Notice of Meeting

and

Information Circular

in respect of the

ANNUAL GENERAL MEETING OF SHAREHOLDERS

to be held on May 15, 2013

March 13, 2013

VALEURA ENERGY INC.

**NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 15, 2013**

TO THE SHAREHOLDERS OF VALEURA ENERGY INC.

NOTICE IS HEREBY GIVEN that an annual general meeting (the "**Meeting**") of the holders ("**Shareholders**") of common shares ("**Common Shares**") in the capital of Valeura Energy Inc. (the "**Corporation**") will be held in the Royal Room at the Metropolitan Conference Centre, 333 - 4th Avenue S.W., Calgary, Alberta, at 9:00 a.m. (Calgary time) on May 15, 2013 for the following purposes:

1. to receive the audited financial statements of the Corporation for the period ended December 31, 2012 and the report of the auditors thereon;

2. to appoint KPMG LLP, Chartered Accountants, as auditors of the Corporation for the ensuing year;

3. to elect the directors of the Corporation for the ensuing year; and

4. to transact such other business as may properly be brought before the Meeting or any adjournment or adjournments thereof.

Shareholders should refer to the Information Circular for more detailed information with respect to the matters to be considered at the Meeting.

If you are a registered Shareholder and are unable to attend the Meeting in person, please date and execute the accompanying form of proxy and return it in the envelope provided to Valiant Trust Company, the registrar and transfer agent of the Corporation, at 310, 606 - 4th Street S.W., Calgary, Alberta, T2P 1T1, or by facsimile, at (403) 233-2857, by no later than 9:00 a.m. (Calgary time) on May 13, 2013 or two business days preceding the date of any adjournment.

If you are not a registered Shareholder and receive these materials through your broker or through another intermediary, please complete and return the form of proxy in accordance with the instructions provided to you by your broker or by the other intermediary.

The board of directors of the Corporation has fixed April 2, 2013 as the record date. Shareholders of record at the close of business on April 2, 2013 are entitled to notice of the Meeting and to vote thereat or at any adjournment(s) thereof on the basis of one vote for each Common Share held, except to the extent that: (i) a registered Shareholder has transferred the ownership of any Common Shares subsequent to April 2, 2013; and (ii) the transferee of those Common Shares produces properly endorsed share certificates, or otherwise establishes that he or she owns the Common Shares and demands, not later than 10 days before the Meeting, that his or her name be included on the list of persons entitled to vote at the Meeting, in which case, the transferee shall be entitled to vote such Common Shares at the Meeting. The transfer books will not be closed.

BY ORDER OF THE BOARD OF DIRECTORS

(Signed) "*James D. McFarland*"

James D. McFarland
President & Chief Executive Officer

March 13, 2013

INFORMATION CIRCULAR

FOR THE ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 15, 2013

PURPOSE OF SOLICITATION

This information circular ("Information Circular") is furnished in connection with the solicitation of proxies by the management of Valeura Energy Inc. ("Valeura" or the "Corporation") for use at the annual general meeting (the "Meeting") of the holders ("Shareholders") of common shares ("Common Shares") in the capital of Valeura.

The Meeting will be held in the Royal Room of the Metropolitan Conference Centre, 333 - 4th Avenue S.W., Calgary, Alberta, at 9:00 a.m. (Calgary time) on May 15, 2013 and at any adjournments thereof for the purposes set forth in the Notice of Annual General Meeting of Shareholders (the "**Notice of Meeting**") accompanying this Information Circular. Information contained herein is given as of March 13, 2013 unless otherwise specifically stated.

Solicitation of proxies will be primarily by mail but may also be by telephone, facsimile or in person by directors, officers and employees of Valeura who will not be additionally compensated therefor. Brokers, nominees or other persons holding Common Shares in their names for others shall be reimbursed for their reasonable charges and expenses in forwarding proxies and proxy material to the beneficial owners of such shares. The costs of soliciting proxies will be borne by Valeura.

APPOINTMENT AND REVOCATION OF PROXIES

Enclosed herewith is a form of proxy for use at the Meeting. The persons named in the form of proxy are directors and/or officers of Valeura. **A Shareholder submitting a proxy has the right to appoint a nominee (who need not be a Shareholder) to represent such Shareholder at the Meeting other than the persons designated in the enclosed form of proxy by inserting the name of the chosen nominee in the space provided for that purpose on the form of proxy and by striking out the printed names.**

A form of proxy will not be valid for the Meeting or any adjournment thereof unless it is signed by the Shareholder or by the Shareholder's attorney authorized in writing or, if the Shareholder is a corporation, it must be executed by a duly authorized officer or attorney thereof. The proxy, to be acted upon, must be deposited with Valiant Trust Company, the registrar and transfer agent of the Corporation, at 310, 606 - 4th Street S.W., Calgary, Alberta, T2P 1T1, or by facsimile, at (403) 233-2857, by no later than 9:00 a.m. (Calgary time) on May 13, 2013 or two business days preceding the date of any adjournment.

A Shareholder who has given a proxy may revoke it prior to its use, in any manner permitted by law, including by an instrument in writing executed by the Shareholder or by his attorney authorized in writing or, if the Shareholder is a corporation, executed by a duly authorized officer or attorney thereof and deposited at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of the Meeting on the day of the Meeting or any adjournment thereof.

ADVICE TO BENEFICIAL HOLDERS OF COMMON SHARES

The information set forth in this section is of significant importance to many Shareholders, as a substantial number of Shareholders do not hold Common Shares in their own name. Shareholders who do not hold their Common Shares in their own name (referred to in this Information Circular as

"**Beneficial Shareholders**") should note that only proxies deposited by Shareholders whose names appear on the records of Valeura as the registered Shareholders can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those Common Shares will not be registered in the Shareholder's name on the records of Valeura. Such Common Shares will more likely be registered under the names of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS Depository and Clearing Services Inc., which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting Common Shares for the broker's clients. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate person.**

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of Shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to registered Shareholders; however, its purpose is limited to instructing the registered Shareholder how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Services, Inc. ("**Broadridge**"). Broadridge typically mails a scanable voting instruction form in lieu of the form of proxy. The Beneficial Shareholder is requested to complete and return the voting instruction form to them by mail or facsimile. Alternatively, the Beneficial Shareholder can call a toll-free telephone number or visit www.proxyvote.com to vote the Common Shares held by the Beneficial Shareholder. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. A Beneficial Shareholder receiving a voting instruction form cannot use that voting instruction form to vote Common Shares directly at the Meeting as the voting instruction form must be returned as directed by Broadridge well in advance of the Meeting in order to have the Common Shares voted.

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his or her broker (or agent of the broker), a Beneficial Shareholder may attend the Meeting as proxyholder for a registered Shareholder and vote the Common Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for a registered Shareholder should enter their own names in the blank space on the instrument of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

VOTING BY INTERNET FOR REGISTERED HOLDERS OF COMMON SHARES

Shareholders may use the internet site at www.valianttrust.com to transmit their voting instructions. Shareholders should have the form of proxy in hand when they access the web site. Shareholders will be prompted to enter their Control Number, which is located on the form of proxy. If Shareholders vote by internet, their vote must be received not later than 9:00 a.m. (Calgary time) on Monday, May 13, 2013 or 48 hours prior to the time of any adjournment of the Meeting. **The website may be used to appoint a proxy holder to attend and vote on a Shareholder's behalf at the Meeting and to convey a Shareholder's voting instructions. Please note that if a Shareholder appoints a proxy holder and submits their voting instructions and subsequently wishes to change their appointment, a**

Shareholder may resubmit their proxy and/or voting direction, prior to the deadline noted above. When resubmitting a proxy, the most recently submitted proxy will be recognized as the only valid one, and all previous proxies submitted will be disregarded and considered as revoked, provided that the last proxy is submitted by the deadline noted above.

VOTING OF PROXIES

All Common Shares represented at the Meeting by properly executed proxies will be voted on any matter that may be called for and, where a choice with respect to any matter to be acted upon has been specified in the accompanying form of proxy, the Common Shares represented by the proxy will be voted in accordance with such instructions. **In the absence of any such instruction, the persons whose names appear on the printed form of proxy will vote in favour of all the matters set out thereon. The enclosed form of proxy confers discretionary authority upon the persons named therein. If any other business or amendments or variations to matters identified in the Notice of Meeting properly comes before the Meeting, then discretionary authority is conferred upon the person appointed in the proxy to vote in the manner they see fit, in accordance with their best judgment.**

At the time of the printing of this Information Circular, the management of Valeura knew of no such amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The board of directors of Valeura (the "**Board**") has fixed April 2, 2013 as the record date. Shareholders at the close of business on April 2, 2013 are entitled to receive notice of the Meeting and to vote thereat or at any adjournments thereof on the basis of one vote for each Common Share held, except to the extent that: (i) a registered Shareholder has transferred the ownership of any Common Shares subsequent to April 2, 2013; and (ii) the transferee of those Common Shares produces properly endorsed share certificates, or otherwise establishes that he or she owns the Common Shares and demands, not later than 10 days before the Meeting, that his or her name be included on the list of persons entitled to vote at the Meeting, in which case, the transferee shall be entitled to vote such Common Shares at the Meeting.

As of the date hereof, 57,906,135 Common Shares were issued and outstanding as fully paid and non-assessable and financing warrants ("**Financing Warrants**") were issued and outstanding which are exercisable to purchase 13,269,217 Common Shares, as well as the Options and Performance Warrants defined and described below.

As of the date hereof, to the knowledge of the directors and executive officers of Valeura, there are no persons or companies who beneficially own, directly or indirectly, or control or direct Common Shares carrying 10% or more of the voting rights attached to all of the Common Shares other than Scott Lamacraft who owns or controls, directly or indirectly, approximately 12.1% of the issued and outstanding Common Shares.

As of the date hereof, the directors and executive officers of Valeura, as a group, beneficially own, directly or indirectly, 3,439,728 Common Shares representing approximately 5.9% of the issued and outstanding Common Shares.

As of the date hereof, the directors and executive officers of Valeura, as a group, beneficially own, directly or indirectly: (a) options ("**Options**") to purchase 1,920,000 Common Shares issuable pursuant to the Corporation's stock option plan (the "**Option Plan**") (b) performance warrants ("**Performance Warrants**") to purchase 2,607,750 Common Shares, and (c) Financing Warrants to purchase 137,479

Common Shares. If all such Options, Performance Warrants and Financing Warrants were exercised, the directors and executive officers of Valeura, as a group, would hold approximately 10.5% of the then issued and outstanding Common Shares (on a fully diluted basis).

MEETING MATTERS

Receipt of the Financial Statements and Auditors' Report

The audited financial statements of the Corporation for the period ended December 31, 2012 and the report of the auditors thereon will be placed before the Shareholders at the Meeting.

