



Press Release – February 6, 2018

VALEURA ANNOUNCES PROSPECTIVE RESOURCES FOR UNCONVENTIONAL BASIN-CENTERED GAS PROSPECT

CALGARY, Feb. 6, 2018 /CNW/ - Valeura Energy Inc. ("**Valeura**" or the "**Corporation**") (TSX: VLE) is pleased to announce summary results of an independent evaluation of its prospective resources in the Thrace Basin of Turkey prepared by DeGolyer and MacNaughton ("**D&M**") of Dallas, Texas in its report dated February 6, 2018 (the "**D&M Resources Report**"). Highlights of the D&M Resources Report are as follows:

- 10.1 Tcf of estimated working interest *unrisked* mean prospective resources of natural gas, which includes 236 MMbbl of condensate; and
- 5.2 Tcf of estimated working interest *risked* mean prospective resources of natural gas, which includes 165 MMbbl of condensate.

Valeura's CEO, Sean Guest, said "We are pleased to now have an independent evaluation that supports Valeura's thesis that the Thrace Basin may hold a very large unconventional, basin-centered natural gas-condensate resource. Valeura has been maturing this play for almost five years and these efforts culminated in the drilling of the Yamalik-1 natural gas-condensate discovery in 2017 with our partner Statoil. While Valeura is confident that natural gas is pervasive in these deep formations, we recognise that we are in the early phases of exploration. More drilling and testing will be required to prove that the gas will flow at commercial rates, and to refine the large uncertainty around recoverable gas and condensate. Valeura and Statoil are committed to progressing the work required to further evaluate this unconventional prospect. We are currently working to tie-in the Yamalik-1 discovery well to Valeura's gas production network to allow for further testing and long-term production and sales. Additionally, Statoil and Valeura are planning a three-well delineation drilling and testing program which is expected to commence in Q3 2018."

2017 YEAR-END UNCONVENTIONAL PROSPECTIVE RESOURCES SUMMARY

The D&M Resources Report was prepared using the guidelines outlined in the Canadian Oil and Gas Evaluation Handbook ("**COGEH**") and in accordance with NI 51-101 and is valid at December 31, 2017. D&M evaluated the unconventional prospective resources attributable to the Teslimkoy/Kesan basin-centered gas prospect on Valeura's lands in the Thrace Basin of Turkey. The working interest lands included comprise the deep formations (generally below 2,500 m depth) on the Corporation's Banarli licenses (50% working interest), TBNG JV West Thrace lands (31.5% working interest), and TBNG JV South Thrace lands (81.5% working interest).

The D&M evaluation benefited from the Yamalik-1 natural gas-condensate discovery, which was recently drilled and tested on the Banarli licenses. Yamalik-1 discovered an approximate 1,300 m column of natural gas and condensate in over-pressured reservoirs below 2,900 m in the Teslimkoy and Kesan formations. The well was drilled to 4,196 m, fracture stimulated and production tested in Q4 2017. As announced on December 27, 2017, four production tests from eight frac stages in the Kesan formation yielded a 24-hour aggregate test rate of 2.9 MMcf/d. Extensive coring and wireline logging information was also captured in the well.

Yamalick-1 was the first well to be extensively fracture stimulated in the basin-centered gas prospect in the Thrace Basin. However, well data from seven other legacy wells drilled in the prospective area to depths up to 4,050 m also indicate over-pressured natural gas below approximately 2,500 m and were available for D&M's evaluation. Only one of these legacy wells (Yayli-1) was fracture stimulated with a small two-stage frac at a depth of approximately 2,800 m.

Table 1 below summarizes D&M's estimates of Valeura's working interest prospective natural gas resources (defined as "conventional natural gas" under NI 51-101). These numbers as reported by D&M are for the complete gas stream and explicitly include condensate resources (defined as "natural gas liquids" under NI 51-101) which are entrained in the natural gas. Sales gas volumes would be nominally lower than those presented in Table 1. Table 2 shows the amount of condensate that would be recovered associated with the production of the natural gas volumes shown in Table 1.

