale tariff ("BOTAS Reference Price") is shown herein. See the 2014 AIF for further discussion.

## OUTLOOK

The Corporation now expects to execute a capital expenditure program in the range of \$15 to 16 million (net) in Turkey in 2015, approximately 18% less than the original 2015 budget, focused on natural gas development in the Thrace Basin, contingent on the level of operating cash flow from the TBNG-PTI JV lands. The revised work program and budget aims to achieve the following key objectives in 2015, which are modified from earlier guidance to reflect delays in the re-start of drilling on the TBNG-PTI JV lands:

- Pursue the shallow conventional gas play on Valeura's 100% owned and operated Banarli licences with new 3D seismic and drill an initial exploration commitment well as early as Q4 2015, contingent on the 3D seismic interpretation results;
- Seek a farm-in partner(s) to pursue the deep basin-centered gas play on the TBNG-PTI JV lands and Banarli; and
- Mitigate natural declines and achieve annual production volumes of 900 to 950 boe/d on the TBNG-PTI JV lands by re-investing approximately 40 to 45% of operating cash flow.

(See advisories below regarding outlook disclosures)

The Banarli 3D seismic interpretation is targeted for completion by early September. It is expected that an initial exploration well would target the Osmancik formation and top of the Mezardere formation to a depth of approximately 2,500 metres. The Corporation has mapped more than 15 exploration structural leads at Banarli based on 92 kilometres of 2D seismic acquired by the Corporation in 2013 and more than 300 kilometres of vintage 2D seismic over the licences. The current 3D seismic program targets these leads and is designed to potentially mature and prioritize these into drill-ready prospects.

The cost to drill, complete and test an initial exploration well at Banarli is estimated at \$2.2 million and is included in the 2015 budget. Contingent funds of \$1.3 million are also included for a flow line to tie-in the well, contingent on drilling success and the ability to negotiate a transportation and marketing arrangement to tie-in production. Total capital expenditures at Banarli in 2015 for the shallow gas play are budgeted at approximately \$8.5 to 9.0 million, including \$5.0 million for the 3D seismic.

The current targeted work program on the non-operated TBNG-PTI JV lands in 2015 includes four to six drill wells (gross). One of these wells (Gurgen-3) was drilled in January and drilling is expected to resume in September, subject to reaching agreement with partners on target locations, pace and participation levels. The planned program also includes a selective program of tight gas well re-entry fracs and workovers on conventional gas wells. Total capital expenditures in 2015 on the TBNG-PTI JV lands are budgeted in the range of \$6.5 to 7.0 million (net).

## ABOUT THE CORPORATION

Valeura Energy Inc. is a Canada-based public company currently engaged in the exploration, development and production of petroleum and natural gas in Turkey.

## OIL AND GAS ADVISORIES

When used herein, the term "boe" means barrels of oil equivalent on the basis of one boe being equal to one barrel of oil or NGLs, or 6,000 cubic feet of natural gas. Barrel of oil equivalent may be misleading, particularly if used in isolation. A boe conversion ratio of 6.0 Mcf to 1.0 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

## ADVISORY AND CAUTION REGARDING FORWARD-LOOKING INFORMATION

This news release contains certain forward-looking statements including, but not limited to: the Corporation's 2015 work program and budget outlook, operational plans (seismic, drilling, fracking and workovers) and capital expenditures on the TBNG-PTI JV lands and the Banarli exploration licences; timing for the resumption of drilling in 2015 and target annual production volumes of 900 to 950 boe/d on the TBNG-PTI JV lands; the planned drilling program on the Banarli licences in 2015 and the associated timelines; the ability to negotiate a transportation and marketing arrangement with the TBNG-PTI JV to tie-in any successful well at Banarli; plans to perforate additional net pay in the Gurgen-1 well and the timing thereof; the availability of operating cash flow and the ability to finance development from existing cash and operating cash flow; tying-in new wells and getting these on-stream; the timing, estimated costs and ability to fund each of the foregoing; the plans to attract a farm-in partner to drill the