Under National Instrument 51-102 - *Continuous Disclosure Obligations*, a person or corporation who in the future wishes to receive interim financial statements from the Corporation must deliver a written request for such material to the Corporation, together with a signed statement that the person or corporation is the owner of securities (other than debt instruments) of the Corporation. Shareholders who wish to receive interim financial statements are encouraged to send the enclosed return card, together with the completed form of proxy to Valiant Trust Company, 310, 606 - 4th Street S.W., Calgary, Alberta, T2P 1T1.

Copies of the Corporation's annual and interim financial statements are also available on SEDAR at www.sedar.com.

Appointment of Auditors

At the Meeting, Shareholders will be asked to pass a resolution appointing KPMG LLP, Chartered Accountants, as auditors of the Corporation, to hold office until the next annual meeting of Shareholders and to authorize the Board to fix the remuneration to be paid thereto. KPMG LLP, Chartered Accountants, were appointed as the auditors of Valeura on April 9, 2010 concurrently with the completion of the Corporation's transaction with Northern Hunter Energy Inc. ("**Northern Hunter**") which resulted in the recapitalization and reorganization of the Corporation (the "**Reorganization**").

Election of Directors

The term of office for each director is from the date of the Meeting at which he is elected until the next annual meeting or until his successor is elected or appointed. At the Meeting, a board of six directors will be proposed for election. The enclosed form of proxy or voting instruction form permits Shareholders to vote "for" or to "withhold" their vote in respect of each director nominee. Except where authority to vote on the election of directors is withheld, the persons designated by the Corporation in the enclosed form of proxy intend to vote for the election of the six nominees whose names are set forth below. If, due to unforeseen circumstances, any of the persons named below should not be available for election, it is intended that the persons named in the accompanying form of proxy will vote for such other person or persons as the Board may recommend. In 2012, the Corporation adopted a majority voting policy. Unless there is a contested election, a director who receives more *withhold* votes than *for* votes, will offer to resign. The Governance and Compensation Committee will review the matter and recommend to the Board whether to accept the resignation. The director will not participate in any deliberations on the matter. In such case, the Board will publicly announce its decision within 90 days of the annual general meeting.

Shareholders should note that, as a result of the majority voting policy, a *withhold* vote is effectively the same as a vote *against* a director nominee in an uncontested election.

Name and Residence	Position held with Valeura	Director Since	Principal Occupation for the Previous Five Years	Common Shares Beneficially Owned or Controlled Directly or Indirectly[(4)(5)]
Abdel F. Badwi[(2)] Calgary, Alberta, Canada Age: 66	Director	April 9, 2010	Mr. Badwi has been President and Chief Executive Officer of Bankers Petroleum Ltd. (a Toronto Stock Exchange ("**TSX**") listed issuer) since February 2008. Mr. Badwi has more than 36 years of experience in the exploration, development and production of oil and gas fields in North America, South America, Europe, Asia and the Middle East. Mr. Badwi is a Member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta and the Canadian Society of Petroleum Geologists. He holds a Bachelor of Science in Petroleum Geology and Chemistry from the University of Alexandria, Egypt, and received Management Development training from the University of Calgary.	214,250 Common Shares Value of holdings: $197,110
William T. Fanagan[(1)(2)] Vancouver, British Columbia, Canada Age: 65	Director (Chair)	April 9, 2010	Mr. Fanagan has been a private businessman since August 2001. Mr. Fanagan's financial and executive career with Gulf Canada Resources Limited and its affiliates spanned 24 years with assignments in Indonesia, Australia, USA, Russia and Canada, including President and CEO of Gulf Indonesia Resources Limited. Mr. Fanagan is a fellow of the Institute of Chartered Accountants in Ireland and a member of the Institute of Corporate Directors. He graduated from the University College Dublin in 1969 with a Bachelor of Commerce degree.	188,000 Common Shares Value of holdings: $172,960
Claudio A. Ghersinich[(1)(3)] Calgary, Alberta, Canada Age: 56	Director	April 9, 2010	Mr. Ghersinich has been President and Chief Executive Officer of Carrera Investments Corp. (an investment company) since May 2005 and a director of Vermilion Energy Inc. since 1994. He has also been Chairman of the Board of ArPetrol Ltd. since March 2011 and, prior to that, had been a director of ArPetrol Inc. (private) since 2004 and Chairman since 2007. Mr. Ghersinich has more than 31 years of oil and gas experience and was a co-founder of Vermilion Energy Inc. He has been a director of a number of public and private companies operating in Canada, Europe, Libya, Trinidad, Argentina and Australia. Mr. Ghersinich is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta. He holds a Bachelor of Science degree in Civil Engineering from the University of Manitoba.	1,235,500 Common Shares Value of holdings: $1,136,660

Name and Residence	Position held with Valeura	Director Since	Principal Occupation for the Previous Five Years	Common Shares Beneficially Owned or Controlled Directly or Indirectly[(4)(5)]
James D. McFarland Calgary, Alberta, Canada Age: 66	President and Chief Executive Officer	June 29, 2010	Mr. McFarland has been President and Chief Executive Officer of Valeura since April 9, 2010. Prior to this, he was President and Chief Executive Officer of Verenex Energy Inc. (a TSX listed issuer) from March 1, 2004 to December, 2009. Mr. McFarland has more than 40 years of oil and gas experience in Canada, the USA, Europe, Australia and North Africa, including a 23 year career with Imperial Oil Limited and other ExxonMobil affiliates. Mr. McFarland is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta, the Society of Petroleum Engineers International, the Program Committee of the World Petroleum Council and the Institute of Corporate Directors. He received a Bachelor of Science in Chemical Engineering from Queen's University and a Master of Science in Petroleum Engineering from the University of Alberta and completed the Executive Development Program at Cornell University. In 2003, he was awarded the Australian Centenary Medal for outstanding service through business and commerce.	388,134 Common Shares Value of holdings: $357,083
Kenneth D. McKay[(2)(3)] Calgary, Alberta, Canada Age: 54	Director	April 9, 2010	Mr. McKay has been a private businessman since August 2012. Prior to this, he was Executive Chairman of Bulldog Oil & Gas Inc. (an oil and gas company) from October 2008 until July 2012, and President and Chief Executive Officer of Bulldog Resources Inc. from December 1, 2005 to February 2008. Mr. McKay has more than 30 years of oil and gas experience. He has founded, grown and sold a number of public and private oil and gas companies operating in Western Canada. Mr. McKay is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta. He graduated in 1982 with a Bachelor of Science in Geology from the University of Calgary.	528,769 Common Shares Value of holdings: $486,467
Ronald W. Royal [(1) (3)] Abbotsford, British Columbia, Canada Age: 64	Director	June 29, 2010	Mr. Royal has been a private businessman since April 2007. Mr. Royal has more than 36 years of oil and gas experience with Imperial Oil Limited and other ExxonMobil upstream affiliates in France and Chad including and General Manager of Esso Chad Inc. Mr. Royal holds a Bachelor of Applied Science	183,000 Common Shares Value of holdings: $168,360

Name and Residence	Position held with Valeura	Director Since	Principal Occupation for the Previous Five Years	Common Shares Beneficially Owned or Controlled Directly or Indirectly(4)(5)
			degree in Mechanical Engineering from the University of British Columbia. In 2003, he was awarded the title "Chevalier de l'Ordre National du Chad" for his contributions to the economic development of Chad.	

Notes:

(1) Member of the Audit Committee.
(2) Member of the Governance and Compensation Committee.
(3) Member of the Reserves & Health, Safety and Environment Committee.
(4) Includes all Common Shares held by the spouse or children living in the same residence of such individual, corporations controlled by them or family trusts of such individual.
(5) The value of the Common Shares held by the directors is calculated by multiplying the amount of Common Shares held by $0.92, the closing price of Common Shares on the TSX on December 31, 2012.

Corporate Cease Trade Orders or Bankruptcies

Except as disclosed below, to the knowledge of management, no director or proposed director of Valeura:

(a) is, as at the date hereof, or has been, within 10 years before the date hereof, a director or chief executive officer or chief financial officer of any corporation (including Valeura) that, while that person was acting in that capacity:

(i) was the subject of a cease trade or similar order or an order that denied the relevant corporation access to any exemption under securities legislation, for a period of more than 30 consecutive days;

(ii) was subject to an event that resulted, after the director or officer ceased to be a director or officer, in the corporation being the subject of a cease trade or similar order or an order that denied the relevant corporation access to any exemption under securities legislation, for a period of more than 30 consecutive days; or

(iii) is, as the date hereof, or has been within 10 years from the date hereof, a director or executive officer of any company (including Valeura) that, while that person was acting in such capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

James D. McFarland was the Managing Director and a director of Southern Pacific Petroleum NL ("**SPP**"), which was listed on the Australian Stock Exchange. In December 2003, a secured creditor of SPP appointed a receiver-manager. Mr. McFarland ceased being a director and the Managing Director of SPP in February 2004.

Personal Bankruptcies

To the knowledge of management of Valeura, no director of Valeura has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such person's assets.

Penalties or Sanctions

To the knowledge of management of Valeura, no director of Valeura has: (i) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, other than penalties for late filing of insider reports; or (ii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable Shareholder in deciding whether to vote for a proposed director.

EXECUTIVE OFFICER AND DIRECTOR COMPENSATION

Compensation Discussion and Analysis

Introduction

The purpose of this Compensation Discussion and Analysis ("**CD&A**") is to provide information about the Corporation's philosophy, objectives and processes regarding executive compensation.

This disclosure is intended to communicate the compensation provided to the Chief Executive Officer ("**CEO**"), the Chief Financial Officer ("**CFO**"), and the three most highly compensated executive officers of the Corporation, if any, whose individual total compensation was more than $150,000 for the year ended December 31, 2012 (collectively the "**NEOs**") and how the determinations in respect of the NEOs' 2012 compensation were made. For the year ended December 31, 2012, the Corporation had the following four NEOs and no other executive officers or individuals acting in a similar capacity:

James D. McFarland, President and Chief Executive Officer ("**CEO**")

Stephen E. Bjornson, Chief Financial Officer ("**CFO**")

Donald W. Shepherd, Vice President, Engineering ("**VP Engineering**")

Lyle A. Martinson, Vice President, Operations ("**VP Operations**")

The Board has established the Governance and Compensation Committee comprised of three independent directors to assist the Board in fulfilling its obligations relating to human resource and compensation matters and to establish a plan of continuity and development of senior management. The Governance and Compensation Committee's mandate includes (a) reviewing and recommending for Board approval, the corporate goals and objectives for the CEO to be considered in determining his or her compensation and performance evaluation; (b) in consultation with the CEO, reviewing and recommending the compensation philosophy, guidelines and plans for the Corporation's employees and executives; (c) in consultation with the CEO, reviewing the appointment of and approving the compensation for the executive team; (d) evaluating and providing feedback regarding the CEO's performance and reviewing the compensation of the CEO; (e) in consultation with the CEO, reviewing all other compensation principles or policy matters including the annual budget for base salaries and bonuses, long term incentives (such as the Option Plan and the performance share unit plan (the "**PSU Plan**")) and other benefits; and (f) consideration of the risk management implications with respect to the Corporation's compensation policies and practices.