Table 1 Valeura Working Interest Natural Gas Prospective Resources at December 31, 2017 ⁽⁶⁾⁽⁷⁾⁽⁸⁾⁽⁹⁾⁽¹⁰⁾

Valeura Working Interest Lands ⁽¹⁾	Unrisked				Chance of Commerciality % ⁽¹¹⁾	Risked Mean Estimate ⁽¹²⁾
	Low Estimate ⁽²⁾	Best Estimate ⁽³⁾	High Estimate ⁽⁴⁾	Mean Estimate ⁽⁵⁾		
Conventional Natural Gas ⁽¹³⁾ - Bcf						
Total	3,229	7,652	20,077	10,137	51.1	5,182

The broad range of recoverable gas from 3.2 to more than 20 Tcf is a function of the uncertainty in the various components of the assessment including recovery factor. There has been very limited stimulation and production testing from the over-pressured Teslimkoy and Kesan formations in the Thrace Basin, and as yet there is no production data. To determine potential recovery factors, D&M have utilized their experience in analogous basins. The prospective resources in Table 1 and 2 assume a low recovery factor estimate of approximately 25%, a best and mean estimate of 40% and high estimate of 55%. Significantly more delineation drilling, stimulation, and testing will be required to confirm that gas can be commercially recovered from the prospect, and to generate type curves that can be used in a predictive sense. All of Valeura's prospective resources were sub-classified into the project maturity subclass of 'prospect'.

Table 2 Valeura Working Interest Natural Gas Liquids Prospective Resources at December 31, 2017 ⁽⁶⁾⁽⁷⁾⁽⁸⁾⁽⁹⁾⁽¹⁰⁾

Valeura Working Interest Lands ⁽¹⁾	Unrisked			
	Low Estimate ⁽²⁾	Best Estimate ⁽³⁾	High Estimate ⁽⁴⁾	Mean Estimate ⁽⁵⁾
Condensate (Natural Gas Liquids) ⁽¹⁴⁾ - MMbbl				
Total	45	155	504	236

D&M has assigned a chance of discovery of 70%. This high chance is driven by: (1) the hundreds of legacy wells drilled in the Thrace Basin which support the geological model for the Teslimkoy and Kesan formations; (2) the over-pressured natural gas which was encountered and tested at Yamalik-1, and (3) the seven legacy wells surrounding the basin which all encountered over-pressured gas below 2,500 m.

D&M has assigned a chance of development of the natural gas prospective resources of approximately 74%, which is a product of the probability of threshold economic field size and probability of development. This high chance of development reflects that existing hydraulic fracturing technology is being applied, well depths and costs are not expected to be excessive, sales pipeline infrastructure already exists in the area and there are ready domestic markets in Turkey for domestic natural gas and condensate sales. This results in an overall chance of commerciality of 51.1% which is the product of chance of discovery and chance of development. The resulting risked mean estimates of conventional natural gas prospective resources are shown in Table 1, as risked for chance of commerciality.

Understanding of the extent of this basin-centered gas prospect in the Thrace Basin and its potential commerciality is in the early stages of exploration and appraisal. There are a number of positive and negative factors which are driving large uncertainty. The key positive factors include:

- Design work is underway for the production facilities and gathering pipeline to tie-in the Yamalik-1 well to Valeura's existing gathering sales pipeline infrastructure to enable a long-term production test and natural gas and condensate sales from the well at an anticipated cost of approximately US\$3 MM (gross). First sales from Yamalik-1 are targeted for Q2 2018.
- Valeura and Statoil are planning a delineation drilling program comprising three wells expected to commence in Q3 2018 and extend into 2019. The first well in this program will be the second and final earning well under Phase 3 of the Banarli Farm-in to be fully funded by Statoil.
- The follow-up delineation drilling program will benefit from the new Karaca 3D seismic in terms of finalizing drilling locations, correlating the seismic to the Yamalik-1 well results and targeting sweet-spots in the basin-centered gas prospect.
- It is expected that the follow-up delineation wells will be drilled to approximately 5,000 m given good potential to extend the column of hydrocarbon-bearing sands. The Yamalik-1 well was drilled to 4,196 m, the limit of the rig capability and well completion, but the base of the well was still in gas-bearing sands that were successfully flow tested.

- Valeura's existing infrastructure and customer base is expected to be capable of handling sales of more than 35 MMcf/d compared to current sales through the system of less than 10 MMcf/d, thereby providing the opportunity for early production from any future delineation wells.
- Turkey is a captive natural gas market given that 99% of its natural gas demand is served by imports. This provides an attractive marketing opportunity for a domestic natural gas producer. As Valeura's natural gas production volumes potentially grow beyond the limit of its owned infrastructure, there are multiple take-away opportunities. These include: a potential to tie-in to a pipeline owned by Bori Hatlari ile Petrol Tasima Anonim Sirketi ("BOTAS") just north of the Banarli lands; a tie-in to another BOTAS interconnector pipeline traversing Banarli and connected to an export line to Greece; and sales to the local gas distributor who currently offtakes gas from the BOTAS pipeline to the north.
- Natural gas prices in Turkey are strong. Valeura's average natural gas price realization in Q4 2017 was approximately CAD\$6.61/Mcf. On January 1, 2018, the reference natural gas price set by BOTAS was increased by 14%.