deep, potential basin-centered gas play at Banarli; and, the plans to attract a farm-in partner on the deeper horizons in certain of the TBNG-PTI JV lands. Forward-looking information typically contains statements with words such as "anticipate", "estimate", "expect", "target", "potential", "could", "should", "would" or similar words suggesting future outcomes. The Corporation cautions readers and prospective investors in the Corporation's securities to not place undue reliance on forward-looking information, as by its nature, it is based on current expectations regarding future events that involve a number of assumptions, inherent risks and uncertainties, which could cause actual results to differ materially from those anticipated by the Corporation. Statements related to "reserves" or "contingent resources" are deemed forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources can be profitably produced in the future.

Forward looking information is based on management's current expectations and assumptions regarding, among other things: continued political stability of the areas in which the Corporation is operating and completing transactions; continued operations of and approvals forthcoming from the GDPA in a manner consistent with past conduct; future seismic, drilling, fracking and re-completion activity on the expected timelines; the prospectivity of the Banarli licences; future production rates, capital efficiencies and associated cash flow; future capital and other expenditures (including the amount and nature thereof); the ability to meet drilling deadlines and other requirements under licences and leases, including spudding deadlines under the terms for the Banarli licences; the ability to attract partners and negotiate farm-in agreements, in particular for deep exploration on certain TBNG-PTI JV lands and on the Banarli licences; future sources of funding; future economic conditions; future currency and exchange rates; and, the Corporation's continued ability to obtain and retain qualified staff and equipment in a timely and cost efficient manner. In addition, the Corporation's 2015 work program and budget outlook is based upon expected agreement among joint venture partners and associated exploration, development and marketing plans and anticipated costs and sales prices, which are subject to change based on, among other things, the actual results of drilling and related activity, availability of drilling, fracking and other specialized oilfield equipment and service providers, changes in the operator's or other partners' plans and unexpected delays and changes in market conditions. Although the Corporation believes the expectations and assumptions reflected in such forward-looking information are reasonable, they may prove to be incorrect.

Forward-looking information involves significant known and unknown risks and uncertainties. Exploration, appraisal, and development of oil and natural gas reserves are speculative activities and involve a significant degree of risk. A number of factors could cause actual results to differ materially from those anticipated by the Corporation including, but not limited to: risks associated with the oil and gas industry (e.g. operational risks in exploration, inherent uncertainties in interpreting geological data, and changes in plans with respect to exploration or capital expenditures, the uncertainty of estimates and projections in relation to costs and expenses, and health, safety, and environmental risks); uncertainty regarding the sustainability of initial production rates and decline rates thereafter; uncertainty regarding the availability of drilling rigs and equipment and the ability to address technical drilling challenges and manage water production; uncertainty regarding the state of capital markets; uncertainty regarding the amount of operating cash flow and the ability to reduce costs and achieve capital efficiencies; the risks of disruption to operations and access to worksites, threats to security and safety of personnel and potential property damage related to political issues, terrorist attacks, insurgencies or civil unrest; the risks of increased costs and delays in timing related to protecting the safety and security of Valeura's personnel and property; the risk of fluctuations in commodity pricing and BOTAS reference prices (denominated in Turkish Lira); the risk of fluctuations in foreign exchange rates, particularly the Turkish Lira; the uncertainty associated with negotiating with third parties in countries other than Canada; the risk of partners having different views on work programs and potential disputes among partners and service providers; the uncertainty regarding government and other approvals; potential changes in laws and regulations; risks associated with weather delays and natural disasters; and, the risk associated with international activity. The forward-looking information included in this news release is expressly qualified in its entirety by this cautionary statement. The forward-looking information included herein is made as of the date hereof and Valeura assumes no obligation to update or revise any forward-looking information to reflect new events or circumstances, except as required by law. See Valeura's 2014 AIF for a detailed discussion of the risk factors.

Any financial outlook or future oriented financial information in this news release, as defined by applicable securities legislation, has been approved by management of Valeura. Such financial outlook or future oriented financial information is provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes.

Additional information relating to Valeura is also available on SEDAR at [www.sedar.com](http://www.sedar.com)

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