Compensation Philosophy and Objectives of Compensation Programs

The executive compensation program adopted by Valeura and applied to its executive officers is designed to:

- attract and retain qualified and experienced executives who will contribute to the success of Valeura;
- ensure that the compensation of the executive officers provides a competitive base compensation package, with additional compensation to reward success and create a strong link between corporate performance and compensation;
- motivate executive officers to enhance long term Shareholder value, with current compensation being weighted toward at-risk long term incentives in the form of Options, Performance Warrants and other security based incentives so as to foster alignment with the interests of the Shareholders.

Valeura's executive compensation program in 2012 consisted of four components as set forth in the following chart:

Compensation Components	Description and Purpose
Base Salary	A base level of income that reflects the executive's position and level of responsibility, as well as salary norms in the sector and the general marketplace.
Discretionary Cash Bonus	A discretionary cash award based on the executive's position and corporate performance, which is designed to reward the achievement of key corporate objectives.
Long Term Incentives/Options	A pay-at-risk component to compensation that rewards long term performance by allowing officers to participate in the market appreciation of the Common Shares over an extended period. This component is also intended to make the Corporation competitive from a total remuneration standpoint and encourage executive retention through time-based and performance-based vesting of awards.
Benefits	Health and dental care and various forms of life, disability, critical illness and health spending accounts, plus certain additional perquisites for NEOs such as parking and priority healthcare insurance.

See detailed description under "*Elements of Compensation*" below.

The goals of the compensation program are to attract and retain the most qualified people, to motivate and reward such individuals on a short term and long term basis, and to create alignment between corporate performance and compensation. The Governance and Compensation Committee and Board intend that

that the total cash components of compensation (base salary plus discretionary bonus) target the median of the Corporation's peer group.

The Corporation does not believe that its compensation programs encourage excessive or inappropriate risk taking as: (i) the Corporation's employees receive both fixed and variable compensation, and the fixed (salary) portion provides a steady income regardless of the stock value which allows employees to focus on the Corporation's business; and (ii) the Option Plan encourages a long term perspective due to the vesting provisions of the Options. The Corporation believes that its compensation program is appropriately structured and balanced to motivate its executives and reward the achievement of annual performance goals, as well as the achievement of long-term growth in Shareholder value.

The Corporation has recently adopted a policy which prohibits any NEO or director from purchasing financial instruments designed to hedge or offset a decrease in market value of equity securities granted as compensation or held by the NEO or director. Prior to the adoption of the policy, no NEO or director had entered into any such agreement.

Determining Compensation

The Governance and Compensation Committee assists the Board in fulfilling its oversight responsibilities with respect to compensation matters. The Governance and Compensation Committee operates under a written mandate adopted by the Board. The Governance and Compensation Committee is comprised of the following directors: Messrs. Badwi (Chair), Fanagan and McKay. Each member of the Governance and Compensation Committee is an independent director as such term is defined by National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**") and all members of the Governance and Compensation Committee have expertise and extensive experience in compensation and other human resource areas in the oil and gas industry through their tenure in executive roles in the energy sector. In addition, the Governance and Compensation Committee utilizes compensation data from independent compensation consultants in the form of industry compensation surveys, and the services of Total Reward Professionals, the Corporation's independent compensation consultant, to review its assessment and recommendations.

Peer Group

In reviewing and approving the Corporation's 2012 compensation program, the Board considered the recommendations of the CEO, which were based upon public disclosure information available for a peer group comprised of 12 other junior and intermediate oil and gas companies operating internationally that are listed on the TSX or the TSX Venture Exchange, with a market capitalization between approximately $55 million and $201 million. Based on these criteria, the Corporation's peer group for 2012 consisted of the following:

Antrim Energy Inc.	Orca Exploration Group Inc.
Brownstone Energy Inc.	Petromanas Energy Inc.
Calvalley Petroleum Inc.	ShaMaran Petroleum Corp.
Condor Petroleum Inc.	Stream Oil & Gas Ltd.
Dundee Energy Limited	Tethys Petroleum Ltd.
Falcon Oil & Gas Ltd.	Winstar Resources Ltd.

In late 2012, the Governance and Compensation Committee and Board reviewed the composition of the peer group, taking into account the guidance from the Corporation's independent compensation consultant. For 2013, the Corporation has revised its peer group by: (i) removing Brownstone Energy Inc., Dundee Energy Limited, Falcon Oil & Gas Ltd., ShaMaran Petroleum Corp. and Tethys Petroleum Ltd.; and (ii) adding Sonoro Energy Ltd., CYGAM Energy Inc., Canadian Overseas Petroleum Limited and Sterling Resources Ltd. The revisions to the peer group were effected to reflect international oil and gas companies more similar in size to the Corporation based on market capitalization and production volumes, as well as to tighten the list to companies with assets in the Middle East/North Africa (MENA), Europe and Western Asia regions.

Corporate Performance Scorecard and CEO Goals and Objectives

In early 2012, the Governance and Compensation Committee and Board determined the 2012 Corporate Performance Scorecard which set forth the following key performance indicators for 2012: (i) safety criteria; (ii) production criteria; (iii) reserve and resource additions; (iv) share price performance compared to the Corporation's peer group; (v) funds flow from operations per Common Share; and (vi) corporate strategy and discretionary performance indicators.

In 2012, the Board also approved the CEO's 2012 Goals and Objectives. The goals and objectives are weighted 50% to achievement of the Corporate Performance Scorecard targets, and 50% on individual performance factors which include other key financial, operational and organizational performance indicators where the CEO's leadership is most influential.

Compensation Approval Process

Compensation for the Corporation's executive officers is recommended by the CEO and then reviewed by the Governance and Compensation Committee. Recommendations are then made by the Governance and Compensation Committee to the Board for the Board's ultimate approval. In making recommendations, the CEO, with support and input from Total Reward Professionals, reviews compensation data in the oil and gas sector compiled by third party providers, as well as other more subjective factors such as level of responsibility, importance to the Corporation and the degree to which an officer's contribution will be critical to the Corporation's success in the near and long term. The Governance and Compensation Committee then reviews and discusses these recommendations, including review of the comparative and peer group data provided, and determines what recommendations to make to the Board. Although discussions between the CEO and members of the Governance and Compensation Committee are customary during this process, certain deliberations of the Governance and Compensation Committee and all final determinations by both the Governance and Compensation Committee and the Board regarding executive compensation are conducted during in camera sessions in the absence of any members of management and with the independent compensation consultant.

Following each year, the Governance and Compensation Committee distributes and utilizes a confidential CEO Feedback Instrument to assess the CEO's performance, including an assessment of the CEO's performance and achievement of the targeted goals and objectives for the prior year. The results of the directors' feedback are compiled on an anonymous basis to promote candid and constructive feedback. The results are distributed to the Board and play a role in setting the CEO's compensation for the following year.

The Board also approves compensation for the directors of the Corporation in the form of fees and long term equity incentives based upon recommendations made by the Governance and Compensation Committee, which also takes into account the assessment data of independent compensation consultants and the analysis of Total Reward Professionals.

Elements of Compensation

Base Salaries

Base salary is intended to reflect an employee's position within the corporate structure, his or her years of experience and level of responsibility, and salary norms in the sector and the general marketplace. As such, decisions with respect to base salary levels for executive officers are not based on objective identifiable performance measures but for the most part are determined by reference to competitive market information for similar roles and levels of responsibility, as well as more subjective performance factors such as leadership, commitment, accountability, industry experience and contribution. The Corporation's view is that a competitive base salary is a necessary element for retaining qualified executive officers, as it creates a meaningful incentive for individuals to remain at Valeura and not be unreasonably susceptible to recruiting efforts by the Corporation's competitors.

As consideration for the services provided by the NEOs, the Corporation has agreed to pay the NEOs an annual salary in an amount determined by the Board in its annual salary review completed in the first quarter of each fiscal year and effective April 1 of each year. Salaries for 2012 were reviewed in March 2012 and, in order to bring base salaries closer to but slightly below the median of the peer group, the Board determined to increase salaries by an average of 15% for the NEOs and 11% for the broad employee base, with the increases effective on April 1, 2012. The total cost of the base salary increases in 2012 was $184,000.

The annual base salaries in 2012 were set at $230,000 for the CEO, $200,000 for the CFO and $190,000 for the VP Engineering and the VP Operations, effective April 1, 2012. In approving the 2012 base salaries for the NEOs, the Board considered the recommendations of the CEO, which were based upon and benchmarked against public disclosure information available for the peer group.

Cash Bonus

Cash bonuses are part of the Corporation's compensation program as it is believed that they can be used to help to motivate executive officers to achieve key corporate objectives by rewarding the achievement of these objectives. Currently, cash bonuses are awarded on a discretionary basis following an evaluation of the corporate performance factors.

In early 2012, the Governance and Compensation Committee and the Board reviewed and approved the proposed 2012 bonus targets approving up to 50% for the CEO, up to 40% for the CFO and up to 30% for the Vice Presidents (which were the same as the bonus targets for the prior year). Following the completion of the year and the assessment of corporate performance, the bonus target is multiplied by the performance factor for the respective year based on the Corporate Performance Scorecard and the performance criteria set out therein.

With respect to the CEO's bonus for the year ended December 31, 2012, the Governance and Compensation Committee and the Board reviewed and measured the CEO's performance against CEO's stated goals and objectives for 2012, including a review of the results of the confidential CEO Feedback Instrument. Cash bonuses for the year ended December 31, 2012 were determined by the Board in March 2013 and will be paid to the NEOs in April 2013 in the aggregate amount of $237,000. For further details, see "Summary Compensation Table".

Performance and Long Term Incentives

The Corporation believes that long term performance and increases in Shareholder value are achieved through an ownership culture that encourages performance by all employees, including executives, through the use of at-risk long term incentives. In addition, it is required in order for the Corporation to be competitive from a total remuneration standpoint, particularly given that the current size and stage of the Corporation prevents it from paying base cash salaries comparable to those of larger companies in the oil and gas industry with whom it must compete for experienced executive officers. Accordingly, the Corporation has established the Option Plan and the PSU Plan to provide employees, including executive officers, with incentives to help align those employees' interests with the performance of the Corporation as reflected in its Common Share price. For a description of the Option Plan and the PSU Plan, see "Equity Plan Compensation".