Negative factors with respect to the estimate of prospective resources include:

- The basin-centered gas prospect is in the early exploration and delineation cycle with very sparse well control and very limited fracture stimulation and testing data.
- There is no long-term well production performance from the basin-centered prospect to establish a production type curve specific to the prospect, thereby requiring use of analogue information at this time to establish development plans and to confirm the chance of commerciality.
- Recovery efficiencies are uncertain given the absence of site specific long-term well production performance data in the basin-centered gas prospect.
- The limited deep drilling carried out in the Thrace Basin provides poor visibility on future costs to drill, frac and complete deep development wells to exploit the basin-centered gas prospect and the associated impact on the chance of commerciality.
- Although oil and gas activity has been underway for many decades in the Thrace Basin area, as activity levels increase, timelines may increase to achieve government and local landowner approvals.

RESERVES UPDATE

For completeness, the Corporation also announces an update on its proved plus probable (2P) gross reserves attributed to its properties in the Thrace Basin of Turkey. The Corporation has completed an internal assessment (non-independent) which estimates 2P gross reserves of 7.8 MMboe effective December 31, 2017. This represents a significant increase in reserves relative to the reported year-end 2016 and is attributed to the TBNG acquisition which occurred after the year-end 2016 report. The Corporation expects that the related 2P net present value of future net revenue before-tax for year-end 2017 will be similar to year-end 2016 as the increase in reserves from the TBNG acquisition is expected to be mostly offset by a reduction in the forecast gas price.

D&M are currently preparing their independent evaluation of the Corporation's reserves at December 31, 2017. This information will be released in the normal course in March 2018 in conjunction with the release of the 2017 Annual Information Form.

ABOUT THE CORPORATION

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

OIL AND GAS ADVISORIES

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

The prospective resources and reserves estimates provided herein are estimates only and there is no guarantee that the estimated reserves and prospective resources will be recovered.

RESERVES AND RESOURCES DEFINITIONS

"**Chance of Discovery**" is the estimated probability that exploration activities will confirm the existence of a significant accumulation of potentially recoverable petroleum.

"**Chance of Development**" is the estimated probability that, once discovered, a known accumulation will be commercially developed.

"**Company gross reserves**" are the Company's working interest (operating or non-operating) share before deducting royalties and without including any royalty interests of the Company.

"**Condensate**" is defined as Natural Gas Liquids product type as per NI 51-101.

"**Natural Gas**" is defined as Conventional Natural Gas product type as per NI 51-101

"**Proved**" or "**1P**" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

"**Probable**" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable ("**2P**") reserves.

"**Prospective Resources**" are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development.

"**Reserves**" are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on: (a) analysis of drilling, geological, geophysical, and engineering data; (b) the use of established technology; and (c) specified economic conditions, which are generally accepted as being reasonable and shall be disclosed. Reserves are classified according to the degree of certainty associated with the estimates.

FOOTNOTES TO TABLES

- (1) Valeura's working interest in the lands (exploration licences and production leases) that are encompassed (all or a portion thereof) in the basin-centered gas prospect in the Teslimkoy/Kesan formation is as follows: Banarli 50%, West Thrace 31.5% and South Thrace 81.5%.
- (2) The low estimate is the P₉₀ quantity. P₉₀ means there is a 90% chance that the estimated quantity will be equaled or exceeded.
- (3) The best estimate is the P₅₀ quantity. P₅₀ means there is a 50% chance that the estimated quantity will be equaled or exceeded.
- (4) The high estimate is the P₁₀ quantity. P₁₀ means there is a 1 % chance that the estimated quantity will be equaled or exceeded.
- (5) The mean estimate is the probability-weighted average (expected value).
- (6) The totals are the arithmetic summation of probabilistic estimates. Arithmetic summation may produce invalid results except for the mean.
- (7) Unconventional prospective resources, as prepared by D&M, are those quantities of petroleum that are estimated, at a given date, to be potentially recoverable from undiscovered unconventional accumulations by application of future development projects. Unconventional prospective resources may exist in petroleum accumulations that are pervasive throughout a large potential production area and would not be significantly affected by hydrodynamic influences (also called continuous-type deposits). Typically such accumulations (once discovered) require specialized extraction technology (e.g. massive fracturing programs for tight gas). Tight gas occurs within low permeability reservoir rocks, which are rocks with matrix porosity of 10 percent or less and permeability of 0.1 millidarcies or less, exclusive of fractures. Tight gas can be regionally distributed (e.g. the basin-centered gas prospect in the Thrace Basin evaluated herein), rather than accumulated in a readily producible reservoir in a discrete structural closure as in a conventional gas field.
- (8) Prospective resources have both an associated *chance of discovery* and a *chance of development*. There is no certainty that any portion of the unconventional prospective resources estimated herein will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the unconventional prospective resources evaluated. Estimates of the unconventional prospective resources should be regarded only as estimates that may change as additional information becomes available. Not only are such unconventional prospective resources estimates based on that information which is currently available, but such estimates are also subject to uncertainties inherent in the application of judgmental factors in interpreting such information. Unconventional prospective resources should not be confused with those quantities that are associated with contingent resources or reserves due to the additional risks involved. Because of the uncertainty of commerciality and the lack of sufficient exploration drilling, the unconventional prospective resources estimated herein cannot be