The Governance and Compensation Committee, upon the recommendation of the CEO, reviews and makes recommendations to the Board for its ultimate approval with respect to grants of Options to executive officers. When making recommendations with respect to Option awards and the size of such awards, the Governance and Compensation Committee will take into consideration the overall number of Options and other security-based incentives that are outstanding relative to the number of outstanding Common Shares of the Corporation.

During the year ended December 31, 2012, Messrs. McFarland, Bjornson, Shepherd and Martinson were granted an aggregate of 375,000 Options. These Options have a seven-year term and vest in thirds over a three year period. The Options granted in 2012 are exercisable at $2.10 per Common Share, which was the closing price per Common Share on the TSX on the last trading day preceding the Option grants. In approving the overall grant of options, regard was given to the desire to weight total compensation toward at-risk long term incentives in recognition of more modest base salaries for the executives, as well as to foster alignment with the interests of Shareholders. In recommending to the Board the size of option awards to individual executives, the Governance and Compensation Committee considered the recommendations made by the CEO and each executive's level of responsibility and authority, with a particular emphasis on the degree to which each executive's contribution would be critical to long term corporate success, and consideration was given to the amount of each executive's option award relative to the allocation of options granted to the CEO and other officers to ensure an appropriate scaling within the executive team. See "Incentive Plan Awards - Outstanding Option-Based Awards" below for the Options held by individual NEOs.

As of the date hereof, no awards have yet been granted under the PSU Plan.

Benefits

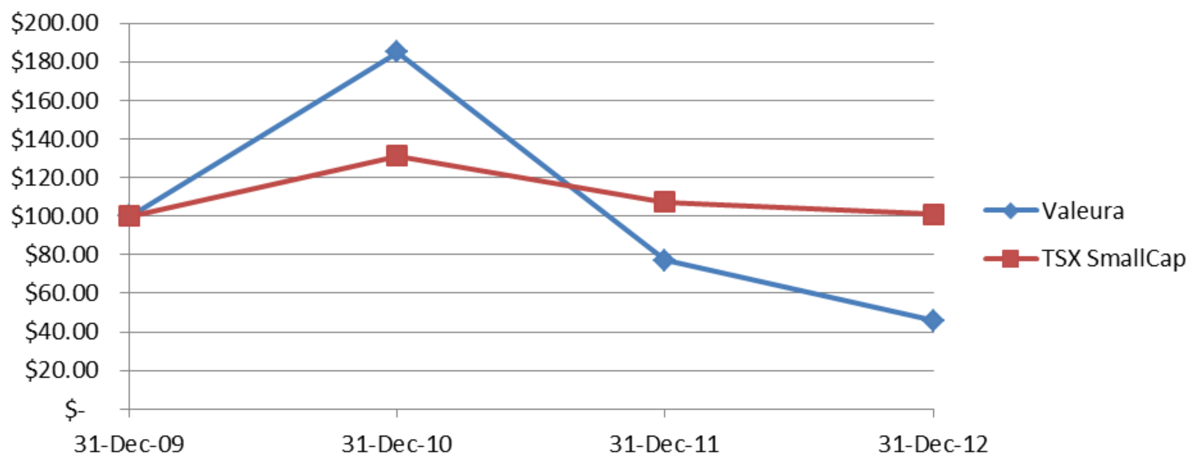
The Corporation's benefits program consists of health and dental care and various forms of life, disability and critical illness insurances and health spending accounts consistent with industry norms. In addition, the NEOs receive a reimbursement of parking costs up to a defined limit or a transportation allowance in lieu of parking, as well as priority healthcare insurance.

Severance and Change of Control Agreements

Executive employment agreements were put in place for the four NEOs effective June 17, 2011 providing for severance or other payouts upon a change of control event. *See "Employment Agreements and Termination and Change of Control Benefits" below.*

Performance Graph

The following graph illustrates the cumulative return to Shareholders of a $100 investment in Common Shares from December 31, 2009 (at the last closing price prior to the trading halt that was in effect in contemplation of the Reorganization) to December 31, 2012, as compared to the cumulative total return on the Standard & Poor's/TSX SmallCap Index ("**TSX SmallCap**") for the same period, assuming the reinvestment of cash distributions and/or dividends.



	December 31, 2009	December 31, 2010	December 31, 2011	December 31, 2012
Valeura	$100	$185.00	$77.00	$46.00
TSX SmallCap	$100	$131.21	$107.17	$100.96

Summary Compensation Table

The following table provides information concerning compensation of the NEOs for the years ended December 31, 2012, 2011 and 2010. Only the figures included in the column entitled "Salary", "All Other Compensation" and "Non-Equity Incentive Plan Compensation" represent cash paid to the current NEOs for each of the respective years. The figures shown in the columns entitled "Stock Option Awards" and "Performance Warrant Awards" represent the fair value of the Options and Performance Warrants on the grant date, calculated using the Black-Scholes model. See footnotes (3) to (8) below this table for further details.

Name and Principal Position	Year	Salary ($)	Stock Option Awards ($)	Performance Warrant Awards ($)	Non-equity incentive plan compensation ($)	All Other Compens-ation[12] ($)	Total Compens-ation ($)
					Annual Incentive Plan		
James D. McFarland[1] CEO	2012	222,500	217,771[3][6]	Nil	81,000[9]	Nil	521,271
	2011	191,580	442,941[4][6]	Nil	130,000[10]	Nil	764,521
	2010	140,560[2]	332,094[5][6]	809,462[7][8]	100,000[11]	Nil	1,382,116
Stephen E. Bjornson[1] CFO	2012	193,750	131,570[3][6]	Nil	60,000[9]	Nil	385,320
	2011	170,177	267,610[4][6]	Nil	93,000[10]	Nil	530,787
	2010	134,322[2]	200,640[5][6]	505,049[7][8]	60,000[11]	Nil	900,011
Donald W. Shepherd[1] VP Engineering	2012	183,750	108,886[3][6]	Nil	48,000[9]	Nil	340,636
	2011	159,080	221,471[4][6]	Nil	65,000[10]	Nil	445,551
	2010	111,810[2]	166,047[5][6]	304,413[7][8]	50,000[11]	Nil	632,270
Lyle A. Martinson[1] VP Operations	2012	183,750	108,886[3][6]	Nil	48,000[9]	Nil	340,636
	2011	159,080	221,471[4][6]	Nil	65,000[10]	Nil	445,551
	2010	116,810[2]	166,047[5][6]	304,413[7][8]	50,000[11]	Nil	632,270

Notes:

(1) Messrs. McFarland, Bjornson, Shepherd and Martinson were appointed as officers of the Corporation on April 9, 2010, concurrently with the completion of the Reorganization.

(2) Includes amounts paid for consulting days worked from February 1, 2010 to April 1, 2010 prior to the Reorganization, based on an annualized base compensation level effective April 1, 2010 of $150,000 for Mr. McFarland, $135,000 for Mr. Bjornson and $125,000 for Messrs. Shepherd and Martinson.

(3) This does not represent cash paid to the NEO. This figure is based on the grant date fair value of such Options as at March 26, 2012 calculated through the use of the Black-Scholes Model. The grant date fair value was determined in accordance with International Financial Reporting Standards. This methodology was chosen in order to be consistent with the accounting fair value used by the Corporation in its financial statements and since Black-Scholes is a commonly used methodology for valuing options which provides an objective and reasonable estimate of fair value. The key assumptions of this valuation include current market price of the stock, exercise price of the option, option term (weighted average expected life), risk-free interest rate, dividend yield of stock and volatility of stock return. The actual assumptions and estimates used for the summary compensation table values were as follows: Fair Value of $1.51 per share, Risk Free Interest Rate of 1.59%; Expected Life of 4.5 years; Expected Volatility of 100% and Dividend per Share of nil. The Options vest in thirds, on the first, second and third year anniversary of the grant date. Accordingly, none of these Options had vested as at December 31, 2012.

(4) This does not represent cash paid to the NEO. This figure is based on the grant date fair value of such Options as at June 20, 2011 calculated through the use of the Black-Scholes Model. This grant date was the date the Options were granted to the NEOs in connection with the completion of the acquisition of natural gas production in Turkey of approximately 10.0 mmcf/d (net before royalties) and 588,719 net acres of land in the Thrace and Anatolian basis in Turkey (the "**TBNG-PTI Acquisition**"). The grant date fair value was determined in accordance with International Financial Reporting Standards. This methodology was chosen in order to be consistent with the accounting fair value used by the Corporation in its financial statements and since Black-Scholes is a commonly used methodology for valuing options which provides an objective and reasonable estimate of fair value. The key assumptions of this valuation include current market price of the stock, exercise price of the option, option term (weighted average expected life), risk-free interest rate, dividend yield of stock and volatility of stock return. The actual assumptions and estimates used for the summary compensation table values were as follows: Fair Value of $2.05 per share, Risk Free Interest Rate of 2.08%; Expected Life of 4.5 years; Expected Volatility of 100% and Dividend per Share of nil. The Options vest in thirds, on the first, second and third year anniversary of the grant date. Accordingly, one-third of these Options had vested as at December 31, 2012.

(5) This does not represent cash paid to the NEO. This figure is based on the grant date fair value of such Options as at January 8, 2010 calculated through the use of the Black-Scholes Model. This grant date was the date the Options were granted to the NEOs in Northern Hunter; such Options were then exchanged for Options of the Corporation as part of the Reorganization. The grant date fair value was determined in accordance with International Financial Reporting Standards. This methodology was chosen in order to be consistent with the accounting fair value used by the Corporation in its financial statements and since Black-Scholes is a commonly used methodology for valuing options which provides an objective and reasonable estimate of fair value. The key assumptions of this valuation include current market price of the stock, exercise price of the option, option term (weighted average expected life), risk-free interest rate, dividend yield of stock and volatility of stock return. The actual assumptions and estimates used for the summary compensation table values were as follows: Fair Value of $1.54 per share, Risk Free Interest Rate of 2.46%; Expected Life of 4.5 years; Expected Volatility of 110% and Dividend per Share of nil. The Options vest in thirds, on the first, second and third year anniversary of the grant date. Accordingly, two-thirds of these Options had vested as at December 31, 2012.

(6) The actual value of the Options granted to the NEOs will be determined based on the market price of the Common Shares at the time of exercise of such Options, which may be greater or less than grant date fair value reflected in the table above. See "Incentive Plan Awards - NEOs - Outstanding Option-Based Awards" below.