classified as contingent resources or reserves. The quantities that might actually be recovered, should they be discovered and developed, may differ significantly from the estimates herein.

- (9) The unconventional prospective resources estimates contained in the D&M Resources Report are expressed as gross and working interest unconventional prospective resources. Table 1 and 2 summarizes Valeura's working interest unconventional prospective resources, which incorporate the fraction of potential hydrocarbon pore volume owned or partially owned by Valeura and Valeura's working interest ownership, before deduction of any associated royalty burdens. Recovery efficiency is applied to unconventional prospective resources in Table 1 and 2.
- (10) The estimation of resources quantities for a prospect is subject to both technical and commercial uncertainties and, in general, may be quoted as a range. The range of uncertainty reflects a reasonable range of estimated potentially recoverable quantities. Estimates of petroleum resources herein are expressed using the terms low estimate, best estimate, high estimate and mean estimate (unrisked and risked) to reflect the range of uncertainty.
- (11) The chance of commerciality is defined as the product of the *chance of discovery* and the *chance of development*. *Chance of discovery* is defined in COGEH as the estimated probability that exploration activities will confirm the existence of a significant accumulation of potentially recoverable petroleum. *Chance of development* is the estimated probability that, once discovered, a known accumulation will be commercially developed.

Chance of discovery in the D&M Resources Report is referred to as the probability of geologic success (P_g), which is defined as the probability of discovering reservoirs that flow hydrocarbons at a measureable rate. The P_g is estimated by quantifying with a probability, each of the following geologic chance factors: trap, source, reservoir and migration. The product of the probabilities of these four chance factors is P_g . P_g is predicated and correlated to the minimum case prospective resources gross recoverable volume(s). Consequently, the P_g is not linked to economically viable volumes, economic flow rates or economic field size distributions.

In the D&M Resources Report, two factors have been considered in determining the *chance of development* as follows:

$Chance\ of\ development = P_{tefs}$ (probability of threshold economic field size) x P_d (probability of development)

D&M defines P_{tefs} as the probability of discovering an accumulation that is large enough to be economically viable. P_{tefs} is estimated by using the prospective resources potential recoverable quantities distribution in conjunction with the threshold economic field size (TEFS). TEFS is the minimum amount of the producible petroleum required to recover the total capital and operating expenditure used to establish the potential accumulation as having a potential present worth at 10% equal to zero using the most likely price scenario.

D&M defines P_d as the probability that a given discovery will be a viable development project. It takes into account the chance that the discovered target zone will flow the predicted hydrocarbon phase(s) at a commercial rate. It also considers the chance that the target zone can be mechanically completed and appraised in a reasonable time and in compliance with the projected cost schedule. The P_d is estimated by the quantification and product of these two chance factors.

- (12) The risked mean estimate of conventional natural gas prospective resources = the unrisked mean estimate x *chance of discovery* x *chance of development*.
- (13) The risked mean estimate of natural gas liquids prospective resources = the Unrisked mean estimate x *chance of discovery*.
- (14) The natural gas liquids prospective resources are included in the conventional natural gas prospective resources.