(7) This figure does not represent cash paid to the NEO. This figure is based on the grant date fair value of such Performance Warrants as at January 8, 2010 calculated through the use of the Black Scholes Model. This grant date was the date the Performance Warrants were granted to the NEOs in Northern Hunter; such Performance Warrants were then exchanged for Performance Warrants of the Corporation as part of the Reorganization. The grant date fair value was determined in accordance with International Financial Reporting Standards. This methodology was chosen in order to be consistent with the accounting fair value used by the Corporation in its financial statements and since Black-Scholes is a commonly used methodology for valuing option-like instruments which provides an objective and reasonable estimate of fair value. The key assumptions of this valuation include current market price of the stock, exercise price of the Performance Warrant, Performance Warrant term (weighted average expected life), risk-free interest rate, dividend yield of stock and volatility of stock return. The actual assumptions and estimates used for the summary compensation table values were as follows: Fair Value of $1.54 per share, Risk Free Interest Rate of 2.46%; Expected Life of 4.5 years; Expected Volatility of 110% and Dividend per Share of nil. All of the Performance Warrants had vested as at December 31, 2012. See "Equity Plan Compensation - Performance Warrants" for a description of the vesting terms of the Performance Warrants.

(8) The actual value of the Performance Warrants granted to the NEOs will be determined based on the market price of the Common Shares at the time of exercise of such Performance Warrants, which may be greater or less than grant date fair value reflected in the table above. See "Incentive Plan Awards - NEOs - Outstanding Performance Warrants" below.

(9) Represents the cash bonuses to be paid in respect of performance in the year ended December 31, 2012, which bonuses were determined by the Board in March 2013 and will be paid in April 2013.

(10) Represents the cash bonuses paid to the NEOs in April 2012 in respect of performance for the year ended December 31, 2011.

(11) Represents the cash bonuses paid to the NEOs in June 2011 upon completion of the TBNG-PTI Acquisition as the Board elected to defer payment of a 2010 bonus until closing of the TBNG-PTI Acquisition.

(12) Nil indicates that perquisites and other personal benefits did not exceed $50,000 or 10% of the total salary of the NEO for the financial year.

Incentive Plan Awards - NEOs

Outstanding Option-Based Awards

The following table sets forth information with respect to the unexercised Options granted under the Option Plan to the NEOs which were outstanding as of December 31, 2012. None of the NEOs exercised options from January 1, 2012 to December 31, 2012.

Name and Principal Position	Number of Securities Underlying Unexercised Options (#)	Option-Based Awards		
		Option Exercise Price ($)	Option Expiration Date	Value of Unexercised In-the-Money Options ($)(2)
James D. McFarland CEO	144,000 216,000 216,000	2.10 3.25(1) 2.00	March 26, 2019 June 20, 2018 January 8, 2017	Nil Nil Nil
Stephen E. Bjornson CFO	87,000 130,500 130,500	2.10 3.25(1) 2.00	March 26, 2019 June 20, 2018 January 8, 2017	Nil Nil Nil
Donald W. Shepherd VP Engineering	72,000 108,000 108,000	2.10 3.25(1) 2.00	March 26, 2019 June 20, 2018 January 8, 2017	Nil Nil Nil
Lyle A. Martinson VP Operations	72,000 108,000 108,000	2.10 3.25(1) 2.00	March 26, 2019 June 20, 2018 January 8, 2017	Nil Nil

Notes:

(1) The Options granted in 2011 are exercisable at $3.25, which was an exercise price higher than the market price of the Common Shares at the time of issuance. The Board set the exercise price to match the price per unit under the Corporation's February 2011 private placement financing that was completed to fund the TBNG-PTI Acquisition.

(2) The value shown is the product of the number of Common Shares underlying the Option multiplied by the difference between the Common Share TSX closing price on December 31, 2012 of $0.92 and the exercise price, which for the year ended December 31, 2012 was nil.

Outstanding Performance Warrants

The following table sets forth information with respect to the unexercised Performance Warrants granted to the NEOs which were outstanding as of December 31, 2012. No additional Performance Warrants were granted in 2012.

Name and Principal Position	Number of Securities Underlying Unexercised Performance Warrants (#)	Performance Warrant Awards		
		Performance Warrant Exercise Price ($)	Performance Warrant Expiration Date	Value of Unexercised In-the-Money Performance Warrants ($)[(1)]
James D. McFarland CEO	526,500	2.00	January 8, 2015	Nil
Stephen E. Bjornson CFO	328,500	2.00	January 8, 2015	Nil
Donald W. Shepherd VP Engineering	198,000	2.00	January 8, 2015	Nil
Lyle A. Martinson VP Operations	198,000	2.00	January 8, 2015	Nil

Note:

(1) The value shown is the product of the number of Common Shares underlying the Performance Warrant multiplied by the difference between the Common Share TSX closing price on December 31, 2012 of $0.92 and the exercise price, which for the year ended December 31, 2012 was nil.

Incentive Plan Awards - Value Vested or Earned During the Year

The following table sets forth information with respect to the value of Options and Performance Warrants vested during the year ended December 31, 2012 as well as the cash bonuses granted to the NEOs during the year ended December 31, 2012.

Name	Option-Based Awards Value Vested During Year ($)[(1)]	Performance Warrants Value Vested During Year ($)[(1)]	Non-Equity Incentive Plan Compensation Value earned during the year ($)[(2)]
James D. McFarland CEO	Nil	Nil	81,000
Stephen E. Bjornson CFO	Nil	Nil	60,000
Donald W. Shepherd VP Engineering	Nil	Nil	48,000
Lyle A. Martinson VP Operations	Nil	Nil	48,000

Notes:

(1) The value shown is the product of the number of Common Shares underlying the Performance Warrants and Options that vested during the year multiplied by the difference between the Common Share TSX closing price on the respective days the Options and Performance Warrants vested and the exercise price of the respective Options and Performance Warrants that vested, which, in all cases, was nil.

(2) Cash bonuses to be paid to the NEOs in April 2013 in respect of the year ended December 31, 2012.

Employment Agreements and Termination and Change of Control Benefits

Each of the NEOs is a party to an executive employment agreement (the "**Executive Employment Agreements**") with the Corporation. The Executive Employment Agreements were established in 2011 for the President and Chief Executive Officer, Chief Financial Officer, Vice President, Operations and Vice President, Engineering. The Executive Employment Agreements have an indefinite term and contain standard confidentiality and non-solicitation provisions.

Valeura has agreed pursuant to the Executive Employment Agreements that the NEOs will receive base salaries determined by the Board and may receive discretionary bonuses, grants of Options, Performance Share Units, reimbursement of expenses, benefits and certain perquisites as set forth in the Executive Employment Agreements, with the amounts paid in 2012 with respect to such matters set forth in the Summary Compensation Table.

The Executive Employment Agreements provide that, upon the termination of employment without just cause, in the case of constructive dismissal, upon disability as defined in the amended Executive Employment Agreements, or upon a change of control of the Corporation if the executive does not remain with the Corporation, the NEO is entitled to receive the amount of unpaid annual salary and declared but unpaid bonuses to and including the date of termination of employment, plus:

(a) in the case of the President and Chief Executive Officer, a severance payment in the amount of two times the annual salary and cost of benefits plus two times the average amount of the bonus paid for the three calendar years prior to the date of termination;

(b) in the case of the Chief Financial Officer, a severance payment in the amount of one and one-half times annual salary and cost of benefits plus one and one-half times the average amount of the bonus paid for the three calendar years prior to the date of termination; and

(c) in the case of each of the Vice President, Operations and Vice President, Engineering, a severance payment in the amount of one time the annual salary and cost of benefits plus one time the average amount of bonus paid for the three calendar years prior to the date of termination.

Upon the death of any of the NEOs, such NEO's personal representatives shall be entitled to receive the amount of unpaid salary to and including the date of death, plus any bonus declared but not yet paid, plus all outstanding vacation pay and expense reimbursements.

In addition, in the event of termination of employment for any reason, any outstanding Options shall be treated in the manner set forth in the Option Plan and applicable stock option agreement, which provide that all unvested Options shall terminate as of the date notice is given in respect of such termination. Notwithstanding the foregoing, in the event of any Change of Control Transaction (as defined in the Option Plan) or an Unsolicited Offer (as defined in the Option Plan), all unexercised and unvested outstanding Options granted shall vest and become immediately exercisable unless otherwise determined by the Board in accordance with the Option Plan.

The following table sets forth information with respect to the estimated aggregate dollar amount to which each NEO would have been entitled if the event resulting in termination of employment occurred on December 31, 2012.

Name	Triggering Event	Cash Payment	Value of Equity and Share Based Awards and other Benefits	Total Payout
James D. McFarland	Termination without cause and Cessation of employment in the case of a change of control	$460,000	$263,982(2)	$723,982
	Termination with cause or resignation	Nil(1)	Nil(3)	Nil
	Disability	$460,000	$263,982(2)	$723,982
	Death	Nil	Nil(3)	Nil
Stephen E. Bjornson	Termination without cause and Cessation of employment in the case of a change of control	$300,000	$139,152(2)	$439,152
	Termination with cause or resignation	Nil(1)	Nil(3)	Nil
	Disability	$300,000	$139,152(2)	$439,152
	Death	Nil	Nil(3)	Nil
Donald W. Shepherd	Termination without cause and Cessation of employment in the case of a change of control	$190,000	$75,317(2)	$265,317
	Termination with cause or resignation	Nil(1)	Nil(3)	Nil
	Disability	$190,000	$75,317(2)	$265,317
	Death	Nil	Nil(3)	Nil
Lyle A. Martinson	Termination without cause and Cessation of employment in the case of a change of control	$190,000	$76,640(2)	$266,640
	Termination with cause or resignation	Nil(1)	Nil(3)	Nil
	Disability	$190,000	$76,640(2)	$266,640
	Death	Nil	Nil(3)	Nil

Notes:

(1) In the event of a termination for just cause, resignation or retirement, the Corporation shall have no further obligation to the NEO, other than the payment of unpaid base salary, any bonus declared but not yet paid, plus all outstanding vacation pay and expense reimbursement.

(2) The value shown is a multiple of the annual cost of benefits and the average cash bonus paid in respect of the years ended December 31, 2010 and December 31, 2011, plus the product of the number of Common Shares underlying the Options and the Performance

Warrants multiplied by the difference between the Common Share TSX closing price on December 31, 2012 of $0.92 and the exercise price (which for the year ended December 31, 2012 was nil).

(3) The value shown is the product of the number of Common Shares underlying the vested Options and the vested Performance Warrants multiplied by the difference between the Common Share TSX closing price on December 31, 2012 of $0.92 and the exercise price, which for the year ended December 31, 2012 was nil.

Director Compensation

Directors are remunerated based on their expertise and time commitment provided to the Corporation. Directors receive a set retainer of $20,000 per year, except for the Chairman who receives an additional set retainer of $5,000. The Chair of the Audit Committee receives an additional $8,000 retainer and the Chairs of the Governance and Compensation Committee and the Reserves & Health, Safety and Environment Committee each receive an additional $6,000 retainer. Additional fees are paid for committee service and meeting attendance ($1,000 per meeting). Directors are also eligible to receive Options and PSUs pursuant to the Option Plan and PSU Plan. The Governance and Compensation Committee recommend compensation levels and any Option or PSU awards for directors to the Board, taking into account compensation data from independent compensation consultants and the compensation levels for the directors of companies in the Corporation's peer group, as well as the recommendations received from Total Reward Professionals.

Mr. McFarland does not receive any compensation as a director of the Corporation and is not included in the following tables. All of his compensation information is set forth in the executive compensation discussion starting on page 8 of this Information Circular.

Compensation Table

The following table sets forth information concerning compensation paid to the directors for the year ended December 31, 2012.

Name	Fees Earned ($)	Option-based awards(1) (2) ($)	Total ($)
Abdel F. Badwi	$34,000	$31,760	$65,760
William T. Fanagan	$45,000	$31,760	$76,760
Claudio A. Ghersinich	$32,000	$31,760	$63,760
Kenneth D. McKay	$31,000	$31,760	$62,760
Ronald W. Royal	$41,000	$31,760	$72,760

Notes:

(1) This does not represent cash paid to the director. This figure is based on the grant date fair value of such Options as at March 26, 2012 calculated through the use of the Black-Scholes Model. The grant date fair value was determined in accordance with International Financial Reporting Standards. This methodology was chosen in order to be consistent with the accounting fair value used by the Corporation in its financial statements and since Black-Scholes is a commonly used methodology for valuing options which provides an objective and reasonable estimate of fair value. The key assumptions of this valuation include current market price of the stock, exercise price of the option, option term (weighted average expected life), risk-free interest rate, dividend yield of stock and volatility of stock return. The actual assumptions and estimates used for the summary compensation table values were as follows: Fair Value of $1.51 per share, Risk Free Interest Rate of 1.59%; Expected Life of 4.5 years**;** Expected Volatility of 100% and Dividend per Share of nil. The Options vest in thirds, on the first, second and third year anniversary of the grant date. Accordingly, none of these Options granted in 2012 had vested as at December 31, 2012.

(2) The actual value of the Options granted to the directors will be determined based on the market price of the Common Shares at the time of exercise of such Options, which may be greater or less than grant date fair value reflected in the table above. See "Incentive Plan Awards - Directors - Outstanding Option-Based Awards" below.

Incentive Plan Awards - Directors

Outstanding Option-Based Awards

The following table sets forth with respect to the unexercised Options granted under the Option Plan to the directors which were outstanding as of December 31, 2012.

Name	Number of Securities Underlying Unexercised Options	Option-Based Awards		
		Option Exercise Price ($)	Option Expiration Date	Value of Unexercised In-the-Money Options ($)(2)
Abdel F. Badwi	21,000 31,500 31,500	2.10 3.25(1) 2.00	March 26, 2019 June 20, 2018 January 8, 2017	Nil Nil Nil
William T. Fanagan	21,000 31,500 31,500	2.10 3.25(1) 2.00	March 26, 2019 June 20, 2018 January 8, 2017	Nil Nil Nil
Claudio A. Ghersinich	21,000 31,500 31,500	2.10 3.25(1) 2.00	March 26, 2019 June 20, 2018 January 8, 2017	Nil Nil Nil
Kenneth D. McKay	21,000 31,500 31,500	2.10 3.25(1) 2.00	March 26, 2019 June 20, 2018 January 8, 2017	Nil Nil Nil
Ronald W. Royal	21,000 31,500 31,500	2.10 3.25(1) 2.00	March 26, 2019 June 20, 2018 January 8, 2017	Nil Nil Nil

Notes:

(1) The Options granted in 2011 are exercisable at $3.25, which was an exercise price higher than the market price of the Common Shares at the time of issuance. The Board set the exercise price to match the price per unit under the Corporation's February 2011 private placement financing that was completed to fund the TBNG-PTI Acquisition.

(2) The value shown is the product of the number of Common Shares underlying the Option multiplied by the difference between the Common Share TSX closing price on December 31, 2012 of $0.92 and the exercise price.

Outstanding Performance Warrants

The following table sets forth information with respect to the unexercised Performance Warrants granted to directors which were outstanding as of December 31, 2012.

Name	Number of Securities Underlying Unexercised Performance Warrants(1)	Performance Warrant Awards		
		Performance Warrant Exercise Price ($)	Performance Warrant Expiration Date	Value of Unexercised In-the-Money Performance Warrants ($)(2)
Abdel F. Badwi	146,250	2.00	January 8, 2015	Nil
William T. Fanagan	108,000	2.00	January 8, 2015	Nil
Claudio A. Ghersinich	675,000	2.00	January 8, 2015	Nil
Kenneth D. McKay	319,500	2.00	January 8, 2015	Nil
Ronald W. Royal	108,000	2.00	January 8, 2015	Nil

Notes:

(1) The allocation of Performance Warrants to the directors was based on the level of their investment in the Corporation as part of the private placement which occurred in connection with the Reorganization, as well as certain funds invested in Northern Hunter during the 12 month period prior to the Reorganization.

(2) The value shown is the product of the number of Common Shares underlying the Performance Warrant multiplied by the difference between the Common Share TSX closing price on December 31, 2012 of $0.92 and the exercise price, which for the year ended December 31, 2012 was nil. All of the Performance Warrants had vested as at December 31, 2012. See "Equity Plan Compensation - Performance Warrants" for a description of the vesting terms of the Performance Warrants.

Director Compensation - Incentive Plan Awards - Value Vested or Earned During the Year

Name	Option-Based Awards Value Vested During Year ($)(1)	Performance Warrants Value Vested During Year ($)(1)	Non-Equity Incentive Plan Compensation Value earned during the year ($)
Abdel F. Badwi	Nil	Nil	Nil
William T. Fanagan	Nil	Nil	Nil
Claudio A. Ghersinich	Nil	Nil	Nil
Kenneth D. McKay	Nil	Nil	Nil
Ronald W. Royal	Nil	Nil	Nil

Note:

(1) The value shown is the product of the number of Common Shares underlying the Performance Warrants and Options that vested during the year multiplied by the difference between the Common Share TSX closing price on the respective days the Options and Performance Warrants vested and the exercise price of the respective Options and Performance Warrants that vested, which, in all cases, was nil.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED ON

Except as disclosed in this Information Circular, management of Valeura is not aware of any material interest of any director or executive officer or any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director, proposed director, executive officer, nor any of their respective associates or affiliates, is or has been indebted to the Corporation or its subsidiaries since the beginning of the Corporation's most recently completed financial year.

EQUITY PLAN COMPENSATION

The Corporation currently has two equity compensation plans in place, the Option Plan and PSU Plan. Both plans authorize the Board to make grants to directors, officers, employees or other services providers of the Corporation. In 2012, the Corporation granted Options exercisable into 1,063,139 Common Shares, representing 1.8% of the issued and outstanding Common Shares as at December 31, 2012. As of December 31, 2012 the Corporation had Options exercisable into 3,379,000 Common Shares outstanding, which represents approximately 5.8% of the issued and outstanding Common Shares and Performance Warrants exercisable into 2,796,750 Common Shares outstanding, which represents approximately 4.8% of the issued and outstanding Common Shares as at December 31, 2012.

Number of Common Shares Available Under the Option Plan and the PSU Plan

The 10% rolling limit on the number of Common Shares that may be reserved for issuance applies to the Common Shares reserved for issuance under the Option Plan and the PSU Plan as well as any other security based compensation plans of the Corporation.

Subject to the policies of the TSX, the number of Common Shares reserved for issuance under the Option Plan, the PSU Plan and any other security based compensation plan of the Corporation, in the aggregate: (i) shall not exceed 5% of the total number of Common Shares outstanding to any one individual in any 12 month period (2% in the case of both a consultant or an employee conducting investor relations activities); (ii) shall not exceed 10% of the total number of Common Shares outstanding to Insiders; and

(iii) shall not exceed 10% of the total number of Common Shares outstanding to Insiders in any 12 month period. The term "Insider" has the meaning ascribed thereto in the TSX Company Manual.

Option Plan

The Option Plan is intended to achieve a number of objectives through the grant of Options including:

- retaining and attracting qualified directors, officers, employees and consultants;
- promoting a proprietary interest in the Corporation;
- providing a long term incentive element in compensation; and
- promoting profitability of the Corporation.

Participation and Change in Employment

The Option Plan provides that:

- participation in the plan shall be entirely voluntary and any decision not to participate shall not affect an optionee's relationship or employment with the Corporation. Similarly, the Option Plan specifies that the granting of options pursuant to the Option Plan shall in no way be construed as conferring on any optionee any right with respect to continuance as a director, officer, employee or consultant of the Corporation or of any of its subsidiaries; and
- Options shall not be affected by any change of employment of the optionee or by the optionee ceasing to be a director, officer, employee or consultant of the Corporation or a subsidiary, where the optionee becomes or continues to be a director, officer, employee or consultant of the Corporation or a subsidiary.

Ceasing to be a Director, Officer, Employee or Consultant

The Option Plan gives the Board discretion when issuing options to determine whether options may be exercised at all or for a limited period of time following an optionee ceasing to be an employee, officer, director or consultant for any reason other than death, provided however, that options held by such optionees must expire within a reasonable period following the date of such cessation as required under TSX policies.

Term and Black-out Periods

Under the Option Plan, all options shall be for a term as determined in the discretion of the Board at the time of the grant, provided that no options shall have a term exceeding ten years (as required under TSX policies).

The Option Plan also allows for the extension of the expiry date for an option during a black-out period imposed by the Corporation. In the event that the expiration date of an option falls within such a black-out period or within five business days after a black-out period, the expiry date of such options shall be altered to be ten business days after the black-out period ends, provided that in no case shall such extension create a Stock Option having a term exceeding ten years.

Change of Control Transactions and Unsolicited Offers

The Option Plan contains a comprehensive definition of Change of Control Transaction and provides that, unless otherwise determined by the Board, in the event of a Change of Control Transaction or an Unsolicited Offer (as such terms are defined in the Option Plan), all options shall vest and become immediately exercisable.

In addition, if the Board approves a Change of Control Transaction, the Board may provide notice to the optionees of the time period during which such optionees must purchase all or a portion of that number of Common Shares to which such optionees are entitled pursuant to the unexercised options. Any options not exercised at the expiry of such period shall terminate and expire, unless such Change of Control Transaction is not completed. Any options remaining unexercised following the earlier of the withdrawal of an Unsolicited Offer and the expiry of such Unsolicited Offer in accordance with its terms again become subject to the original terms of such options as if the Unsolicited Offer had not been made.