ABBREVIATIONS

Bcf	billion cubic feet
bbl	barrels
boe	barrels of oil equivalent
m	metres
M	thousand
MM	million
MMcf/d	million cubic feet per day
Tcf	trillion cubic feet

ADVISORY AND CAUTION REGARDING FORWARD-LOOKING INFORMATION

This news release contains certain forward-looking statements and information (collectively referred to herein as "**forward-looking information**") including, but not limited to: the anticipated delineation drilling and development program to exploit the basin-centered gas prospect on Valeura's working interest lands; the plans, timelines and cost to tie-in the Yamalik-1 well to conduct a long term production test, establish production type curves and achieve gas sales; completion of Phase 3 of the Banarli Farm-in and drilling of the second earning well to be funded by Statoil; the

ability to target sweet spots in the basin-centered gas prospect; the plans to drill to 5,000m in the basin-centered gas prospect delineation program and the cost and timeline impacts; the capacity of Valeura's existing infrastructure in the Thrace Basin and ability to handle up to 35 MMcf/d; the ability to access other pipeline systems in the Thrace Basin should future production volumes exceed the capacity of Valeura's existing infrastructure; the anticipated conventional tight gas development program in the Tekirdag field that underpins the Corporation's current probable and possible reserves; the preparation and timing of the 2017 D&M Reserves Report; and the ability to finance future developments. Forward-looking information typically contains statements with words such as "anticipate", "estimate", "expect", "target", "potential", "could", "should", "would" or similar words suggesting future outcomes. The Corporation cautions readers and prospective investors in the Corporation's securities to not place undue reliance on forward-looking information, as by its nature, it is based on current expectations regarding future events that involve a number of assumptions, inherent risks and uncertainties, which could cause actual results to differ materially from those anticipated by the Corporation.

Statements related to "reserves" or "prospective resources" are deemed forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and prospective resources can be profitably produced in the future. Specifically, forward-looking information contained herein regarding "reserves" and "prospective resources" may include: estimated volumes and value of Valeura's oil and gas reserves; estimated volumes of prospective resources and the ability to finance future development; and, the conversion of a portion of prospective resources into reserves.

Forward-looking information is based on management's current expectations and assumptions regarding, among other things: political stability of the areas in which the Corporation is operating and completing transactions, and in particular the aftermath of the July 2016 failed coup attempt in Turkey and April 2017 constitutional referendum; continued safety of operations and ability to proceed in a timely manner; continued operations of and approvals forthcoming from the Turkish government in a manner consistent with past conduct; future seismic and drilling activity on the expected timelines; the prospectivity of the TBNG JV lands and Banarli licences, including the deep basin-centered gas potential; the continued favourable pricing and operating netbacks in Turkey; future production rates and associated operating netbacks and cash flow; future sources of funding; future economic conditions; future currency exchange rates; the ability to meet drilling deadlines and other requirements under licences and leases; and the Corporation's continued ability to obtain and retain qualified staff and equipment in a timely and cost efficient manner. In addition, the Corporation's work programs and budgets are in part based upon expected agreement among joint venture partners and associated exploration, development and marketing plans and anticipated costs and sales prices, which are subject to change based on, among other things, the actual results of drilling and related activity, availability of drilling, fracing and other specialized oilfield equipment and service providers, changes in partners' plans and unexpected delays and changes in market conditions. Although the Corporation believes the expectations and assumptions reflected in such forward-looking information are reasonable, they may prove to be incorrect.

Forward-looking information involves significant known and unknown risks and uncertainties. Exploration, appraisal, and development of oil and natural gas reserves are speculative activities and involve a significant degree of risk. A number of factors could cause actual results to differ materially from those anticipated by the Corporation including, but not limited to: the risks of currency fluctuations; changes in gas prices and netbacks in Turkey; uncertainty regarding the contemplated timelines for the Yamalik-1 tie-in program; completion of the Banarli Farm-in program and the basin-centered gas delineation drilling program; the risks of disruption to operations and access to worksites, threats to security and safety of personnel and potential property damage related to political issues, terrorist attacks, insurgencies or civil unrest in Turkey; political stability in Turkey, including potential changes in Turkey's constitution, political leaders or parties or a resurgence of a coup or other political turmoil; the uncertainty regarding government and other approvals; counterparty risk; potential changes in laws and regulations; and risks associated with weather delays and natural disasters; the risk associated with international activity; and, the uncertainty regarding the ability to fulfill the drilling commitment on the West Thrace lands. The forward-looking information included in this news release is expressly qualified in its entirety by this cautionary statement. The forward-looking information included herein is made as of the date hereof and Valeura assumes no obligation to update or revise any forward-looking information to reflect new events or circumstances, except as required by law. See Valeura's 2016 AIF for a detailed discussion of the risk factors.

Additional information relating to Valeura is also available on SEDAR at www.sedar.com

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