Amendment and Termination

The Option Plan contains provisions specifically outlining amendments to the Option Plan which may be made by the Board without the further approval of Shareholders. While this is not specifically required by the policies of the TSX, these provisions provide clarity and are consistent with the rules of the TSX which require that in order for amendments to proceed without requiring securityholder approval, the plan must specify if securityholder approval is required for each type of amendment to a stock option plan.

PSU Plan

No awards of Performance Share Units have been granted under the Corporation's PSU Plan. However, the Board may wish to issue such awards in the future.

Performance Warrants

In addition to the Options outstanding under the Option Plan, the Corporation has Performance Warrants outstanding, which are governed by performance warrant certificates between the Corporation and the holder. The Performance Warrants were originally granted on January 8, 2010 and such grants were presented to the Shareholders as part of the Reorganization and were approved by Shareholders.

The key attributes of the Performance Warrants are as set forth below. As at December 31, 2012, all of the Performance Warrants had vested.

The vesting of the Performance Warrants was based on the value attributed to the Common Shares at certain points in time and the continued employment of the relevant holder in the following manner:

(1) if the applicable holder of Performance Warrants continued in his or her capacity (as an employee, officer or director) with the Corporation until January 8, 2011; and at any time during the term of the Performance Warrants, the consecutive 20-day weighted average market price of the Common Shares was equal to or greater than $4.00 per share (post 10:1 share consolidation), then one-third of the Performance Warrants vested;

(2) if the applicable holder of Performance Warrants continued in his or her capacity (as an employee, officer or director) with the Corporation until July 8, 2011; and at any time during the term of the Performance Warrants, the consecutive 20-day weighted average market price of the

common shares was equal to or greater than $5.00 per share (post 10:1 share consolidation), then one-third of the Performance Warrants vested; and

(3) if the applicable holder of Performance Warrants continued in his or her capacity (as an employee, officer or director) with the Corporation until January 8, 2012; and at any time during the term of the Performance Warrants, the consecutive 20-day weighted average market price of the common shares was equal to or greater than $6.00 per share (post 10:1 share consolidation), then one-third of the Performance Warrants vested.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth the number of Common Shares to be issued upon exercise of outstanding Options, the weighted average exercise price of such outstanding Options and the number of Common Shares remaining available for future issuance under equity compensation plans as at December 31, 2012.

Equity Compensation Plan Category	**Number of Common Shares to be issued upon exercise of outstanding options, warrants or rights**	**Weighted-average exercise price of outstanding options, warrants or rights**	**Number of Common Shares remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)**
Equity compensation plans approved by Shareholders	3,379,000	$2.46	2,411,613[(1)]
Equity compensation plans not approved by Shareholders	Nil	N/A	N/A
Total	3,379,000	-	2,411,613

Notes:

(1) Based on the figure that is 10% of the issued and outstanding Common Shares that are available for issuance under the Option Plan or PSU Plan as at December 31, 2012. As at December 31, 2012, there were 57,906,135 Common Shares issued and outstanding.

CORPORATE GOVERNANCE

The Corporation's Statement of Corporate Governance Practices is set out in Appendix "A" to this Information Circular.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed in this Information Circular, which is available on SEDAR at www.sedar.com, neither the Corporation nor any director or officer of the Corporation, nor any proposed nominee for election as a director of the Corporation, nor any other insider of the Corporation, nor any associate or affiliate of any one of them has or has had, at any time since the beginning of the year ended December 31, 2012, any material interest, direct or indirect, in any transaction or proposed transaction that has materially affected or would materially affect the Corporation.

OTHER BUSINESS

Management of Valeura is not aware of any other business to come before the Meeting other than as set forth in the Notice of Meeting. If any other business properly comes before the Meeting, it is the intention of the persons named in the form of proxy to vote the Common Shares represented thereby in accordance with their best judgment on such matter.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at www.sedar.com. Financial information is contained in the Corporation's consolidated financial statements and management's discussion and analysis for the year ended December 31, 2012 and information with respect to the business of the Corporation is contained in the Annual Information Form of the Corporation for the year ended December 31, 2012. In addition, a Shareholder may obtain copies of the Corporation's financial statements and management's discussion and analysis by contacting the Corporation at Suite 1200, 202 - 6th Avenue S.W., Calgary, Alberta, T2P 2R9, by telephone at (403) 237-7102.

APPENDIX "A"

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Capitalized terms used in this Appendix "A" but not otherwise defined herein shall have the meanings ascribed thereto in the Information Circular to which this Appendix "A" is appended.

The Board is committed to a high standard of corporate governance practices. The Board believes that this commitment is not only in the best interest of the Shareholders but that it also promotes effective decision making at the Board level. The Board is of the view that its approach to corporate governance is appropriate and continues to work to align with the recommendations currently in effect and contained in National Policy 58-201 - *Corporate Governance Guidelines* ("**NP 58-201**") which are addressed below.

Composition of the Board

Independence

The Board currently consists of six directors who provide the Corporation with a wide diversity of business experience. Additional information for each of the nominee directors can be found under the heading "Meeting Matters - Election of Directors". None of the directors are "Related" as such term is defined by the Canadian Coalition for Good Governance. Five of the current Board members (representing more than 80% of the Board), being Messrs. Badwi, Fanagan, Ghersinich, McKay and Royal are independent directors as such term is defined by National Instrument 58-101 - *Disclosure of Corporate Governance Practices* ("**NI 58-101**"). Mr. McFarland as a member of the Board and in his capacity as the Chief Executive Officer is not an independent director as that term is defined in NI 58-101. Each of the independent directors has no direct or indirect material relationship with the Corporation, including any business or other relationship, which could reasonably be expected to interfere with the director's ability to act with a view to the best interest of the Corporation or which could reasonably be expected to interfere with the exercise of the director's independent judgment.

Retirement Policy

The Board adopted a retirement policy for directors. After the age of 70, a director may not stand for re-election unless the board in its discretion decides otherwise.

Other Directorships

The following directors (and nominees) currently serve on the board of directors of the reporting issuers (or equivalent) listed below, each of which are reporting issuers in one or more Canadian (or foreign) jurisdictions:

Name	**Name of other Reporting Issuer**
<u>Directors</u>	
Abdel F. Badwi	Bankers Petroleum Ltd. ArPetrol Ltd. MENA Hydrocarbons Inc.
William T. Fanagan	None
Claudio A. Ghersinich	Vermilion Energy Inc. ArPetrol Ltd.

Kenneth D. McKay	None
James D. McFarland	Pengrowth Energy Corporation MEG Energy Corp.
Ronald W. Royal	None

Board Meetings

The Board holds a minimum of four regular quarterly meetings and a corporate strategy session each year, as well as additional meetings as required. The Board has determined that an *in camera* session of the directors will be held at each regularly scheduled Board and committee meeting so that the independent members of the Board, will have an opportunity to meet without the presence of management members of the Board.

Meeting Attendance

Name	Board Meetings Attended in 2012		Committee Meetings Attended in 2012	
	No.	**%**	**No.**	**%**
Abdel F. Badwi	5 of 5	100	3 of 3	100
William T. Fanagan	5 of 5	100	7 of 7	100
Claudio A. Ghersinich	5 of 5	100	7 of 7	100
Kenneth D. McKay	5 of 5	100	6 of 6	100
James D. McFarland	5 of 5	100	10 of 10 (1)	100
Ronald W. Royal	5 of 5	100	7 of 7	100

Note:

(1) Mr. McFarland is not a member of any of the three standing committees but was requested by the chair of each committee to attend the meetings of each such committee. At each such meeting the members of each committee, all of whom are independent, meet in camera without Mr. McFarland.

Orientation and Continuing Education

New directors are provided with an orientation and education program which includes written information about the duties and obligations of directors and the business and operations of the Corporation included in a comprehensive Board manual. New directors are also provided with the opportunity to review documents from recent Board meetings and to participate in meetings and discussions with senior management and other directors. Orientation programs are tailored to meet a director's individual needs and areas of expertise.

Continuing education opportunities are directed at enabling individual directors to maintain or enhance their skills and abilities as directors, as well as ensuring that their knowledge and understanding of the Corporation's affairs remains current. Directors are kept informed as to matters which may impact the Corporation's operations through regular reports and presentations at Board and committee meetings. Non-management directors are encouraged to, and often, attend committee meetings of which they are not members. With the transition to IFRS in 2011, all directors received a comprehensive briefing by the Corporation's auditors on the implications of these new accounting rules.

Ethical Business Conduct

The Board has adopted a Code of Business Conduct and Ethics (the "**Code**"), which applies to all directors, officers, employees and contractors of the Corporation. In 2012, management and the Board conducted a thorough review of anti-corruption legislation in Canada and Turkey. The Code was subsequently amended to include the Anti-Corruption Policy Relating to Foreign Public Officials (the "**Anti-Corruption Policy**"), and the Board amended the Audit Committee Terms of Reference to provide it with oversight over such policy, with further reporting to and supervision by the Board as appropriate. The Code and its Anti-Corruption Policy are consistent with the ethical goals and guidelines discussed herein. A complete copy of the Code is available on SEDAR at www.sedar.com.

The Code demonstrates the Corporation's commitment to conducting business ethically, legally and in a safe and fiscally, environmentally and socially responsible manner. It outlines a framework of guiding principles to which each employee, director, officer and contractor is expected to adhere and acknowledge, and this acknowledgement is an annual requirement.

The Code provides that directors, officers, employees and contractors must, among other things: (a) at all times abide by all applicable laws and respect their intent, including laws related to insider trading and reporting, anti-bribery statutes and health, safety and environmental laws; (b) always act in the best interest of the Corporation; (c) avoid situations that may result in a conflict or perceived conflict between their personal interests and those of the Corporation; (d) provide full disclosure of any actual or potential conflicts of interest in accordance with the procedures of the Code; (e) maintain the confidentiality of all non-public information relating to the Corporation; (f) not use the Corporation's property for personal benefit; (g) maintain proper records and ensure compliance with internal controls and financial reporting and accounting standards; and (h) conduct operations with the aim of preventing adverse effects on the environment and safeguarding life and health.

The Board monitors compliance with the Code and reviews it on at least an annual basis to determine whether updates are appropriate. Where a director or officer has any interest in or a perceived conflict involving a contract or business relationship with the Corporation, that director or officer is excluded from all discussions and deliberations regarding the contract or relationship and such director abstains from voting in respect thereof. Members of the Board and executive officers have disclosed to the Corporation all directorships held by such member and the existence and nature of any interests that could result in a conflict situation with the Corporation.

The Board has also adopted a policy relating to the reporting of inappropriate activity to encourage and promote a culture of ethical business conduct. This policy is intended to encourage and facilitate the reporting of: (a) questionable accounting, internal accounting controls, or auditing matters; (b) the reporting of fraudulent financial information to Shareholders, regulatory agencies or financial markets; and (c) conduct which results in a violation of law by the Corporation or in substantial mismanagement of the Corporation's resources that, if proven, would constitute a criminal offence or reasonable grounds for dismissal of the person engaging in this conduct, without the fear of recrimination, retaliation or harassment.

Risk Oversight

One of the major responsibilities of the Board is to oversee the identification of the principal risks affecting the Corporation's business and ensure there are systems in place to effectively identify, monitor and manage them. Management and the Board have developed a risk register describing the key areas of risk, the probability of certain events and the systems and controls in place to mitigate those risks. Each of the Board committees also reviews and evaluates the risks covered under this respective mandate, as well as the insurance coverage in place for insurable risks.

Nomination of Directors

The Governance and Compensation Committee has the responsibility for reviewing the composition of the Board by taking into account, among other things, its size and the particular competencies and skills of its members. The Governance and Compensation Committee, in consultation with the Board Chair and CEO, will then identify potential Board nominees and recommend such nominees for election as directors based on the competencies and skills each new member possesses in the context of the needs of the Corporation. The Board as a whole is then responsible for nominating new directors.

Board Committees

The Board has three standing committees, being the Audit Committee, the Governance and Compensation Committee and the Reserves & Health, Safety and Environment Committee. The following is a description of the committees and their current membership.

Board Assessments

The Board is responsible for ensuring that there is a process in place for annually evaluating the effectiveness and contribution of the CEO, the Board, the committees of the Board, the Board Chair and the individual directors based on their applicable terms of reference or position description.

The objective of the assessments is to ensure the continued effectiveness of the Board in the execution of its responsibilities and to contribute to a process of continuing improvement. In addition to any other matters the Board deems relevant, the assessments may consider in the case of the Board or a Committee, the applicable terms of reference, the applicable position descriptions, as well as the competencies and skills each individual director is expected to bring to the Board.

The Governance and Compensation Committee annually reviews and makes recommendations to the Board on the method and content of such evaluations and oversees the evaluation process. The Committee has developed an annual Board effectiveness survey which includes an individual director self-evaluation questionnaire and guide and evaluation of peer performance. The evaluation uses confidential director questionnaires and anonymous summaries of results, which encourage candid and constructive commentary. Confidentiality of individual director comments is maintained.

Areas of Expertise

Valeura maintains a skills matrix to evaluate the skill set of the Board. The intent is to ensure the Board as a whole has the range of skills, expertise and experience to fulfill the overall mandate effectively. Each director indicates his level of expertise in each area annually on a four-point scale from limited (one) to expert application (four). There were no significant gaps identified in any of the desired skill areas. The matrix helps the Corporation identify gaps and is used to search for new directors.

The Governance and Compensation Committee reviewed the completed skills matrix and evaluations in November 2012 and noted that the Board as a whole rated its aggregate score as between the skilled and expert level, with no significant gaps identified in any of the desired skill areas. The Committee is therefore satisfied that the Board has the appropriate experience and expertise to ensure that each of these areas is well-addressed and the Board is performing well. The table below highlights the skill areas assessed.

SKILL/EXPERIENCE DESCRIPTION
Managing/Leading Growth – Senior executive experience leading significant growth agenda through mergers and acquisitions. Demonstrates knowledge in developing long term corporate business strategies.
Global – Experience leading an international operation. Has a solid understanding of cultural and industry environments in the regions where the Corporation operates.
Government Relations/Regulatory - Broad regulatory, political and public policy experience at Canadian and international levels.
CEO/Senior Officer – Experience working as a CEO or senior officer for an organization of size similar to or greater than the Corporation.
Industry Knowledge – Maintains an understanding of the regulatory, business, social and political environments in which the Corporation operates. Becomes knowledgeable about the Corporation's business including industry trends and key competitors.
Oil and Gas – Senior executive experience in the oil and gas industry, combined with a strong knowledge of the Corporation's strategy and operations. May have formal training in engineering, geology, and/or geophysics.
Company Knowledge – Becomes generally knowledgeable about the Corporation's business, including operations, markets, challenges, opportunities and internal control systems. Established knowledge of the Corporation's senior management team and other high potential senior employees.
Governance/Board – Prior or current experience as a board member of a Canadian operation (public, private or non-profit sectors).
Financial and Operational Acumen – Senior executive experience in financial accounting and reporting and corporate finance. Familiarity with internal financial controls. Knowledge of and ability to evaluate strategic operating, capital and financing plans.
Compensation – Senior executive experience or board compensation committee participation with a thorough understanding of compensation, benefits and long term incentive programs, legislation and agreements. This includes specific expertise in executive compensation programs including base pay, incentives, equity and perquisites.
Health, Safety & Environment – Thorough understanding of industry regulations and public policy related to workplace health, safety and environment. Demonstrated commitment to the Corporation's health and safety values and knowledge of current programs.
Social Responsibility – Demonstrated understanding and commitment to the Corporation's social responsibility values and programs.
Diversity – Contributes to the Board in a way that enhances perspectives through diversity in gender, ethnic background, geographic origin, experience (industry and public, private and non-profit sectors), etc.
Personal Effectiveness – Full and frank participation, effective, independent and respected presence. Displays personal effectiveness through interaction with others including Board members and company representatives.

Audit Committee

The Audit Committee is comprised of William T. Fanagan (Chair), Ronald W. Royal and Claudio A. Ghersinich.

All members are independent directors that the Board has determined are "financially literate" as defined in National Instrument 52-110 - *Audit Committees* ("**NI 52-110**").

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing: (i) the financial information that will be provided to Shareholders and others; (ii) the systems of internal controls management and the Board have established; and (iii) all audit functions.

Further information relating to the Audit Committee can be found under the heading "Audit Committee" in the Corporation's Annual Information Form dated March 14, 2013 (the "**AIF**") and filed on SEDAR at www.sedar.com. The Terms of Reference for the Audit Committee can be found in Appendix B to the AIF.

Governance and Compensation Committee

The Governance and Compensation Committee is comprised of Abdel F. Badwi (Chair), William T. Fanagan and Kenneth D. McKay. All three members are independent directors.

The main purposes of the Governance and Compensation Committee are: (i) to provide a focus on governance that will enhance the Corporation's performance, to assess and make recommendations regarding Board effectiveness and to establish and lead the process for identifying, recruiting, appointing and providing ongoing development for directors; and (ii) to assist the Board in fulfilling its obligations relating to human resource and compensation matters and to establish a plan of continuity and development of senior management.

The key responsibilities of the Governance and Compensation Committee include the following:

- reviewing and considering the current and long term composition of the Board and recommending nominees for election as members of the Board;
- reviewing, monitoring and making recommendations regarding the orientation and ongoing development of directors;
- reviewing the Board manual periodically including the terms of reference for the Board, the Board Chair, the CEO, individual directors and Committees;
- reviewing the director compensation program and making recommendations to the Board accordingly;
- implementing evaluations of the CEO, the Board, the Board Chair, Board committees and individual directors;
- appointing and overseeing the Corporation's disclosure committee (a management committee) and public disclosure matters;
- overseeing the Corporation's Code of Business Conduct and ensuring a system to monitor compliance is in place;
- regularly reviewing the corporate governance practices of the Corporation and, if appropriate, recommending changes to the Board;
- review and recommend for Board approval, corporate goals and objectives for the CEO to be considered in determining his or her compensation and performance evaluation;

- review management resources and succession plans to ensure that qualified personnel will be available for succession to executive positions;

- review and recommend the compensation philosophy, guidelines and plans for the Corporation's employees and executives, and consider the risk implications of such policies and practices; and

- in consultation with the CEO, review the compensation principles for base salaries, bonuses, long term incentives and benefit plans and approve the compensation for the executive team (including the CEO).

Following each year, the Governance and Compensation Committee distributes and utilizes a confidential CEO Feedback Instrument to assess the CEO's performance. The results of the directors' feedback are compiled on an anonymous basis to promote candid and constructive feedback. The results are distributed to the Board and play a role in setting the CEO's compensation for the following year.

The Governance and Compensation Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to determine the compensation of such advisors. The Corporation has retained Total Reward Professionals to assist the Governance and Compensation Committee with its executive and director compensation deliberations. Total Reward Professionals' role includes, but is not limited to: (i) advising the Governance and Compensation Committee on emerging trends and developments in compensation; (ii) advice and recommendations regarding the Corporation's peer group; and (iii) reviewing and advising on the overall compensation blueprint including overall strategy, target positioning, proxy comparators, survey comparators, performance metrics, pay element design and compensation levels under the various components of the Corporation's compensation plan.

The table below shows the fees paid to Total Reward Professionals over the last two years:

Services Performed	**Fees paid in 2012**	**Fees paid in 2011**
Executive compensation-related fees	$19,031	$9,003
All other fees	Nil	Nil

The Governance and Compensation Committee holds in camera meetings, without management present, at every regularly scheduled meeting of the Governance and Compensation Committee, and meets in-camera with the Corporation's independent Compensation Consultant. The Governance and Compensation Committee will meet at least two times annually.

Reserves & Health, Safety and Environment Committee

The Reserves & Health, Safety and Environment Committee is comprised of Ronald W. Royal (Chair), Kenneth D. McKay and Claudio A. Ghersinich. All members of the Reserves & Health, Safety and Environment Committee are independent.

The main purposes of the Reserves & Health, Safety and Environment Committee are: (i) to provide the Board with a mechanism to review oil and gas reserves and resources; (ii) to assist the Board in carrying out its responsibilities by having responsible persons to ensure that the Corporation's activities are conducted in an environmentally responsible manner; and (iii) to ensure the Corporation maintains the integrity of its health and safety policies.

The key responsibilities of the Reserves & Health, Safety and Environment Committee include:

- reviewing the selection and qualifications of the independent engineering firm(s) responsible for the estimate of reserve and resource quantities, the scope of its work and ensuring consistency of its practices and standards and all matters related to the independent engineering firm(s);

- reviewing with the independent engineering firm the evaluation report and summary of the reserves and future cash flows of the Corporation's oil and gas properties;

- assisting the Board in respect of matters related to evaluations of petroleum and natural gas reserves and resources;

- reviewing the health, safety and environment policies, activities and performance of the Corporation on behalf of the Board to ensure compliance with applicable laws, regulations, policies and industry standards; and

- advising and making recommendations to the Board, as appropriate on matters relating to health, safety and the environment.

The Reserves & Health, Safety and Environment Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to determine the compensation of such advisors.

The Reserves & Health, Safety and Environment Committee holds in camera meetings, without management present, at every regularly scheduled meeting of the Reserves & Health, Safety and Environment Committee, and meets in camera with the Corporation's independent engineering firm(s). The Reserves & Health, Safety and Environment Committee will meet at least two times annually.